

## THE OTTAWA AGREEMENT AND INDIA.

### I

THREE complete years have elapsed since the ratification by the Indian Legislative Assembly of the agreement arrived at by the Indian delegation at Ottawa. We have considerable statistical information at hand for the course of world trade for two years following the conclusion of the agreement and there are data enough for attempting to form a considered opinion regarding the efficacy of the Ottawa programme. The two documents which will be found most important in considering this problem are the two reports issued by the Government of India "on the working of the scheme of preferences" for the years 1933-34 and 1934-35. The two reports, though planned on identical lines, are yet notably different in character. The first is issued under the signature of Dr. Meek, the then Director of Commercial Intelligence and Statistics, and is a document which embodies emphatically expressed opinions and definite conclusions. The second report is not signed by anybody and does not even purport to issue from the Department of Commercial Intelligence and Statistics; it gives a mass of information and statistics on the lines of Dr. Meek's report but is a comparatively colourless production containing a minimum of comment. It is not known why such a change has come over the report this year; but it is expected that the Government of India will issue a statement of the Ottawa policy in time for the meeting of the Assembly. We have, in what follows, not found it necessary to travel much beyond the

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statistical material officially sponsored in these two reports.

There are, as even Dr. Meek has pointed out, a great many difficulties to be met with in an attempt to elucidate the effects of the working of the Ottawa scheme. The course of international trade is affected by factors so numerous and so complex that the effects of a single factor like preferential tariff rates may easily be masked by other movements. It is, therefore, necessary to remember that even in spite of the fullest statistical information any judgment regarding the working of preferences is not likely to be more than a well-informed and well-reasoned guess. It may be pointed out at the outset that in the following analysis it is only the course of the trade on India with the United Kingdom that has been taken into account. The total measure of colonial preferences is so small that they may for all practical purposes be neglected.

We may begin with a consideration of the changes in the total volume of Indian trade with U. K. The volume of this trade has increased more than proportionately during the years 1933 and 1934. This is due to certain broad changes that have recently come about in the world distribution of trade. It is the currency and exchange policies of the different countries that have been mostly largely responsible for the changes. The biggest currency group in the world—the "sterling group"—has since 1932 distinctly gained in its percentage share of the export and import trade of the world. Japan forged ahead more than any other single country, so also U. S. A. in 1934. The increase in trade of India with U. K. that has come about recently

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therefore, to be attributed not policy but to general trade movements brought about by other causes. This can be made most clear from the following statistics of the U. K. trade with India in preferential and non-preferential goods.

	1931-32	1932-33	1933-34	1934-35.
Index of the export trade of India with U. K. in articles enjoying preference	100	89.3	109.5	110.2
Ditto— in articles not enjoying preference	100	74.0	112.0	118.6
Index of U. K. imports into India in articles enjoying preference	100	105	118	134
Ditto—not enjoying preference	100	110.3	101.5	114.4

This table shows the comparative changes in the values of Indian exports to U. K. and of imports from U. K. into India of groups of articles enjoying preference and not enjoying preference. It clearly indicates that while the exports in that group of articles which enjoy preference increased from 1931-32 to 1934-35 by about 10 per cent. the increase in the group not enjoying preference is even greater. Hence the only conclusion possible on these figures is that the import trade of U. K. having expanded largely in recent years all kinds of Indian goods have found a widening market in that country irrespective of preferential treatment. It should be noted, on the other hand, that the imports into India of U. K. articles enjoying preference have increased much more than of those not having that advantage.

The general expansion of our trade with U. K., especially export trade, having thus no connection

with the Ottawa arrangements we are left to examine each item of preference individually to ascertain what effect preferential treatment has had on its trade. We had followed this method of attack in our brochure on "Imperial Preference" published on the eve of the consideration of the Ottawa agreement by the Assembly, and we shall have occasion hereafter to refer to conclusions reached therein.

It is obvious that every measure of preference must, like any other measure of interference, have some effect on trade and prices. So that preferences accorded to any commodity in a market must tend to increase the sales of that commodity and additional duties levied must tend to increase the prices of commodities. Circumstances may, however, either minimise or conceal these effects. And our endeavour has to be to note the extent of the effect felt by any trade allowing for the conditioning circumstances.

We may before going on to discuss each item glance at certain calculations made by Dr. Meek and published in Appendix II of the reports on the working of the agreement. These are called "advantage on landed cost in the United Kingdom" and are arrived at by multiplying the declared values of the various exports from India to the United Kingdom by the rate of preference. It is curious that in neither of these reports is any explanation given as to why these calculations have been made and published and as to what it is that they are supposed to represent. They are, of course, meant to lead the unwary reader into believing that they represent the real measure of the benefit secured by Indian trade as a result of the Ottawa agreement. Dr. Meek knew

better than to say so categorically in the body of his report, but we find other officials, as for example Sir Thomas Ainscough, using the statistics in this sense. Now even a moment's reflection by anybody who has had some elementary training in economics would show that these figures are utterly meaningless. They represent no more than the result of a mechanical multiplication of two sets of figures. The benefits secured by the Indian trader or trade may be indicated by an increase in the trader's profits and/or by an expansion of the trade over the previous level. And the reactions of a preferential treatment from trade to trade would vary enormously. In the case of a perfectly inelastic trade the benefit or loss suffered by the trader would be nil and the only effect of an increase or decrease in customs duties would be reflected in a variation of the price to the consumer. With a highly elastic or sensitive trade the effects, beneficial or otherwise, would be very large indeed. Without studying the detailed conditions of each trade there is no means of saying offhand or determining mechanically what benefits have been received. The official calculations are thus meaningless and we would hardly have thought it necessary to notice them if it were not obvious that they are very likely to mislead many persons.

In considering trade in each individual commodity the figures of its general expansion or contraction by themselves will not suffice. A particular movement of trade with the country may be part of a general movement of trade with all countries or may be part of a special trend, due to other causes, of that trade in that particular country. In either case a contraction or expansion could not be described as a result of the special tariff measure. The

contention put forward in the 1934-35 official report that a fall in the percentage of the exports to U. K. in a particular commodity is no necessary proof of the failure of the preference may be admitted and it may be agreed that the most important test is the increase in the proportionate share of India in the total imports into U. K. of the particular commodity. Of course, even if an increase is apparent the further question as to whether the increase is substantial enough and as to whether it is due directly to the preference or to other causes would still have to be asked.

## II

We shall now indicate briefly the conclusions regarding trade in some of the most important export commodities using the figures given in the two official reports and the latest statistics as given in the "Indian Trade Journal" of 5th December 1935. The figures in brackets represent the values of the exports to U. K. for the years 1933-34 and 1934-35.

*Tea* (Rs. lakhs 17,56 ; 18,15.) :—This is by far the most important article of export from India to U. K. and it was generally agreed at the time of the inauguration of the Ottawa arrangements that it was likely to profit somewhat from the preference. Even so it was clear that Indian producers had to depend on such a wide area for their market that protection in a single important area which would naturally result in intensified competition in other non-preferential markets was not in the long run of much real help. This was early realised by most producers of tea in India and Ceylon, and they had, therefore, directed their energies towards arriving at an arrangement with their

most important competitor—Java. An international scheme for the regulation of world tea exports was arrived at in May 1933 and has been in operation since. Hence for almost the entire period of the currency of the Ottawa agreement exports of tea to various countries have been regulated by national agreement among the main producers. The course of tea trade may be said, therefore, to have been entirely unaffected by the preference and no useful purpose can be served by discussing the statistics thereof. The Tea Restriction Scheme is working successfully and there is every prospect of its continuing to operate at least till 1938. Under the circumstances the grant of preference to tea becomes meaningless and may be considered as of no account.

*Dressed and Tanned Hides and Skins.* (Rs. lakhs 5,30; 4,86).—In the class of undressed leather (other than sole) for which preference has been granted to Empire products India supplies to U. K. tanned and dressed hides, and tanned and dressed goatskins and sheepskins. In all these products U. K. is by far the most important market for India and India the most important supplier to U. K. In 1927-28, for example, India supplied more than 90 per cent. of the total imports of tanned and dressed hides and goatskins into U. K. During the years 1930-31 and 1931-32 the Indian exports to U. K. of hides fell remarkably and so did their share in total U. K. imports. Since 1933 they have attained to their former position and it is presumed that the preference was helpful in enabling them to do so. In the case of skins the loss of market to others during the worst years of the depression was not large and hence there has been no con-

Firstly, India is not the sole Empire exporter of groundnut. British West Africa grows groundnuts on a considerable scale and its imports into U. K. have benefited very largely from the preference also. The possibilities of future expansion of the Indian market into U. K. are, therefore, limited by the strength of the competition of the W. African produce. The second point to be noted is the possibility of the substitution of groundnut by other oil-producing products. We had in our examination of the Ottawa agreement drawn attention to this feature of the oil seeds market and confirmation of it is available in the latest Government of India report on the agreement. It is here pointed out how the non-Empire imports of soya bean and cotton seed are increasing in spite of a duty and how this limits the market for groundnuts in U. K.

*Castor Seed* (Rs. lakhs 33 ; 31):—The U. K. market in castor seed was always held almost entirely by India and no difference has been made to the former position by the grant of preference.

*Rice* (Rs. lakhs 43 ; 50):—Preference may be said to have helped India to retain the U. K. market or slightly to increase it. The whole of the rice trade with U. K. is, however, unimportant and the position is best expressed by pointing out that while U. K. received in 1932-33 3.8 % of the total Indian exports of rice, in 1934-35 it received 4.8 % of these. The significance of the loss of rice markets of Germany and Poland is discussed elsewhere.

*Teak and other Hardwoods* (Rs. lakhs 49 ; 69):—Preference has been granted to teak and other



hardwoods and as teak is by far the most important of the exports from India it amounts practically to a preference for teak alone. India had even before the agreement been supplying U. K. with more than 80% of her total imports of teak-wood and this percentage has not increased during the last two years. The imports of teak have grown largely in recent years, but this has nothing to do with the grant of preference. Imports of all hardwoods into U. K. from all sources—Empire and non-Empire—have grown owing most probably to the boom in building and constructional industries and the Indian imports of teak-wood have merely shared in the general movement.

*Tobacco* (Rs. lakhs 47 ; 35 ) :—We had pointed out in our review in 1932 that from the analysis made by the Imperial Economic Committee it followed that preference to tobacco could be of no use to India. We export a very small proportion of our total production and what tobacco we exported was not of the type wanted in U. K. Dr. Meek's report and the latest Government of India report follow the same lines of analysis. The figures for both the years 1933 and 1934 show that with a large increase in the total tobacco imports into U. K. the figure of Indian imports is stationary, which means a large proportionate decline in India's share.

*Coffee* (Rs. lakhs 30 ; 21 ) :—Indian coffee has always had a small but select market in U. K. and it was not expected that a small measure of preference could much help it, even though the main competitor in the U. K. market of Indian coffee was non-Empire coffee from Central America. The result of the trade during the last two years.

shows that the proportion of U. K.'s share in Indian exports and the absolute volume of these exports have both declined. There has been during these years a large and continuous decline in the total imports of coffee into U. K. The decline in Indian imports into U. K. was proportionate in 1933 but was less than proportionate in 1934. This, however, was entirely due to a short crop in British E. Africa, as is shown by the fact that the proportionate share of Costa Rica—India's chief competitor—also increased during this year. It would seem from the latest available figures that for the year 1935 even the 1932, 1933 position cannot be retained and that the share of Indian imports of coffee into U. K. will decline relatively both to British E. Africa and Costa Rica.

Imports into U. K. of Coffee for the first nine months.

	1933.	1934.	1935.
Total '000 cwts.	553.0	495.2	407.3
India	44.8	49.0	29.3
B. E. Africa	195.0	107.3	151.0
Costa Rica	231.4	225.4	177.4

### III

*Pig lead*:—(Rs. lakhs 1,30; 85) All the most important suppliers of lead to U. K. are Empire countries and hence it was not clear from the beginning how preference was going to improve the position of Indian lead in the U. K. market. Actually there has been a definite deterioration in the position since 1932. Australia and Canada have both made considerable advances. It is expected that the former was helped to do this by the exchange advantage that it had obtained. It is clear from the figures given in the Government of India report that the imports of Indian lead into U. K. have declined both in absolute volume as well as in their percentage to

total imports. This decline which is clearly noticeable in the 1933 and 1934 figures seems to have continued still further in 1935, as the following figures will show.

Imports into U. K. of pig lead for the first nine months.

	1933	1934	1935
Total '000 tons	208.7	228.1	243.5
India	39.9	31.5	33.0
Australia	107.2	118.2	132.9
Canada	53.0	56.5	67.0

*Oilcakes* :—(Rs. lakhs 86; 1,36) This is a composite group and detailed figures are not available regarding each of its separate constituents to enable us to judge of the detailed effect of the preference. By far the most important constituent of this group is, however, groundnut cake. From the statistics available (I. E. C. Report on Groundnut products, 1934) it is seen that in 1931 and 1932 the average percentage of Indian imports of the total imports into U. K. was 92. This was maintained in 1933. It is not known what the percentage was in 1934. It is, however, obvious that the competitors of India hold such a small part of the market that the scope for a beneficial effect of preference as such, if any, is extremely limited. The large expansion of Indian exports of groundnut cake in recent years follows naturally on the greatly increased demand in the U. K. and other markets. The point we have noted before that the oilcake trade is one which we need not be anxious specially to encourage is one to be borne in mind in this connection.

*Carpets and Rugs* :—(Rs. lakhs 57; 74) In carpets and rugs U. K. has been always our chief market and the exports to that country have increased.

somewhat during the last two years. The percentage share of India in the total imports into U. K. under this head has also increased and this would show that the preference has been of some benefit to us.

*Paraffin Wax* :—(Rs. lakhs 55 ; 47 ) The figures of the imports of paraffin wax into the United Kingdom since 1931 show clearly that there has been no increase in the proportionate share of Indian imports to the total in 1933 and 1934. On the contrary there is noticeable some decline in that share.

*Fodder, Bran and Pollards* :—(Rs. lakhs 38; 65) This again is a composite group and in the absence of detailed information it is impossible to comment. The Indian imports into U. K. under this head are almost entirely made up of rice meal and dust and in that article the Indian imports have never met with any significant Empire or non-Empire competition.

*Coir manufactures* :—(Rs. lakhs 23; 25) This head has to be considered under two sections : coir yarn and coir mats and matting. The U. K. supply of the former has always been drawn almost entirely from two Empire sources—India and Ceylon. Since 1932 the only noticeable change in this trade has been an improvement in the share of the U. K. market by Ceylon at the cost of India. Of coir mats and matting India has always been the predominant supplier to U. K. but Belgium used also to send a substantial consignment. Today the Belgium imports into U. K. under this head have totally disappeared and the market is held entirely by India. It is doubtful, however, how far this result can be attributed to Ottawa as India already took up 98 p. c. of the U. K. market in 1932.

*Pig Iron*:—Under an agreement supplementary to the Ottawa agreement free entry has been granted to Indian pig iron into U. K. As the standard rate is 33½ p. c. and as there are no other Empire suppliers this has meant that the Indian supply has almost entirely captured the U. K. market. The U. K. market for pig iron is, however, not a large one and it has to be noted that pig iron imports into U. K. are not increasing in spite of the greatly increased activity in the iron and steel industry of that country.

Imports of pig iron into U. K. for the first nine months.

	1933.	1934.	1935.
Total '000 tons	67.9	87.5	64.9
India	60.3	76.4	54.0

Apart from preferential treatment the Ottawa delegation was able to secure free entry into U. K. for some of the articles in which India was specially interested. The most important among these articles are lac (Rs. lakhs 1,32; 1,46), mica (Rs. lakhs. 24; 35) and myrobolans (Rs. lakhs 29; 25). In lac and myrobolans India has usually supplied in recent times more than 95 p. c. of the total demand of the U. K. market. In mica also India has always been a dominant supplier and the competing sources are mostly within the Empire. With a mere free entry guaranteed no special movement of trade was expected; neither has any come about.

*Raw Cotton* (Rs. lakhs. 3,37; 3,42):—There is no preferential treatment accorded to raw cotton and its imports, from whatever source, were never subjected to any duty. The U. K. Government has merely undertaken to encourage the use of Indian cotton in U. K. and has set up a committee to carry on some propaganda and research

in this behalf. Apart from the expenditure—whose extent we are not able to ascertain—in connection with the work of this committee, there is no burden involved on the U. K. producer, consumer or taxpayer in this connection. Hence it is highly misleading to include raw cotton as falling within the scheme of preferences. It is very difficult to gauge how far the work of propaganda and research has been useful in extending the market for Indian raw cotton in England. The consumption of Indian raw cotton in U. K. has always been subject to considerable fluctuations, both in absolute amount and the proportion of the total of raw cotton imported into U. K. The following is the percentage of the imports of raw cotton from India of the total raw cotton imports into U. K. for a number of recent years:—1929: 6.8; 1930: 10.0; 1931: 9.7; 1932: 4.3; 1933: 7.8; 1934: 12.1. It will be observed that the 1933 percentage is less than the average of the three years preceding and even the 1934 percentage is not extraordinarily above the percentage for the years 1930 or 1931. The consumption of Indian raw cotton in U. K., it is well known, depends almost entirely on the relation between the price of Indian and American cotton. Now the parity (i. e. percentage of Indian price on American) between the prices of Middling American and Fine Broad at Liverpool was for the greater part of the year 1932 between 94 and 90; throughout 1933 it tended to come down and varied between 90 and 80 and it remained for the greater part of the year 1934 below 80. This would show that the progressive cheapening of Indian cotton in terms of American was by itself of sufficient magnitude to explain the greater consumption of Indian cotton by Lancashire in recent years. Even if it

were claimed that some part of the increase in consumption was due to the efforts of the Lancashire Committee we wish to emphasize the very great difference between a trade advantage obtained in this way and that obtained by preferential tariff treatment. There is, as a fact, not even a theoretical objection to favouring another country's goods by means of disseminating information and conducting research. It was along these lines that the activities of bodies like the Imperial Economic Committee and the Empire Marketing Board were carried on in Free-Trade England, and no one could say that the costs of such activities are either excessive, wasteful or even onerous. As a fact they are in the long run advantageous to the country which incurs them. Research and a spread of knowledge of the ways in which Indian cotton can be used is of benefit to Lancashire itself and in the long run all steps that make Lancashire dependent less exclusively on the American supply of cotton are eminently to its own advantage. So that while one may acknowledge the possibility of the activities of the Lancashire Cotton Committee proving of some immediate use to the Indian raw cotton producer it should be made clear that they are of a type that lay no significant burden on the English producer, consumer and taxpayer and that they are of ultimate advantage to the Lancashire industrialists themselves. We, for our part, would never object to the most extensive reciprocity along these lines in favour of British goods. If the Indian Government can undertake activities by which the spread of information among consumers or the conduct of research work by government bodies in India would further the sale of any types of British commodities this should be certainly done in exchange for

similar treatment of Indian goods in England. We would not grudge any expenditure along these lines and we do not think that the monies will be ill spent. But we object most strongly to considering the costs of the activities of the Lancashire Committee as on a par with the sacrifices involved to the consumer and the tax-payer by a manipulation of the customs duties.

#### IV

We have examined above the movement of trade in all articles included in the Ottawa arrangements in which the exports from India to U. K. averaged during the years 1933-34 and 1934-35 at approximately more than Rs. 25 lakhs p. a. It is unnecessary to extend the examination to less important articles of trade. Before we go on to indicate the conclusions to which the above examination leads us it is necessary to note certain important reservations. It is extremely difficult to isolate the effect of preference, and any quantitative measurement of the effect of that policy is impossible. We have already commented on the misleading nature of the calculations entitled "advantage on landed cost" included in the Government of India reports. We have no idea as to what the state of trade would have been in the absence of the Ottawa agreement and, of course, cannot say that the increment in percentage shares noticed in individual commodities are, in any given proportion, to be attributed to this agreement. Indeed a change in trade volumes or percentages unless studied in relation to all the facts of the trade cannot warrant us in arriving at any conclusions. We have said above that all measures of interference such as a preferential tariff must have some repercussion on trade; but the extent of this repercussion



differs widely from trade to trade and hence the necessity of examining each item in detail. The important test in this examination that we have used is the percentage share of U. K. trade in any commodity that India obtains and the additional advantage gained, presumably as a result of preference. It is, however, also important in seeking preference or free entry for any commodity to consider whether the total U. K. market for it is important or not.

We note that the tea trade, being entirely extraneously regulated, shows no effects of the Ottawa agreement; in the case of tobacco, paraffin wax, lead, coir yarn and coffee there has been a definite decline in the percentage; in the case of jute manufactures, tanned skins, teak, oilcakes, bran and pollards, castor seed, coir mats and matting no significant difference in the percentage either way is to be observed; while in linseed, tanned hides, groundnut, rice, and carpets and rugs a definite advance in percentage has been noticed. The most important constituents of the free entry group are lac, mica and myrobalans. The speculation in shellac renders the recent trade figures of that commodity useless for drawing any conclusions; while in both mica and myrobalans no increase in the percentage share is noticeable.

The percentage relation by itself is not conclusive but when it is considered with the other relevant factors it makes certain deductions highly probable. In jute manufactures, tanned goatskins, teak, castor seed, lac, mica, myrobalans, groundnut oilcake, rice meal and dust etc. India is almost the sole supplier to the U. K. market. With no direct competitor in the field, a preference is of no more sig-

nificance than affording a duty-free entry to the market. It has been suggested that it helps in keeping off the competition of substitutes; but this is an advantage whose existence requires much more concrete proof than has hitherto been made available. For example, what is the point at which jute manufactures may begin to be replaced by some alternative means of packing is not easy of determination. The Review of the Trade of India, 1934-35 notes how in some countries efforts at finding substitutes are being made; but in most of these cases the incentive is that afforded by an almost prohibitive scale of duties or that of deliberate attempt at self-sufficiency. It is clearly open to doubt whether the difference made by a 10 p.c. revenue duty would be large enough for this purpose. A 10 p.c. revenue duty would no doubt affect somewhat the position of a direct competitor but not materially that of a substitute commodity. We find that the effects of a 10 p.c. duty are a number of times countered even in the case of a direct competitor by such factors as exchange fluctuations or crop shortage. We, therefore, conclude that in the type of articles noted above a preference has little significance. We shall have something to say later *re* the obtaining of free entry.

There are next a series of articles in which the main competitor of the Indian article in the U. K. market is produce from another Empire country. This is for example the case with coir yarn where the competitor is Ceylon and tanned sheepskins and pig lead where the competitor is Australia. In these trades general Empire preference has meant practically no change from the pre-Ottawa conditions. There are other commodities such as coffee, paraffin wax and tobacco where the competitors from non-

Empire countries hold, on account of various reasons, such a strong position in the U. K. market that a preference of the degree of 10 p. c. or thereabouts has not helped to stop a further deterioration of the Indian position. It is, of course, possible to say in this case, as everywhere else, that the position would but for the preference have been worse. But even this is doubtful. In most such cases the U. K. market for Indian produce is a small and specialised one and the difficulties in the way of expanding or retaining it are mainly those of quality of produce or marketing organisation; and a small measure of preference is thus unable to affect its position.

A definite rise in percentages is to be observed in the case of tanned hides, linseed, groundnut, carpets and rugs and rice. In tanned hides the normal position is that of India being the dominant supplier to the U. K. market. This position was temporarily lost during the years of depression and regained after 1933, hence the noticeable increase in percentage. In all the other products the competing sources of supply in the U. K. market being to a large extent outside the Empire, definite advantage of the preferential treatment has been available. It should be noted that the position of Indian rice in the U. K. market before Ottawa was substantially similar to that of Indian tobacco and coffee and that Indian rice has gained in the U. K. market only because the amount of preference given has been very high. The preference is indeed so high that it temporarily led to the creation of a flourishing rice-milling industry in U. K. on the basis of the imports of Spanish paddy which could come in subject to a 10 p. c. ad valorem duty. This import was put a stop to when on a representation by the Government of India the duty on

paddy was raised. While the increase in the trade in linseed and carpets and rugs was anticipated by us in 1932 it may be admitted that the course of groundnut trade has been different from what we had calculated it would be. It should, however, be observed that this is the result of an important change that has come over the world trade in groundnut and that we are likely to lose more in consequence in the French market than what we have gained in the British U. K. before Ottawa drew its supplies of groundnut chiefly from India, British W. Africa and French W. Africa. These were also the chief sources of supply of our most important customer of groundnut, viz. France. To both U. K. and France India supplied the bulk of their groundnut requirements. The recent organisation of trade on Imperial lines has come to mean that U. K. has almost ceased to take up any groundnut from French W. Africa and that France is rapidly contracting her purchases of Indian groundnut. Now so far as groundnut is concerned the French market is vastly more important than the U. K. market. The consumption of groundnut in France in recent years has been on an average more than five times the consumption in U. K. (vide I. E. C. Survey 1934). Hence it is open to doubt whether, at least so far as groundnut is concerned, reorganisation of trade on Imperial lines can be held to be beneficial to India.

We have noted that preference has been of active use to Indian trade only, on a limited range of commodities and that even among these commodities in one case, i. e. rice, the total share of our exports taken up by U. K. is extremely small. There remains to consider the question of free entry. We have noted above in the case of a number of commodities that, though

a preferential treatment has no particular value, obtaining a free entry to the U. K. market is helpful to the trade. One consideration may be noted at the very outset. It is that in the case of almost no important Indian export to U. K. does the commodity compete with U. K. home produce. Even in jute manufactures the Dundee products are substantially of a different type from those imported from Calcutta. The imports of Indian agricultural products do not compete directly or indirectly with British agricultural production. We are not thus affected by the new protectionist policy of Mr. Elliott either. Hence the main ground for opposing the abolition of import duty is in this case non-existent. Further except for rice, carpets and rugs and coir mats and matting almost none of the articles of export that we have examined above are consumers' goods. They are all in the nature of raw materials or subsidiary products helpful in the preparation of finished materials by U. K. manufacturers and hence it is obviously to the interests of the U. K. industrialists to obtain these with as light a fiscal burden as possible. That the U. K. manufacturer and trader is really anxious in this behalf is clear in a number of ways. Thus the linseed oil industry secured for itself from the beginning a rebate of 50 p. c. of the revenue duty on the non-Empire linseed contained in all exports of linseed oil products from U. K. This drawback was increased to 60 p. c. in 1934. Even so we learn that "the linseed oil crushers in this country (U. K.) have been seriously prejudiced and resent the tax on their raw material." (The *Economist* Commercial History and Review of 1934, p. 44). The latest Government of India report on the working of the agreement notes (p. 102) how the U. K. tanners successfully

agitated for the removal of the duty on some non-Empire tanning materials. Similarly the 10 p. c. duty on lead having had a very depressing effect on the business in lead on the London Metal Exchange it was on the advice of the Import Duties Advisory Committee substantially reduced only a few months ago. The chances of at least a mild recovery in business are now much brighter than they were in 1932 and hence the U. K. manufacturers will be all the more anxious to obtain duty-free raw material for themselves. The raising of revenue was never an important consideration in the imposition of the import duties by U. K. and hence the question of the consequential loss of revenue need not be raised in this connection. Further as in the large majority of articles in which India is interested the U. K. market being held entirely by Empire producers or India being the sole Empire supplier the abolition of preferential treatment or the reduction of it to mere free duty is not likely to be opposed by interests in other parts of the Empire. The chief reason why in 1932 U. K. imposed import duties was, it was said, the anxiety to attain to a bargaining position with other countries. It is likely that the anxiety to continue to be able to bargain favourably with India may induce U. K. to refuse Indian products free entry even though such a step may be in the interests of U. K. manufactures. We shall, however, consider this aspect of the problem somewhat later.

We may then conclude this examination of the export trade of India by stating that it is only in the case of a very small number of our exports that preferential treatment has been of clear use to us and

that its continuance is likely to be helpful in the future only perhaps in the case of linseed, carpets and rugs and rice. It is also doubtful whether a preference on linseed will continue to be available in the future. On a large majority of the other products a free entry to the U. K. market is all that the Indian producers need and the grant of such free entry is essentially in the interests of the U. K. producers themselves.

#### V

We have made it abundantly clear above that no quantitative measurement of the effects of the Ottawa Agreement on our export trade is possible. It is even more difficult to gauge the cost to revenue and to our consumers of the preferences that we have in return extended to British goods. We do not undertake an examination of the increase in the imports of British goods into India as a result of preference, as the ascertaining of the profits accruing to British trade is neither relevant nor useful for our purpose. What is necessary and useful is to estimate the loss suffered by revenue on account of the preference and the increased burden on the consumer. For it is clear that the cost of the preference is borne by India partly in one way and partly in the other.

The Central Board of Revenue prepared for the Assembly Committee in 1934 a statement giving an appreciation of the effects of the Ottawa preferences on the customs revenue. This statement consists of three tables. In these tables are considered tariff headings (i) completely affected by the Ottawa Agreement, (ii) partially affected by the Agreement, and (iii) not affected by the Agreement. The tables:

set out the customs revenue obtained in the years 1932-33 and 1933-34 under the various headings and indicate whether there has been an increase or a decrease. The conclusions arrived at are that under head (i) there has been a slight increase in revenue, under head (ii) a fair decrease and that the most substantial decreases have taken place under head (iii). It is supposed to follow from this that the Ottawa Agreement has not affected our customs revenue. It is difficult to understand how these figures can prove anything. The yield of customs revenue depends on two factors: (i) the extent of the trade and (ii) the rate of duty. When we are considering the problem of estimating the effects of preferential treatment on customs revenue we have to take two possible effects of preference into account: one that of contracting trade and affecting revenue and the other that of diverting trade from imports liable to a higher duty to those liable to a lower duty. In the case of those articles in which the level of duties did not rise at all as a result of the Ottawa Agreement the first type of effect would be totally absent.

For example, the duty on motor cars in Dec. 1932 was  $37\frac{1}{2}\%$  and preference was given to U.K. by lowering that duty in the case of U. K. imports. In doing this no further obstacle to general trade was raised and one special section of it was encouraged in preference to others. The total effect of the Ottawa scheme on the motor customs revenue would be gauged by estimating the extent to which in that year trade was stimulated because of the preference—this would count on the credit side—and also estimating how far trade was merely diverted from cars liable to  $37\frac{1}{2}\%$  duty to cars paying 30% duty—this would count on the debit side. It is only estimates of this nature



which would show the effects of preference on customs. Instead, the Board of Revenue gives the figure of increase in customs revenue from 1932-33 to 1933-34 and seems to consider that as measuring the effect of Ottawa. For aught we know, the trade in motor cars would have increased to the same extent even without the preferential treatment of British cars and the only effect Ottawa had was in increasing the sales of English cars at the expense of American cars and thus causing a loss to our revenues. At least, it is clear that the mere figures of customs revenue for the two years warrant us in drawing no conclusions.

In the absence of statistical information of this nature we can only proceed on the basis of estimating probable reactions of trade. The majority of preferences given were in the neighbourhood of about 10% and in the majority of cases the preferences were given by increasing the standard level by 5% and lowering the U. K. level by 5% as compared with the previous rate. It is difficult to say to what extent the demand contracted, or its recovery was impeded by the increase of the general rate of duty by 5% or thereabouts. But we are of opinion that in the majority of commodities the preference given to U. K. goods was not likely to stimulate trade. In those commodities in which U. K. was the dominant supplier and its supplies already priced low, trade could be stimulated by preference, but as in the case of the majority of articles this did not hold true, preference would have had the effect of merely bridging the competitive difference between British and non-British sources of supply and enabling the U. K. producer to expand his market at the cost of non-British competition or to hold his own. It is most

likely, therefore, that the effect of preference on our customs revenue was felt mostly by way of the loss entailed on account of the transference of a portion of the market to U. K. producers, i. e. the lightly taxed producers.

Another feature to be noticed about the tables presented by the Central Board of Revenue is the exclusion from the influence of Ottawa of cotton piece-goods and iron and steel. Formally the exclusion of iron and steel might have been correct in 1934; but as the 1935 Indo-British agreement balances the free entry to Indian pig iron against the preferential treatment of British iron and steel, even this no longer holds true. But in view of the Mody-Lees pact and the consideration of raw cotton under the Ottawa arrangements it was obviously never right to exclude cotton piece-goods. For our part we have always maintained that the preferences granted under cotton and iron and steel ought both to be reckoned in a measurement of the total effects of preferential arrangements. The value of trade under both these items is very considerable and the measure of preference accorded is also great. The preferential element, be it noted, in iron and steel has actually been increased in a number of items in 1934. It is extremely likely, therefore, that under them the loss of revenue is most marked.

There are not data enough to evaluate quantitatively the loss to revenue along lines indicated above. But it is only along such lines that an even approximately correct estimation of loss is possible. Whatever the loss in customs revenue sustained by us it is clear that we can ill afford it. It is notorious that the Central Government in India depends to a very

large extent on receipts from customs for its finance and it is the falling off of this revenue that has led it in recent years to resort to the very objectionable method of levying excises.

While it is difficult to attempt an estimate of the loss sustained by our revenues the burden imposed on the consumers by the preferential arrangements is almost impossible of estimation. Dr. Meek, for his report on the working of the Agreement for the year 1933-34, had caused to be compiled a series of statistics of comparative prices for the pre-Ottawa and post-Ottawa periods. Figures on the same lines have been given in the 1934-35 report also. The writer of the 1934-35 report has contented himself with pointing out the difficulties which make it impossible to draw any conclusions from these statistics of prices. Dr. Meek, however, in his report hazards the definite conclusion that the consumer has not suffered. It is evident that Dr. Meek was carried away by his too great enthusiasm in the cause of Ottawa. For it is otherwise not possible to explain how he could write sentences like the following and place them in juxtaposition :

Lastly the price reductions may have been effected by imperceptibly reducing the quality of the supplies . . . Some of the Collectors of Customs have definitely stated that some prices have been reduced at the cost of quality . . . But by whatever method the end was achieved the fact remains that the prices of both preferential and non-preferential items have fallen in most cases and the consumer has, therefore, profited to some extent as a result of the scheme of preferences.

To begin with it is obvious that Dr. Meek's claim amounts to saying that the consumer must benefit from a price reduction even though it has been brought about by a deterioration of the

quality of the commodity in question! Further even though it be admitted that the prices have fallen, how can that fall be called a result of the scheme of preferences? The one way by which Dr. Meek tries to establish a connection between these two is by visualising the non-British importer as cutting down his prices in an attempt to compete with the British importer getting preferential treatment. No doubt temporarily such devices may be resorted to, but they cannot operate over a series of years. In the long run quality must suffer or the market given up. And if this did not happen and the non-British importer was always able to cut prices and keep his market why should the Britisher ask for the preference, unless it be, of course, out of benevolent intentions towards the Indian consumer? Further, even Dr. Meek admits that in commodities where international prices are controlled by rings this type of consideration would not operate. How such rings would take full advantage of the tariff wall is best exemplified by what happened in the case of galvanised sheets. When the supplementary agreement to Ottawa was entered into we had remarked that the consumer had now been delivered bound hand and foot into the hands of the combined iron and steel industries of Great Britain and India. Government to put some check on this exploitation of the consumer imposed a maximum price on the trade but it transpires that this maximum was exceeded and Government never noticed this till it was reported on a year later by the Tariff Board.

As a fact the small price fall in recent times of imported articles has had nothing to do with preference. The imports of India mostly belong to the group of manufactures; and the last two years have witnessed a tendency towards the bridging of the gap

between the prices of agricultural and manufactured goods by a continued fall in the price level of the latter. The following table shows the movement of prices of these two groups of articles in India :

	Exported Articles.	Imported Articles.
Indian Index No.		
Dec. 1932	120	129
Dec. 1934	124	124
Calcutta Index No.		
Dec. 1932	69	115
Dec. 1934	76	109

The movement revealed by both these indices is identical. This is further a movement not confined to India. The League of Nations' Review of World Production and Prices (1925-34) notes that "in most countries for which information is available raw materials rose more (or fell less) in prices in 1933 than manufactured articles." In 1934 also the same movement was continued in a large number of countries. Supporting statistics may be cited from Japan which next to U. K. supplies to us the largest volume of our imports. The following figures are taken from the monthly circular of the Mitsubishi Economic Research Bureau :

Index No.	Commodities for export.	Imported commodities.
Jan. 7-1933	159.0	171.2
Jan. 10-1935	133.9	192.3

Japan imports mostly raw materials and exports manufactured articles. Hence the movement of prices in these groups is opposite to that shown in the table of Indian index number. It will be observed that the extent of the movement in the Japanese index numbers is even greater than that shown by the Indian

index numbers. It is unnecessary to enter into the causes of this tendency of price movements. For our purpose it suffices to point out that the price fall in imported commodities is the result of causes extraneous to the preference arrangements.

It has further to be noticed that the movement of exchange rates has been a factor powerfully affecting prices and trades. Thus, one of the reasons why Japan has been able to lower the prices of its goods is the exchange advantage obtained by it. On the other hand, the countries of the gold bloc and Germany have been handicapped by their exchange rates and have found it difficult to lower the prices of their products to any marked extent in the period since Ottawa. The extent to which exchange considerations may influence trade is clearly shown by the variations in the imports of motor vehicles into India. In 1933 helped by the adverse dollar exchange and the Ottawa preference Great Britain was able to capture a considerable portion of the Indian market for motor vehicles. In 1934, on the other hand, the depreciation of the dollar placed U.S.A. in its turn, in a favourable position and American cars recovered their old position in the Indian market in spite of the preference.

It has been maintained a number of times that the Ottawa arrangements have led to a lowering of tariff barriers. It is obvious that this is not true at least of India. It is not possible for us to compile an index of the level of customs duties. But it is enough to point out that of the 163 items contained in Schedule F to the Ottawa Delegation's report on which preference has been granted to U. K. the grant of preference has meant some raising of the general rate of duty in nearly 100 items. In most cases

this has been achieved by lowering the rate on British goods by half the measure of preference and adding half the measure to the general rate. On more than 15 items, however, Ottawa has meant raising of the general level of duty by the full measure of the preference. Now it can confidently be maintained that so far as consumer's prices and the real measuring of the tariff wall is concerned, it is the general rate that is the ruling one. It is not the height of the barrier at which one section of the supply comes in, but the height at which the general supply comes in that determines trade and prices. Hence the cases in which the tariff rate is lowered in favour of U.K. without lowering the standard rate are not to be reckoned as instances of a lowering of tariff barriers. They mean no doubt no additional burden to the consumer but they mean also, in general, no relief to him; and in their case it is the loss of revenue involved that measures the loss caused by preference to the country granting it.

It may perhaps be argued that this is not true of trades in which U. K. is the sole or at least the dominant supplier. It is difficult to determine to what extent this may be true. But we need not enter into any complicated analysis on this account. For, in contrast to the position which India holds in a great many lines in the U. K. market, it is only in a very few items of trade that U. K. can claim even as great as a three-fourths share of the Indian market. Among the groups of articles to which preference has been granted by India there are only four such items. These are: arms and ammunition, engine and boiler packing, toilet soap and cycles. And among these cheap Japanese soap has been kept out since December 1933 by a specific

minimum duty. On the other hand there are a large number of heads under which U. K. does not contribute even 25 per cent. of the total imports even after preferential treatment. The most important of these are earthenware and porcelain, haberdashery and millinery, packing paper, toys, umbrellas and motor omnibuses. We can in this connection do no better than quote a paragraph from what we wrote in 1932.

There are a great many important lines in which the U. K. importer is in so inferior a position that a large part of the supply will continue to be drawn from other countries in spite of the preference. Such lines are motor cars and lorries and pneumatic motor covers; metals like brass, aluminium and copper; metal lamps, enamelled iron-ware and builders' and domestic hardware; cutlery; electric lamps and fans; typewriters; blankets and rugs and woollen piece goods; printing and packing paper and pencils; canned fruit and condensed milk; porcelain; toys; playing cards etc. Secondly in these and even in others in which the United Kingdom is dominant non-British supply is mostly taken up by the poorer consumer. Mr. Ainscough emphasises again and again the strength of the competition in what he calls bazaar trade. The Indian consumer may be blamed for disregarding quality, but it is obviously his lack of means that forces him to do so. As Mr. Ainscough has himself put it at one place, "every pie counts." If for such a statement any authority is needed we may quote it in the words of the Fiscal Commission. "The great mass of the people in India, it must be remembered, are poor." And it is especially the poor that consume non-British goods. For these they evince a partiality because of their cheapness and we are now being asked to penalise them very heavily. In respect of tariff burdens the Fiscal Commission has clearly laid down; "Such burden as appears to us inevitable in the pursuit of a policy of more rapid industrial development of India, the Indian consumer must be asked to bear. But he should not be called upon to bear an additional burden on top of this for the further-



ance of interests which are not primarily Indian." (para 243). This additional burden is being imposed, it should further be remembered, at a time when, on account of the fall in world prices, the mass of the Indian population is enormously poorer than it has been for many years past.

In a number of commodities mentioned above the U. K. share has increased since the grant of preference, but in most of them non-British supplies are still very important and all of these now bear a higher duty than before. It is always extremely difficult to measure the burden on the consumers and in this case the task is rendered impossible by a contemporary fall in the prices of manufactured articles. But there is nothing in the situation that can lead us to believe that the burden of the tariff has not been passed on to the consumer.

## VI

We have, it will be seen, made no attempt to balance directly the gains that may be available to India under the Ottawa Agreement against the losses and sacrifices entailed by it. We feel that it is impossible to estimate, quantitatively either of these sides even in an approximate way. It is necessary thus to emphasise these difficulties as there have been current in this discussion some entirely misleading calculations of this character. There are the crude calculations of advantage or landed costs which have been used in a peculiar way by Sir T. Ainscough and which have been used by publicists in U. K. to support the statement that India has gained more than U. K. by the Ottawa Agreement. But there is even such a statement as the following by Dr. Meek which requires careful examination :

"The situation may be summarised in the statement, that although after the Ottawa Trade Agreement the United Kingdom has improved her position in the Indian Market, there is still a good deal of leeway for her to make up. On the other hand, she has proved an increasingly important market for Indian goods." Here, prefacing the sentence with the words "after the Ottawa trade agreement" seems to imply a causal relation of the later trends in trade with the agreement for which there is not the slightest justification. Our detailed examination of the Indian export trade has clearly shown that the development of recovery in U. K. has affected in varying proportions the different trades and that very little of this development can be attributed to Ottawa as such. On the other hand, the statement that the U. K. has a good deal of leeway to make up is based on the assumption of a normal level. The normal level that Dr. Meek assumes is that of the pre-1929 trade of U. K. with India. But this level can no longer be considered normal. It is true that since 1929 the favourable merchandise trade balance that U. K. had with us has considerably diminished; but this is due to certain fundamental factors that are unlikely to be affected by preferential arrangements.

It is necessary in this connection to emphasize a very important change in the direction of world trade that is progressively affecting international trade since 1929. This change, which has been very generally recognised by economists in recent years, has been termed the "trend to bilateralism." With an increasing height of tariff and other barriers to trade and increasing attempts at national self-sufficiency nations are regulating the measure of their trades.

directly one with the other. The multilateral system of trade in which surpluses of trade balances with one country were balanced by deficits in that with another has almost broken down. This has led to a great many adjustments in trade relations and we maintain that the recent changes in the trade balances between U. K. and India are for the most part results of this movement. We are not concerned with the merits of bilateralism, neither is it necessary for us to consider the economics of it. We merely note that Ottawa itself was a very important step in the progress towards bilateralism. The abandonment of free trade on the part of U. K. and the attempt at the organisation of trade on Imperial lines within the British Empire were very important stages in this movement. No doubt they were in part themselves caused by other earlier movements in this direction. But it is equally true to say that they helped considerably to intensify the situation. The protestations at Ottawa that Imperial preference will in course of time lead to freer trade all over the world did not even then find much credence; today they are thoroughly discredited. This trend towards bilateralism is so important a change, the probability that the changes brought about by it are durable is so high and the way in which it affects our trade with U. K. so intimate that we shall deal with it and its results at some length. We may begin this by describing the nature of the old trade relations with an extract from a publication of a Scandinavian Bank.

The excess of imports of the United Kingdom, which during the years immediately preceding the depression was fairly constant, amounted in 1929 to £382 millions, a sum which may be taken as representing the yield of the overseas investments of the country, the income of the merchant marine in foreign traffic and net profits on

account of various other business activities, after deduction of the amount by which capital exports exceeded capital imports in the form of amortizations, etc. The most important item of income was, of course, the yield of long-term investments abroad, which according to the estimates of the Board of Trade amounted to £250 millions.

According to statistics available for 1930, only 2½% of British long-term capital abroad is invested in the United States and 7½% in Europe. It may thus be estimated that about nine-tenths of the income from foreign investments are derived from other countries. Probably the other payments by means of which England met her excess of imports were also due mainly from these countries.

Some 80% of excess of imports arose, however, in trade with Europe and the United States and only 20% in trade with other countries. In fact, several of the countries indebted to the United Kingdom, for example India, Brazil and Australia imported more from that country than they sold there; but the balance of their total trade was active on account of their large exports to the United States and Continental Europe.

The transfer of the large amounts which the raw material producing countries had to pay in England was therefore performed in the following manner. These countries sold their products to all industrial countries of the world and employed their exports surplus with the United States and the industrial countries of Continental Europe for payments to England. England in her turn employed the currencies she thus obtained for purchases of various products, particularly industrial goods, in the last mentioned countries. These latter were to a considerable extent dependent upon their export surplus with England for their supply of foreign raw materials and foodstuffs. (Folke Hilgerdt: *The Approach to Bilateralism*: Index. Stockholm. Aug. 1935.)

This extract brings out very well the importance to India of its export surplus in the trade with U. S. A. and the countries of the European continent. It was only this export surplus that enabled us to buy the manufactures of U. K. in such great excess of

the value of our exports to that country and in addition to pay the various burdensome but invisible obligations that we owe to it. Bilateralism has meant inevitably the steady diminution of our export surpluses with other countries. The specially strong position that some of our products hold has no doubt steadied the rate at which our export surpluses have declined but no exports are entirely substitute-proof and when nations are bent on obtaining self-sufficiency or a closed economy within a group there are, it seems, no lengths to which they will not go. Hence though gradual, the tendency towards diminution of our export surplus has been continuous.

The following table shows the values of the export and import trade of India with the more important countries. It exhibits clearly the change in the character of the pre-1929 trade relations and demonstrates how with the vanishing of our export surplus with other countries our imports from U. K. have diminished. It has further to be remembered that even so, the balancing of our obligations in recent years has been made possible only by a draining of our capital or reserve resources by means of exports of gold.

VALUE OF INDIAN TRADE [ Rs. lakhs ]

COUNTRY.	Exports to			Imports from		
	Average 1926-27 to 1928-29	1933- 1934.	1934- 1935.	Average 1926-27 to 1928-29	1933- 1934.	1934- 1935.
U.K.	70,10	47,21	47,93	114,33	47,59	5, 7
Japan	34,82	16,36	20,80	17,34	12,61	24,14
Germany	28,65	9,84	7,17	16,03	8,99	10,11
U. S. A.	36,26	14,07	12,90	18,68	7,18	8,41
Belgium	11,03	4,48	4,38	7,16	2,66	2,16
France	15,85	7,37	5,29	4,21	1,51	1,53

If we lose our export surplus we lose both the capacity to buy from U. K. and to pay for our invisible obligations. And the only way in which U. K. can extract these payments from us is by creating a direct surplus of merchandise trade in our favour. The whole lesson of the post-war reparations and debt tangle has been this; that a creditor country which wants to recover its interest and other charges must buy freely the products of its debtors. U. K. in many of its recent trade agreements has shown due appreciation of the importance of this by providing more for debt and interest recovery than expansion of its export trade. It is this consideration that lies at the bottom of its solicitude for the imports of Argentine and other South American countries. In this also lies the great strength of our position vis-a-vis U. K. We are both the biggest market for U. K. producers and U. K.'s biggest debtor and the biggest source of the invisible imports of U. K. Mr. Hilgerdt, in the article from which we have quoted, points out how during the years 1929 to 1934 the flow of trade along multilateral channels has enormously shrunk. The greater proportionate diminution of the imports of U. K. into India is the result entirely of this change. Even so U. K. was the only important country with which India had an import surplus during both the years 1933-1934 and 1934-35. If the whole world trade becomes entirely bilateral—and there is nothing in the world situation to-day that prevents us from making this assumption—then U. K. must buy from us to the total extent of the value of what she sells to us and the value of our invisible obligations.

## VII

The view put forward by official spokesmen that on the one hand it was the wickedness of foreign countries that forced on U. K. the policy of import restrictions and imperial preference and that on the other hand the Ottawa agreements have not had any effect whatever in intensifying the international trade situation is really too naive. "Retaliation" may or may not be a myth. It is useful to remember that the bogey is not newly raised but is at least as old as the memorandum on Imperial Preference by Lord Curzon's government. There are a number of ways in which the possibility of retaliation is disputed. In the first instance it is pointed out that Imperial Preference is not usually considered in international trade as "discrimination" against foreign countries. On this general question it is enough to record the following opinion of Prof. A. Zimmern: "The combination of a system of reciprocity within the Empire with the most-favoured-nation system in external relations is no doubt illogical and thus lays itself open to criticism." (*Index*, June 1933.) In practice what is and what is not considered "discrimination" changes from time to time. When the measure of Imperial Preference is not considerable foreign countries may not trouble themselves about it; but if its effects are deeply felt it will certainly be resented. It is, for example, an open question whether under the new U. S. A. policy of unconditional extension of reductions of customs duties to all countries not discriminating against U. S. A. the preferential agreements within the Empire will be interpreted as being discriminating or not. It again depends on what you interpret as "retaliation." Was

the action of Japan in stopping imports of Indian raw cotton retaliatory in character or not? And will Japan in the next renewal of the trade agreement put up with such a high measure of preference in favour of U. K. goods, especially cottons?

As regards retaliation in general, it may well be said that today no retaliation (except in such a case as the tariff-war between U. K. and the Irish Free State) is to be noticed in the world. For, it is not a question of general easy conditions of trade to be made more difficult against a particular country. It is rather the variety and difficulty of the general barriers that have to be discriminatingly lowered. No country has retaliated on any other; each has raised barriers against all others. Today, therefore, the situation is that no country fears retaliation but rather hopes for favourable discriminating treatment. And the only way of obtaining this favourable treatment is to negotiate a bilateral treaty. The crux of the whole situation is thus whether we are free to use our bargaining position to the fullest advantage when negotiating with other countries.

It has been taken for granted by some official apologists that it is no use entering into bilateral treaties with countries with which we have a favourable balance. For, if the principle of compensation is applied this favourable balance is either way bound to vanish. It is obvious that such writers have not had any acquaintance with even official trade literature such as the reports of the Indian Trade Commissioner at Hamburg. The Trade Commissioner at Hamburg has commented in the past on the steady diminution in India's exports of various commodities to European countries, such as that of rice to Poland, oilseeds to France and Germany, etc. He



has invariably given as the reason for this diminution our not having entered into trade agreements with these countries. The best exposition of our position vis-a-vis these European countries is to be found in the latest annual report of the Trade Commissioner (*Indian Trade Journal*, Dec. 19, 1935). Here it is pointed out that already India has lost all its favourable balance of trade with Germany. Imports and exports just equal and they must continue to equal under the operation of Dr. Schacht's new plan of compensation trade. But this is not all; for, even with a trade treaty, we cannot expect a highly favourable balance of trade. The real danger, in the opinion of the Trade Commissioner, is not disappearance of the favourable balance of trade but the possibility that in the absence of trade agreements, the total volume of trade will continue to shrink. "One inevitable result of Germany's adoption of compensation trade and clearing agreements is that she has changed her sources of raw material supplies. She is now obtaining large quantities of raw materials, which she formerly bought from India from countries with whom she has clearing agreements." In the Trade Commissioner's opinion, these circumstances are likely to continue for something like a decade and if that happens he points out that we shall have permanently lost a good customer. He says: "This is a very serious danger and one which must receive due consideration." The Trade Commissioner's final comment on the whole situation is as follows:—

With the exception of jute, Indian raw materials do not enjoy any monopoly of supply to the German markets, and under the present abnormal conditions India can only maintain even the form of trade with equally balanced exports and imports to and from Germany by means of compensation or barter trade. Under these conditions.

an expansion of exports from India to Germany postulates an expansion of imports into India from Germany.

In considering the costs involved by the Ottawa agreement we must, therefore, pay attention to a cost other than the loss of revenue and the increased price to the consumers. This additional cost, to which we attach very great importance, is the effect that the Agreement has on our capacity to bargain with other countries.

In this connection we may note the peculiar character of the Ottawa agreement between U. K. and India. By this agreement U. K. accorded preferential treatment or free entry to a small number of the export products of India. Of the total value of the exports from India to U. K. covered by the Ottawa agreement the exports of tea alone amount to nearly 50 p. c.; and the total value of the articles of exports that we have examined in detail above amounts to more than 95 p. c. Prof. Zimmermann thus characterises the effect of Ottawa on U. K.: "The Ottawa agreements have left Great Britain far freer than was generally expected before the event to negotiate treaties for tariff reduction with other countries. It is indeed only in respect of some 30 articles that her tariff is 'tied' in favour of the Dominion." (*Index*, June 1933). The preferential treatment accorded by India to U. K. ranges on the contrary over a very wide list of commodities of all kinds. And the problem before us is: if our tariff gets "tied" in favour of U. K. on almost all the more important items in our import trade, what is there left for us to offer to the other countries?

The problem of a trade treaty with Japan will arise in an acute form in the near future. Whatever the unwillingness of the Indian Government to allow

any manufactures other than British a fair chance in the Indian market, Japan as an important customer for our raw materials holds such a strong position that it can easily force the hands of our Government. At the time of the last treaty a raw cotton boycott had to be successfully enforced by Japan for some months before our Government woke to a sense of its responsibility in this matter. In recent years Japan has proved a good buyer not only of raw cotton but of other articles such as pig iron, pig lead and lac. On the sales of raw cotton to Japan depends a great deal the prosperity of large tracts of agricultural India. Of pig iron Japan has always been our most important customer and even in the post-Ottawa period the take-off by Japan of our pig iron has been much more than double that by U. K. Our sales of pig lead and lac to Japan have increased very noticeably during the year 1934-35. We can ill afford to discriminate against such an important customer of ours and we must, if we want to expand the Japanese market for our products, be willing to extend the same opportunity to Japanese producers in respect of at least some of their export lines. The position of our trade relations with Germany has been made clear above by extracts from the Trade Commissioner's report. The U. S. A. President is recently following a policy of entering into trade treaties with other countries and of allowing general benefit of a large number of reductions in customs duties only to countries that do not discriminate against U. S. A. All the countries of continental Europe and as a fact all over the world are now working by way of negotiating bilateral treaties. We have noted above how U. K. has been left free to negotiate with other countries bilateral treaties on favourable

terms in spite of Ottawa. In the case of India however, the opposite is the case. The imports that she receives from her important customers like Japan, Germany, U.S.A., France and Belgium all compete with some portion or other of the imports from U. K. and are mostly covered under the Ottawa preferential arrangements. We should, therefore, be obviously unwise to accept the detailed schedules of Ottawa on which to give preference to U. K. or to accept the general principle of preferential treatment as propounded in the 1935 Indo-British agreement.

### VIII

"Where, however, important and influential nations are concerned which can command the acquiescence of weaker nations in less rigid interpretations of this principle of competitive equality much progress is possible. Perhaps the Ottawa agreements of 1932 in which Great Britain, her colonies and self-governing dominions all participated are a case in point. But if these Ottawa pacts illustrate the possibility of a wide extension of areas enjoying comparatively unimpeded trade they also clearly indicate the underlying conditions necessary for success. There is no need here to review the results of the Ottawa Conference and assess its value to the mother country and to the dependencies. But it would not be easy to refute the criticism that this series of trade agreements between the several parts of the British Empire have been trade-diverting rather than trade-enlarging in their effects. Moreover, they demand sacrifice on the part of some of the participants which in the long run may prove to be intolerable"—Prof. J. G. Smith "Economic Nationalism and International Trade", December 1935.

The above quotation from the Presidential Address of Prof. J. G. Smith to Section F of the British Association brings out clearly the nature of the agreements entered into at Ottawa. The Ottawa scheme has not been of India's seeking, and Imperial

Preference as a general policy has always been held to be not in the interests of India whether by Lord Curzon's Cabinet or the majority of the Fiscal Commission. It was because U. K. imposed import duties to attain to a bargaining position with respect to the other countries that imperial preferential arrangements are said to have become necessary. For, it is alleged that if we had not entered the Ottawa scheme we would have lost free access to the "world's most stable and largest open market". This involves the assumption that the Ottawa agreement between England and India reflects correctly the economic needs and bargaining position of the one with respect to the other. We have already indicated how it is only in the case of few commodities like tea, linseed or tanned hides and skins that U. K. is a dominant market for our products. We are not in the position in which other Empire countries like Australia and New Zealand find themselves, that of having to look to and secure chiefly one—the U.K. market. Neither can we hope for such an extension of the U. K. market for our products as to absorb the bulk of them, even if such an absolute dependence on one market were not otherwise undesirable. We are under the necessity of having to sell a large variety of raw products to a large number of different countries. In some exports, most important from the point of view of the peasantry, such as raw cotton and rice, the U. K. market plays a most insignificant part. Whatever our anxiety, therefore, for keeping a hold on the U. K. market, we cannot afford to do anything which will jeopardise our position in the other important world markets for our products.

We have clearly shown above the strong position that many of our products hold in the U. K.

market and the great importance of the majority of them to the U. K. manufacturer. Today when many industrial countries—U. K. prominently among them\*—seem to be in the midst of a process of economic recovery they must be specially anxious to obtain their raw materials tax-free. The "necessity of obtaining raw materials in the cheapest market" has been put forward as one of the safeguards against retaliation on India by non-British foreigners. Presumably this necessity operates with equal force on the British industrialists. In asking for a free entry for our products we shall thus be not calling for any special sacrifice on the part of the British consumer, producer or tax-payer. Apart from this our position when bargaining with U. K. is one of the strongest, as we are that country's most important market and the most considerable debtor. We have discussed in detail this aspect of the question above. Any obstacles that U. K. puts in the way of the expansion of Indian exports to that country can merely result in a contraction of our imports of British goods. Hence the U. K. manufacturer has need to be quite as anxious regarding our export trade as about our import trade. If bilateralism progresses apace our export surpluses will in due course entirely vanish; we must awake from now to the new situation that will soon confront us. It may not be possible for us to negotiate for an export surplus but we should at least attempt to maintain our trade relations with other countries lest their entire market slips away from us by stages. We must try to stabilise by trade treaties, at least at the lower level that bilateralism demands, our exports to these other countries.

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\* The "Economist" index of business activity in U. K. has moved from 95½ in Jan. 1933 to 116½ in Jan. 1936.

An attempt has been made recently in a series of notes issued by the Director of Information on Trade Policies to draw a red-herring across the trail. These notes set out to compare the merits of various trade policies and emphasize the defects of the method of bilateral treaties comparing it specially with the application of the most-favoured-nation clause. In reply to such contentions it may in the first instance be pointed out that India is not in a position today to choose independently for herself her foreign trade policy. We are not in a position to set an example to the world and we must make the best of the international situation in which we find ourselves. Whatever our own wishes in the matter we must seek trade treaties with other countries if our failure to do so means an entire extinction of our trade with them. And that this is likely to happen we have proved above by reference to the course of our trade relations with Germany. Further in seeking trade treaties of this kind we shall only be following the most respectable precedents. That most right-minded of nations—the U. K.—has followed up Ottawa by a series of bilateral treaties with countries in all parts of the world. Canada has only recently negotiated an agreement with U. S. A. and Australia has sent delegations to many countries in the East for the purpose of these negotiations. U. S. A. has further shown how insistence on the application of the most-favoured-nation treatment can be combined with the technique of negotiating bilateral treaties. The supporters of the National Government in England have been at pains to show how the trade with countries with whom agreements have been concluded has increased specially rapidly. It would thus seem clearly necessary and desirable for us to follow this

method. Government-inspired criticisms of these trade policies can only mean that they begin to wear a different aspect and have a different result east of the Suez. We are not advocating, we have always most strenuously opposed, the spread of further restrictionism. But when it becomes clear that our exports to other countries are dwindling rapidly, because our Government would not try and enter into trade treaty relations with them, we are surely justified in asking for an exploration of the means of formulating such treaties, and when it is clear that the general adoption of Imperial preference is not called for in India's interests, and that the benefits we can receive therefrom are very small as compared with the sacrifices and the handicaps that it involves, we are surely justified in denouncing the Ottawa scheme.

In the management of bargains the positions of India and U. K. may be usefully contrasted. Each time U. K. has skilfully manipulated the tariff so as to benefit herself. The latest example of such manipulation was afforded by the way in which the duties on iron and steel imports into U. K. were temporarily put up to enormous heights in view of the negotiations with the International Steel Cartel and thus unexpectedly favourable terms were secured in the agreement of the U. K. producers with that body. On the contrary our Government is interested each time in favouring U. K. manufactures without any chance of obtaining a return, the latest example of this being Article 1 of the Indo-British treaty of 1935. It is difficult to understand why the Government of India should go out of its way to state that the normal Indian protective arrangements may be of a character so as to be pre-



ferential to U. K. It has all along been disputed by Indian publicists that the preferential element in our protective tariff has come in without any reference to U. K. interests and it has been repeatedly pointed out that the interest of the consumer could be protected without introducing this preference. But even if this contention were incorrect such a gratuitous admission, which is tantamount to deprecating on one's own motion the benefit of the preference granted to others, must be unique in bilateral trade treaties. It is not to be found in any British treaty with any Dominion, though it is obvious that the comparative competitive positions of the British and the non-British producers are the same in other countries as in India. And the great disparity in results may be emphasized by the fact that in the Indo-British trade treaty of 1935 the free entry into U. K. to Indian pig iron, the total value of which trade is in the neighbourhood of Rs. 20 lakhs, is balanced against the most substantial preferential treatment to British iron and steel imports into India worth nearly Rs. 3 crores. In the same way the preferential treatment to imports of British cotton piecegoods worth annually a good deal over Rs. 10 crores is often set off against the propaganda on behalf of Indian raw cotton exports to U. K.!! Cotton piecegoods and iron and steel are our most valuable import trades and the throwing away of these preferences in the supposed interests of the consumer can best be described as a result of the "acquiescence of a weaker nation" in a "less rigid interpretation of the principle of competitive equality."

If the fiscal autonomy convention is real and our Government, both disposed and able to use to the fullest our bargaining position, then the time has come, in our opinion, to change radically the

structure of Ottawa so far as India is concerned. We have in our former publication shown how the position of India differs materially from that of the Dominions and how a general policy of Imperial preference is not in our interests. Whatever the decisions taken by Dominion Governments, we on our part should not think of anything but a bilateral treaty within a strictly limited compass with U. K. And we should immediately follow the example of Australia and make energetic attempts to enter into trade agreements with other countries. In 1932 we wrote as follows on this question:

Mere trade bargains are innocuous, nay, they may in a large majority of cases be actually beneficial. And there is no reason why we should not enter into a trade bargain with any country because it happens to be a part of the British Empire. For example, if the Ottawa delegation had not gone beyond negotiating for a preference for tea and linseed and free entry for a few products like tanned hides and skins, pig iron or shellac as against, say, the existing preference on cotton piecegoods and iron and steel, the bargain could have been considered purely on its own merits. It would not have committed us specially towards either the United Kingdom or the British Empire and we could have had an entirely free hand in negotiating with other countries. But the Ottawa agreement, with its long schedules, commits us to a general preferential policy and to the principle of exploring Empire buying as far as possible. . . . Either the policy of Imperial preference is meant to be lasting and in that case there are no advantages to India in joining this economic block and becoming even more dependent on and tied up to the United Kingdom than it is at present. Or the policy is conceived of as a temporary measure preparing the ground for world co-operation. Then in the latter case it is obviously necessary that we do not commit ourselves so deeply as to remould our economic activities on an Empire basis.

Changing circumstances may shift the emphasis from one trade to another; but all that has transpired since the ratification of the Ottawa agreement confirms our belief in the fundamental position we took up in 1932.

## APPENDIX

*Table I*

### EXPORTS FROM INDIA (VALUE Rs. LAKHS)

Article.	1931-32	1932-33	1933-34	1934-35
<i>Jute Manufactures</i>				
Exports to all countries.	2,192.4	2,171.2	2,137.5	2,146.8
Exports to U. K.	186.4	174.6	160.2	159.7
<i>Tea.</i>				
Exports to all countries.	1,943.7	1,715.3	1,984.5	2,013.2
Exports to U. K.	1,692.8	1,478.5	1,756.6	1,814.6
<i>Rice not in the husk</i>				
Exports to all countries.	1,740.0	1,374.4	1,019.7	1,009.6
Exports to U. K.	27.4	33.6	30.1	87.1
<i>Groundnut,</i>				
Exports to all countries.	1,013.7	725.2	694.7	631.4
Exports to U. K.	114.7	62.7	70.9	174.9
<i>Skins Tanned..</i>				
Exports to all countries.	313.7	304.2	323.8	324.5
Exports to U. K.	276.8	277.0	291.8	291.2
<i>Paraffin Wax.</i>				
Exports to all countries.	231.7	201.9	228.9	191.9
Exports to U. K.	76.1	36.7	54.7	46.8

1937

Price Re. 1/-

Article.	1931-32	1932-33	1933-34	1934-35
<i>Hides Tanned</i>				
Exports to all countries	212.7	162.1	240.8	197.6
Exports to U. K.	208.2	159.3	238.3	194.5
<i>Oilseed cake.</i>				
Exports to all-Countries,	200.7	196.5	164.7	197.0
Exports to U. K.	72.5	72.4	86.1	116.2
<i>Coir yarn, Mats and Mattings.</i>				
Exports to all-Countries,	190.1	129.1	151.6	142.9
Exports to U. K.	98.8	53.1	62.8	60.3
<i>Shellac.</i>				
Exports to all-Countries,	183.9	124.2	246.4	330.0
Exports to U. K.	45.0	32.8	131.8	146.0
<i>Lead.</i>				
Exports to all-Countries,	178.0	152.5	156.6	139.5
Exports to U. K.	105.2	119.0	129.8	89.0
<i>Linseed.</i>				
Exports to all-Countries,	153.1	91.1	457.5	299.8
Exports to U. K.	16.5	16.5	201.2	128.0
<i>Castor Seed.</i>				
Exports to all countries,	149.7	130.4	105.0	85.4
Exports to U. K.	33.6	35.7	35.5	31.8

Article.	1931-32	1932-33	1933-34	1934-35
<i>Coffees.</i>				
Exports to all countries.	94.5	109.8	102.5	72.7
Exports to U. K.	27.9	33.9	30.3	21.4
<i>Tobacco,</i>				
Exports to all countries.	85.4	77.1	93.8	82.0
Exports to U. K.	39.5	36.8	47.4	34.7
<i>Bran, Pollard etc.</i>				
Exports to all countries.	74.2	68.9	46.6	77.2
Exports to U. K.	48.2	54.0	38.0	64.8
<i>Woollen Carpets and Rugs.</i>				
Exports to all countries.	56.7	63.5	72.7	89.8
Exports to U. K.	40.6	44.6	56.5	73.9
<i>Teakwood</i>				
Exports to all countries.	56.6	40.2	62.1	94.2
Exports to U. K.	34.3	28.4	39.9	65.5

Table II

NOTE :— The figures for the year 1935 have been taken from the Indian Trade Journal (12 March 1936).

IMPORTS INTO U. K.

Article.	1931	1932	1933	1934	1935
<i>Tea.</i>					
Lbs. (000).					
Total Imports.	535,446	565,962	505,032	507,596	475,600
Imports from India	276,963	311,964	279,974	274,906	269,000
Percentage.	51.72	55.11	55.43	54.15	56.56
<i>Leather.</i>					
(Undressed Skins.)					
cwt. (000).					
Total Imports.					
Imports from India-	147.8	141.7	158.4	165.1	
Percentage.	98.5	102.1	111.7	123.5	
Percentage.	66.89	71.83	70.88	75.15	
<i>Hides Undressed.</i>					
(000 cwts.)					
Total Imports.	297.5	252.8	267.8	271.7	
Imports from India	188.6	203.2	235.2	239.6	
Percentage.	63.42	80.23	87.68	88.23	
<i>Groundnut.</i>					
Tons (000)					
Total Imports.	138.7	96.8	131.6	112.7	139.9
Imports from India	81.3	57.6	69.8	72.5	89.8
Percentage.	58.27	59.79	53.03	64.60	64.18
<i>Jute Manufactures</i>					
In Sq. Yds. (000)					
Total Imports.	71,917	68,666	56,250	60,820	71,486
Imports from India	56,759	67,332	55,076	60,644	71,406
Percentage.	78.90	98.05	97.91	99.71	99.9
<i>Shellac.</i>					
cwt. (000)					
Total Imports.	120	108	171	440	93
Imports from India	117	105	167	436	87
Percentage.	97.50	97.22	97.66	99.09	93.6

Article	1931	1932	1933	1934	1935
<i>Linseed.</i>					
Tons (000)					
Total Imports.	338	362	249	184	257
Imports from India	15	9	131	140	53
Percentage.	4.43	2.48	52.61	76.08	22.6.
<i>Oilseed Cake.</i>					
Tons (000).					
Total Imports.	459	423	387	558	
Imports from India	126	101	159	238	
Percentage.	27.45	23.87	41.08	42.7	
<i>Pig Lead.</i>					
Tons (000)					
Total Imports.	299	262	282	313	317
Imports from India.	49	44	55	42	43
Percentage.	16.38	16.79	19.50	13.41	13.4.
<i>Cleaned Rice whole</i>					
Cwts (000)					
Total Imports.	1,441	1,592	1,034	1,358	1,186
Imports from India.	453	527	644	808	896
Percentage.	31.43	33.10	62.28	60.23	75.5.
<i>Woolen carpets and Rugs.</i>					
(In thousand Sq. yards)					
Total Imports.	3,554	2,572	2,505	2,706	
Imports from India.	760	1,073	1,277	1,761	
Percentage.	21.38	41.71	50.97	65.07	
<i>Teakwood.</i>					
Cubic feet (000)					
Total Imports.	1,187	826	863	1,555	1,921
Imports from India.	869	731	782	1,372	1,788
Percentage.	73.20	88.49	90.61	88.23	93.07

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Article.	1931	1932	1933	1934	1935
<i>Bran, Pollards etc.</i> Tons ( 000 )					
Total Imports.	391.6	524.9	545.5	657.6	
Imports from India.	159.1	184.1	196.6	245.3	
Percentage.	40.56	35.04	36.08	37.23	
<i>Coir Mats and Mattings.</i> Sq. Yds. ( 000 )					
Total Imports.	6,563	6,962	8,497	7,912	8,405
Imports from India.	5,332	6,817	8,385	7,820	8,346
Percentage.	81.24	97.91	98.68	98.83	99.3
<i>Paraffin Wax.</i> ( 000 cwts)					
Total Imports.	1,312	1,192	1,046	1,016	1,141
Imports from India.	491	337	213	235	265
Percentage.	37.42	28.27	20.36	23.12	23.22
<i>Tobacco</i> Unmanufactured Lbs. ( mill )					
Total Imports	194.0	174.9	211.1	239.3	251.6
Imports from India	9.3	9.2	13.0	9.8	11.5
Percentage	4.79	5.26	6.15	4.09	4.57
<i>Castor Seed</i> ( Tons 000 )					
Total Imports.	31	25	33	35	36
Imports from India	25	20	30	32	29
Percentage.	80.64	80.00	90.90	91.42	80.6
<i>Coffee.</i> Cwts. (000)					
Total Imports.	751	742	659	542	483
Imports from India	46	50	45	49	30
Percentage.	6.12	6.73	6.82	9.04	6.2
<i>Coir yarn.</i> Cwts. (000)					
Total Imports.	451	216	148	153	165
Imports from India	403	199	125	124	140
Percentage.	89.35	92.12	84.45	81.04	84.8

INDO-BRITISH  
TRADE RELATIONS  
THE OTTAWA AGREEMENT  
AND AFTER

BY

NALINI RANJAN SARKER



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# INDO-BRITISH TRADE RELATIONS

## I. THE EFFECTS OF THE OTTAWA TRADE AGREEMENT

The Trade Agreements concluded at Ottawa in 1932 between India and the United Kingdom and several British colonies have been given a trial for more than four years. The time has now arrived when an intelligent and critical survey of the results should be undertaken in order to determine whether it is at all desirable to conclude a new agreement with the U. K. to replace the old one and if so, how the new agreement should be shaped in the light of the results obtained. The success or otherwise of the agreement can be best evaluated with reference to certain tests relating to India's trade. The following are some relevant tests which, for the sake of convenience, if not of accuracy, may be laid down in this connection :—

- (i) whether India's export trade has registered a definite expansion without entailing any undesirable diversion of trade which is likely to react unfavourably in the long run ;
- (ii) whether as a result of the Agreement India's non-British customers have definitely reduced their offtake of Indian goods by raising tariff walls or other trade barriers ;
- (iii) whether India's favourable trade balance has positively increased to the extent of her requirements in connexion with her annual payments against her foreign obligations ;
- (iv) whether the terms of the Agreement are such as to leave little or no scope for India to extend to non-British countries any preferential treatment so as to promote better trade relations with those countries.

Before proceeding to apply these tests to the results and judge the success or otherwise of the Agreement, we may summarise the working of the Agreement. During the four years 1932-33 to 1935-36 India's total annual merchandise exports to the U. K. increased with some fluctuations, from Rs. 37 to Rs. 50 crores, while the offtake

by other foreign countries advanced from Rs. 96 crores to Rs. 105 crores during the same period. In preferred goods, the share of the U. K. moved from Rs. 30 crores to Rs. 37 crores, while the share of foreign countries registered a graduated decline from Rs. 65 crores in 1932-33 to Rs. 58 crores in 1934-35. In non-preferred goods, on the other hand, the British share moved from Rs. 10 crores in 1931-32 to Rs. 11 crores in 1934-35, while the offtake of foreign countries registered an advance from Rs. 37 crores to Rs. 47 crores during the same period. From these figures, two conclusions can be drawn: firstly, that India's export trade with the U. K. has definitely expanded, and secondly, that some diversion of trade in the preferred articles from other foreign countries to the U. K. has taken place. As to the first inference, we should guard ourselves against the fallacy of *post hoc ergo propter hoc*. For the improvement in the export has been no more than would be natural to expect during a phase of economic recovery when both the demand for raw materials and their prices show an upward trend. Besides, the fact that tea alone accounts for about 5 crores of the total increase, although the volume of tea exported to the U. K. declined over the same period, should be taken account of. As to the second inference that diversion of trade has taken place, it should be evident from the figures that while during the period from 1932-33 to 1934-35, India's exports to the U. K. rose both in the preferred and non-preferred groups, her exports to other foreign countries increased appreciably in the case of the non-preferred articles but declined heavily in the case of preferred articles.

We may also examine the trend of trade with regard to some important articles of India's exports in order to clarify the position better.

1. *Tea*.—Its inclusion in the list of preferred articles helped to swell the value of trade in this category to a respectable total, the share of tea in the increase being equal to that of all other articles combined. The operation of the preference on tea synchronised with other important factors such as the depreciation of the rupee in terms of the Dutch currency and the Tea Restriction Scheme. Against the improvement in her position in the British market is to be set a slight deterioration in other countries.

2. *Manufactured Jute*.—India improved her position in the United Kingdom while other countries lost their position in the British

market almost completely. On the other hand, India lost ground in other foreign countries such as Germany, U.S.A., and Argentine, mainly owing to the competition of European countries which were ousted from the British market.

3. *Lac*.—Here the total consumption of the U. K. showed a precipitous fall in 1935 with a corresponding decline in India's exports to that country.

4. *Linseed*.—Nature rather than tariff preference helped India during 1933-34 and 1934-35. Owing to smaller production the export of linseed from Argentine fell heavily. Argentine has since again increased her exports while those from India have declined.

5. *Coffee*.—Owing to the severe competition from Costa Rica and to some extent also from Kenya India's position did not improve.

6. *Hides and skins, oil-seeds, oil-cakes, teak and other hard wood, pig lead, groundnuts, woollen carpets and rugs*.—India's exports to the U. K. increased in respect of all these commodities.

India's import trade statistics show definite improvement in the relative position of the U. K. Although other factors, *e.g.*, the depreciation of the sterling, particularly in the initial stages, helped England, there cannot be any doubt that a large part of the improvement was due to the tariff preferences granted by India. While the U. K.'s share in India's import trade expanded from 36.8% in 1932-33 to 40.6% in 1934-35, the share of other foreign countries declined from 55.4% to 50.6% during the same period.

We thus find that India's exports to the U. K. have advanced by a few crores of rupees. The larger part of this improvement has no doubt been due to a rise in the price of India's exports and to an increased demand for India's raw materials resulting from the economic recovery in the United Kingdom.

By itself the improvement does not amount to a conclusive proof of the advantages obtained by India from the Agreement. Further, against this improvement should be set some loss in the exports of "preferred" articles to other foreign countries. It is, therefore, not the magnitude but the paucity of the results achieved which strikes one most.

It has been suggested with regard to the articles in which exports to the U. K. have either remained stationary or have decreased only slightly that in the absence of the Agreement India's position would

have been worse so that the Agreement might be said to have had at least an "insurance value." It is very difficult to prove or disprove such a thesis. Attention may, however, be drawn to certain pertinent general considerations in this connection. In the absence of any direct or indirect tariff discrimination against Indian goods in the U. K., which, for reasons to be explained shortly was never a serious possibility, there is little reason to assume that India's position relative to that of other countries in the British market would have been worse but for the Agreement. It follows that the Agreement could be said to have an insurance value only where U. K.'s stationary or even decreasing imports have been accompanied by an increase in India's percentage share of the total British imports or, in other words, by an improvement in her position relative to that of other countries. But such cases are few and of comparatively little significance and then, to some extent, even this relative improvement in India's position may have been due to a relative deterioration of her position in foreign markets. Judged by this standard it would seem reasonable to conclude that the insurance value of the Agreement was not very considerable.

On the contrary one could say with much greater reason that the Agreement had a definite insurance value for England in the Indian market. During the years of the depression the competition in the Indian market for manufactured goods has been particularly keen so that in the absence of the preference it would have been very difficult for Britain to maintain her position. The official Reports rightly emphasised that "the imports from the U. K. would normally suffer more than the cheaper imports from other countries. This disadvantage to U. K. would have been much greater had it not been for the preference which enabled the U. K. to compete on more favourable terms with the cheap imports from the other countries."

From the above analysis it should be clear that applying the first two tests, the following conclusions can be drawn.

- (a) The agreement has resulted in some expansion of India's export trade with the U. K., but not to the extent anticipated.
- (b) The expansion of India's exports to the U. K. involved some diversion of trade from other countries to the U. K.



- (c) As the import statistics signify, in many directions India seems to have given much more than she received, specially in view of the fact that the Agreement in its present form has seriously affected India's trade with other foreign countries.

It may be noted in this connexion that the fact that India's exports to certain foreign countries were checked by tariffs and other trade barriers was the outcome of the preferential treatment given to British imports in the Indian market as against imports from other non-British sources. In other words, the preferential treatment to British imports worked indirectly against India's exports in other foreign markets. The trends of economic policies in many countries, especially, in the continental countries, are gradually shaping themselves as a definite step against countries with which no trade agreements have been arranged by them and this situation has naturally been acting to the prejudice of India's trade.

## II. BALANCE OF PAYMENTS

Now we shall apply the important test, namely, whether India's favourable trade balance has increased to the extent of her requirements as measured by her annual foreign obligations. As India is a debtor country and as the major portion of her foreign obligations is owed to England, the problem of India's balance of payments is very naturally involved in any trade negotiations with the U. K. Let us consider this aspect of the question in some detail.

The salient facts of India's balance of payments are well-known. India has annually to meet Home Charges amounting to some 40 crores of rupees (= £ 30 million) while, according to Sir George Schuster, "a further margin of 10 crores (= £ 7½ million) at least is required to meet other items in the adjustment of payments on private accounts." This latter estimate most probably errs on the side of conservatism and a higher figure, say, 15 to 20 crores, would probably have been a better approximation. Taking, however, the lower figure, India requires at least 50 crores of rupees annually to meet her obligations.

In pre-War days the export surplus substantially exceeded this figure, thus leaving a margin for the imports of specie. The average export surplus during the first ten post-war years exceeded even the pre-war figure. Under the world economic depression, however, the surplus diminished by successive stages till in 1932-33 it almost reached the vanishing point. During the intervening years the figure has registered some improvement in spite of occasional setbacks. At present it stands in the neighbourhood of 30 crores. This figure refers only to the movement of goods on private account and over the ports in British India. The merchandise transactions on Government account showed an adverse balance of some 2½ crores in 1934-35 while in the same year the movement of goods over the Kathiawar ports left an import surplus of about 3¾ crores. The actual export surplus of India at present amounts, therefore, to less than 25 crores of rupees. There is another factor the importance of which in this connection has not yet been fully grasped. India's balance of trade with Burma during the three years from 1932-33 to 1934-35 showed an import surplus of 26,19 and 21 crores respectively or an average of 22 crores a year. As the formal separation of Burma is now im-

pending, it is clear that very soon the whole of the present favourable balance of India's foreign trade will be wiped off and may even be replaced by a small import balance. Another fact also should be considered in this connection *viz.*, that with the separation of Burma, India's total exports and for that matter the balance of trade will be reduced by the extent of Burma's own exports and trade balance *vis-a-vis* other countries. By a recent order-in-Council, the *status quo* in trading relations between India and Burma is to be maintained for three years after the separation, but unless and until India's trade accounts with Burma are adjusted through a thorough reorganization of their mutual commercial relations, the unhappy position of India with regard to the balance of trade will continue.

There is thus a very serious gap between the present active balance in commodity trade and the minimum necessary to cover India's foreign obligations. It is common knowledge that during the last few years the very heavy gold exports have made up, and more than made up, this deficiency. During the five years since September, 1931 the total gold exports have amounted to some 35 million fine ounces. Leaving aside the question whether this continuous exportation of the dehoarded gold is a good policy, one might raise in this connection two very important and pertinent considerations. In the first place, this process of filling up the gap in the export surplus cannot go on indefinitely. The amount of invisible gold in the country is usually overestimated in official circles, and, in particular, it is overlooked that a very large part of the gold previously imported has been used up for ornaments and cannot be regarded as available for re-export. Already there has been a striking drop in the amount exported and this downward trend will, in all probability, continue in future. And secondly, depleting the country of its gold resources inevitably means a corresponding weakening of its power to withstand a similar contingency in future.

These commonsense considerations, which cannot certainly be branded as relics of an exploded mercantilism or silently set aside, show that there is a real need for an unbiassed investigation of the whole question and of devising ways and means to augment the export balance.

In particular, such an investigation is called for in view of the fact that India's trade position *vis-a-vis* the United Kingdom reveals

an anomalous situation which must be rectified. As the trade figures indicate, in spite of India being a debtor country, her trade balance with the U.K. is at present either insignificant or adverse. In the pre-War years India's exports to the U. K. amounted to less than 60% of her imports from that country, the actual figures for pre-War average being 56 and 92 crores respectively. During the post-War years this passive balance of India fluctuated downwards, but even in 1929-30 it amounted to more than 36 crores, the total imports from the U. K. in that year amounting to 103 crores. Since then India's imports from the U. K. have gone down appreciably while her trade balance has also become less unfavourable. In the two years 1931-32 and 1933-34 imports from and exports to the U. K. were almost equated at about 45 and 48 crores respectively. But in normal years the trade balance still shows an excess of imports over exports which may roughly be put at 5 crores.

This figure does not include (a) merchandise transactions on Government account and (b) the trade over the Kathiawar ports. The first item would undoubtedly, the second would presumably, raise the import surplus which accrues to India from her trade with the U. K. A very cautious estimate would suggest a figure of 8 crores.

This latter figure, again, refers only to the commodity trade, and does not take into account the "invisible" items, that is to say, shipping services, private remittances, insurance, tourists' expenditure etc., the balance of which Sir George Schuster conservatively put at 10 crores. There can, however, be no doubt that of this amount much the larger part represents a credit item for England. It would not be unreasonable to suggest a figure of 15 crores as being the amount which India annually owes to England on the combined account of visible and invisible transactions of the balance of trade.

On the other hand, India has to meet the whole of her "Home Charges" in England, which means that she has, in addition, to find foreign exchanges amounting to 40 crores a year. In responsible writings and pronouncements it is frequently insisted that debtor countries cannot indefinitely pay their debts in gold and foreign exchange, that in the last analysis payment is possible only if they can market their goods abroad and pile up the requisite amount of export surplus. Unfortunately, it is often overlooked that the thesis applies to India with equal force!

It is no doubt true that in order to create the condition of payment, England need not necessarily increase her imports from India ; it ought to suffice if India's total balance of trade with all countries shows a sufficiently large export surplus as there can be a triangular offsetting of claims. But bilateral adjustment of international claims has in recent years attained very large dimensions and there is not much reason to warrant the assumption that conditions will substantially alter in the near future. The extension of bilateral trade understanding with a view to directly adjusting mutual claims has adversely affected both India's exports and her export surplus as is evident from the trend of Indo-German trade. Faced with exchange difficulties, Germany along with many other countries has deliberately cut down their imports from those countries with which she had a passive balance. As German trade figures show (Appendix—Group V) the total imports of many articles have fallen much more than the imports from India. In pursuance of her policy of financing the import trade with the least possible expenditure of foreign exchange she has been importing more Brazilian cotton and Italian rice while reducing her offtake from India. The same holds good also for certain other commodities. Java tea has appreciably displaced its Indian (and Ceylonese) rival from the German market. Indian exports of manufactured Jute to Germany have gone down very considerably, Czechoslovakia, Netherlands and Esthonia having captured the larger part of the market. If the imports from Germany were maintained at a higher level, the Indian exports to that country would very likely not have suffered so much.

If India could acquire the export surplus which she requires from her trade with other countries, she could meet her foreign obligations through a triangular process. But that is admittedly not possible and it is extremely doubtful whether the export surplus will easily reach the minimum figure of Rs. 50 to 60 crores, which is necessary to adjust the balance of payments, not to speak of its attaining the level of 80 crores which was the average for the pre-depression years. There are two reasons for this.

In the first place, the whole Agreement served as an added stimulus to that economic nationalism which had already brought about a plethora of restrictive measures choking international trade. Further, the Agreement gave, in all probability, an impetus to the idea

of a "French Ottawa" which was reflected in a sudden rise of the percentage share of the French colonies in the total imports of France. This development affected, above all, the exports of Indian ground-nuts and to a certain extent, also of Indian tea and coffee to France.

Secondly, the new British tariff in conjunction with the Imperial Preference aimed at reducing the import surplus of the British balance of trade in commodities. By far the larger part of this import surplus arose from her trade with Europe and the U. S. A. An appreciable reduction in the imports of manufactured goods from these countries led in turn to a reduction of their demand for raw materials and thus reacted unfavourably on agricultural countries.

Under these circumstances it is not unfair to suggest that England should either increase her imports of Indian goods much above the present level or that she should at least create those conditions under which India would be in a position to send more goods to other countries. As will be shown later, the real possibilities of extending the consumption of Indian goods in the U. K. do not seem to be very great under the prevailing circumstances. One has thus to fall back upon the other alternative and devise means of expanding India's exports to countries other than England.

India has been denied one of the easier methods for achieving this end, *viz.*, the devaluation of her currency—a method which has now been adopted practically by all the countries, some deliberately with forethought and foresight, others reluctantly and hesitatingly under the irresistible force of circumstances. True, the linking of the rupee with sterling meant a depreciation of the rupee in terms of gold currencies, but this theoretical advantage of a lower gold exchange was very largely neutralised by two factors. A very large part of India's foreign trade was, and is, with the sterling block. And secondly, the abandonment of the gold standard by England was followed by the depreciation of many other gold currencies, thereby counteracting the effects of the depreciation of the rupee. Particular mention should be made of the relatively larger depreciation of the yen, which turned what was initially from the Indian point of view a small exchange advantage into a substantial disadvantage and this *vis-à-vis* a country which is the second best customer of India and in many respects the most formidable rival of Indian industries. When "currency realignment" has become the order of the day, one might

reasonably entertain the hope that the Government of India would reconsider its monetary policy and through a moderate lowering of the sterling rate of the rupee, give a much needed stimulus to our exports. But all such hopes seem destined to founder on the twin rocks of financial orthodoxy and false political prestige.

There remains only one other means of furthering exports, namely, through direct trade negotiations with other countries. It is therefore indispensable that the terms of any new Indo-British trade agreement should be such as will leave the door open for commercial understanding between India and some of her other important customers.

The Ottawa Trade Agreement did not materially help India to augment her favourable trade balance as a whole nor did it assist her to increase her balance with the U. K. particularly ; on the contrary, the Agreement served appreciably to cut down her export surpluses *vis-à-vis* the continental countries of Europe

### III. SIMPLIFICATION OF THE OMNIBUS LIST

The fourth test namely whether the Ottawa Agreement leaves enough scope for India to extend advantageous trading terms to other countries has reference to the omnibus list included in the Agreement. As the working of the Agreement during the last few years demonstrates, the conclusion of commercial pacts on a reciprocal basis with countries other than the U. K. is now rendered practically impossible by the all-comprehensive list of articles in which England enjoys preference. The preferences granted in connexion with the Ottawa Agreement together with those introduced on the recommendations of the Tariff Board practically cover the major portion of India's import trade, leaving hardly any margin from which even very limited concessions could be granted to other countries. A simplification of the omnibus list of preferred articles is therefore most necessary.

The amount of preference which England received on commodities listed in Schedule F of the Agreement was 10% all through except in the case of vehicles on which the preference granted was 7½%. It is more desirable to give, if necessary, higher preferences on a fewer commodities than low preferences on such a large number of articles. For, in the first place, this would render possible a more rational distribution of India's total imports among the chief industrial countries. For example, England might be given a larger share than at present, of the Indian market for those commodities in the production of which she excels, while reducing her share of the market for those commodities where other countries excel her. And secondly, if higher preferences are granted to England, there will also be scope for granting, if necessary, intermediate preferences to other countries more or less on the same lines on which preferences have been introduced in Australia. The margin from which concessions could be made to other countries in bilateral understandings could be further enlarged in this way.

Recently, after the devaluation of the franc and the lira, duties on various goods including some important articles of India's export trade such as tea and coffee, have been reduced in France and Italy while the exchange equalisation tax has been done away with. This movement towards a freer trade will, it is expected, facilitate India's trade



with these countries. A very large part of the restrictive measures introduced during the depression is, however, still in force. The French Government has announced its desire to evolve a new tariff system in which quotas will have no place. India might avail herself of this opportunity and enter into a bilateral understanding with France, which might lead to increased exports of such Indian commodities as groundnuts, possibly also of cotton and coffee. The same remark applies, though to a lesser extent, to Italy, where concessions might be secured for certain Indian products such as oilseeds. And although in the case of Germany a commercial agreement can, in practice, be concluded only on the basis of a more or less equalised balance-sheet, there is, as already mentioned, ample scope to increase the exports of rice, cotton, oilseeds, manufactured jute, hides and skins, and also tea to some extent. Even transactions of a purely "compensation" character will help in increasing the total exports from India though not in piling up a larger export surplus.

In order, however, to secure concessions in these countries India must offer them some advantages in return. The importance of these countries as India's customers may be gauged from the fact that with Japan and U. S. A., Germany, France and Italy share between them about 35% of India's total exports as compared with the approximately 30% share of the U. K. Negotiations are now in progress for a new Indo-Japanese trade pact which are expected to be concluded at an early date. It is desirable that the agreements with England and Japan should be supplemented by some sort of commercial understanding with the other principal countries, particularly with those of the European continent.

#### IV. RAISON D'ETRE OF A NEW AGREEMENT.

To the question as to the need for a new Agreement with the U. K. the results of the last agreement should provide an effective reply. But a dispassionate consideration of the question involves, apart from the working of the last agreement, certain other issues which require clarification. The question may be posed in this way: What would have been the extent of loss on India's part if she had remained aloof from the series of Agreements concluded at Ottawa?

According to the Indian Delegation to Ottawa, a new situation had arisen after the passing of the Import Duties Act in the United Kingdom with the declaration that His Majesty's Government was prepared to enter into reciprocal tariff arrangements between the United Kingdom on the one hand, and the Dominions and India on the other. Could she, therefore, "afford to stand out of an agreement which seemed likely to include most, if not all, Empire countries other than herself? It was no longer a question of what India stood to gain but of what she stood to lose." As an illustration of the risk involved in a policy of continued aloofness the report of the Delegation cited the case of tea. Both India and Ceylon, the two great tea-growing units of the Empire, were exposed to the competition from the Dutch East Indies. The severity of this competition was realised by both countries only after 1929, when the United Kingdom removed the tea duty and consequently the preference which Empire tea had enjoyed in the British market for several years. The Finance Act of 1932 re-imposed the tea duty with an enhanced preference of 2*d.* per pound for Empire tea. If India were to be excluded from this preference, her tea would henceforward have to meet competition on equal terms from the Dutch East Indies with Ceylon at an advantage of 2*d.* in the pound. Such a policy could not but react very unfavourably on the future of the Indian tea industry. The danger of displacement of Indian goods from the United Kingdom market was, according to the Report, not confined to the case of tea only, but extended to the whole classes of oilseeds, to vegetable oils of all kinds, to wheat, to spices of many descriptions, to coir and hemp, and to raw goat skins.

This method of argument, however, fails to carry conviction for

two reasons. Taking the case of tea, it is quite possible that while the preference would enable India to maintain or even increase her volume of tea exports to the United Kingdom, this might be accompanied by a diminution of her exports to neutral markets on which the Dutch tea, after having been shut out from the United Kingdom, may be expected improve its position in these markets by means of trade agreements or other ways. In so far as a tariff preference bolsters up the position in the United Kingdom market, but at the same time leads to such a deterioration of the position in other countries, the gain accruing from the preferential tariff should be correspondingly discounted.

The second consideration is, however, more important. The new British tariff policy which was ushered in by the Import Duties Act and extended the preferential system to a wide range of commodities, no doubt, emphasised the principle of reciprocity; but from this it does not necessarily follow that England would have excluded Indian tea from the preference if no special arrangement on the lines of the Ottawa Agreement had been made. What economic motives could actuate England not to extend the preference on tea to India? Just because India is by far the largest supplier of tea for the British market, the displacement of the Indian tea which both in quality as well as in price is at least as good as any of its rivals, would involve corresponding hardship on the British consumer. A depression in the Indian tea industry would no doubt cause suffering to a large number of Indian labourers, but it would have affected also very substantial British interests, for, as is well-known this industry is preponderatingly British in ownership and management. Lastly, it must not be forgotten that, willingly or unwillingly, India had already granted England considerable preferences for two of her most important articles of import, namely, cotton textiles and certain iron and steel products, although it was no easy matter to fit imperial preference into the tariff system of a country which had just started to develop her own industry with the help of protective tariffs. If England were to restore the preference on tea, one might legitimately expect that she would, at least as a *quid pro quo*, automatically extend it to India, particularly when it is remembered that India together with Ceylon had already enjoyed this preference for years till this indirect duty was removed in the interest of the British consumer. The opinion of the Indian Delegation to

Ottawa that the danger to which Indian goods were exposed in the British market, was "most serious and most clearly evident in the case of tea" is hardly tenable in the context set forth above.

Evidently what carried the greatest weight with the Delegation was the fact that England as the largest single customer of India could adopt measures which would unfavourably affect Indian exports. The Indian position was, as the Delegation put it, "vulnerable." But the multiplication of vulnerable points in international trade is the inevitable fate of all countries which are not in the happy position of indulging in a policy of economic isolation. During the last fifty years India has been brought more and more into the nexus of international trade and as a result she has to-day vulnerable points not only *vis-à-vis* England, but also many other countries. But the more pertinent question is not, whether England *could*, but whether England *would* adopt measures detrimental to India's foreign trade. A retaliatory tariff is, it must not be forgotten, a double-edged weapon which cuts both ways. If the Indian position in the United Kingdom is vulnerable, the British position in the Indian market is even more so. For one thing, the United Kingdom normally exports appreciably more to India than India exports to the United Kingdom. Besides it is much less difficult for India to secure from alternative sources the articles she now imports from England than it is for England to get from other countries goods similar to those she now imports from India. The fact that it was England who first insisted on the preferential treatment of her goods, without which she had been steadily losing ground in the Indian market is very significant, and lends weight to the suggestion that, of the two countries, India is economically in a far better position to discriminate against England than the latter against her. Admittedly England's most serious rivals are Germany, the United States and, of late, Japan, and India can secure her manufactured imports from these countries at least on as favourable terms as from England.

The Indian position in the British market is certainly less insecure. To discriminate against Indian tea would, as already mentioned, injure substantial interests of British investors as well as consumers. A penal duty on raw jute would be tantamount to an indirect subsidy to all jute-manufacturing countries as against Dundee. The position

of oilseeds, hides and skins, lac, etc., is not very much different.\* It might also be mentioned that even when the prices of Indian foodstuffs and raw materials are just as high as in other countries, it might still be more profitable for England to buy them in India if only because of the established trade organisations with all their ramifications, which would first have to be built up if the trade with India were to be transferred to other countries.

One might legitimately conclude from all this that England has little to gain and much to lose if she were to discriminate against Indian goods. It might be urged that in spite of this consideration she might conceivably decide upon such a course only to put pressure on India in order to wring from her more concessions in the form of new tariff preference. But in that case she would expose her exports to India more than her imports from India—to similar retaliatory measures and it is evident that in such a contingency it is she who would stand to lose in the long run.

It has been necessary to refer to this hypothetical case of mutual tariff retaliation in order to demonstrate that the vulnerability of India's position was greatly exaggerated at the last Ottawa Conference. The chief mistake of the Indian Delegation lay in the fact that in its anxiety to safeguard India's position in the British market it was only considering to what extent India would suffer if this position were to deteriorate and left out of account the extent to which England needed Indian goods and the Indian market.

The attitude of the Indian Delegation is more difficult to understand because of the incompatibility of its implications with that

\* "The economic advantage derived from a preference tends to be more important in the case of manufactured goods than in the case of raw materials. Manufactures nearly always meet with keen competition in foreign markets, and therefore a preference on manufactures is nearly always of advantage. The position in regard to raw materials is different. In the first place they are usually admitted free into foreign markets, so that the possibility of a preference does not arise; in the second place it is an obvious fact that to a large extent they find their markets ready made, whereas the market for manufactures has to be developed and carefully nursed. With a comparatively small degree of competition to meet, it is clear that raw materials stand very much less in need of preference than do manufactures, and that the gain to them from preferences is likely to be correspondingly smaller. With regard to foodstuffs the general tendency in most countries is to admit them free, and the possibilities of preference are limited." (Report of the Indian Fiscal Commission, Page 130). Notwithstanding the far-reaching changes which have since then taken place in the markets for agricultural products, the main thesis contained in this statement still holds good with undiminished force. For if the competition in the market for raw materials and foodstuffs has increased, particularly during the years of depression, the competition in the markets for manufactured goods has increased very much more.

conception of partnership on which the authors of the Ottawa Agreement were manifestly anxious to base the future of Indo-British trade relations. It is true, that after the passing of the Import Duties Act Great Britain was prepared to extend the preferential tariff system only on the basis of reciprocity. But the refusal to extend to India a preference on tea, for instance, granted to other parts of the Empire, would have run so visibly counter to any real partnership on which so much emphasis was laid in responsible public pronouncements that we should have hesitated to credit the British Government with harbouring such thoughts. Since the conclusion of the Ottawa Agreement the conception of reciprocity has been further elucidated, particularly in connection with the moulding of the new Federal Constitution: "the conception of reciprocity does not preclude either partner from entering into special agreements with third countries for the exchange of particular commodities, where such agreements offer it advantages which it cannot obtain from the other; but the conception does imply that, when either partner is considering to what extent it can offer special advantages of this kind to a third country without injustice to the other partner, it will have regard to the general range of benefits secured to it by the partnership, and not merely to the usefulness of the partnership in relation to the particular commodity under consideration at the moment." If this statement, extracted from the Report of the Joint Parliamentary Committee (p. 206), is not meant for one-sided application, it should effectively rule out in future that kind of discrimination against Indian goods, the apprehension of which actuated the Indian Delegation to conclude the Trade Agreement at Ottawa.

It follows from the above analysis that from the Indian standpoint, the need for an agreement with the U. K. is neither so urgent nor so great as we have been led to imagine. Although the British market is indispensable to India, she can rest content that her inherently strong, or, if one prefers it, her relatively less vulnerable, position coupled with the good-will of England, inherent in the conception of partnership, would constitute ample safeguard for her export trade with the United Kingdom.

Nor does a new pact seem at first sight necessary to safeguard the British position in the Indian market. It will be remembered that the Indo-British Trade Agreement of January, 1935, unequivocally

prescribes that whenever protective duties are levied after a Tariff Board Enquiry lower duties should be imposed on goods of British origin as long as there is room for doing so in the practical application of the principle of equating prices of imported goods to fair selling prices of similar goods produced in India. England is thus ensured of an automatic preference for a large number of her exports to India. Again, the special responsibility of the Governor-General to prevent unfair discrimination against British imports has been formulated in such wide terms in the new Government of India Act, that the continuance of Imperial Preference has, to all intents and purposes, become a corollary of the future fiscal policy of India. Every measure which might be taken to discriminate against British goods can be declared unconstitutional and as such automatically ruled out. If, therefore, as a result of the negotiations now afoot a new Indo-British trade agreement comes into existence, it could hardly be said to be the outcome of any strong desire on the part of India for more safeguards and more extended facilities in the British market. The real beneficiary of such a pact, let us be frank about it, would be England and its main purpose could only be to secure preference for some more commodities. Although a new trade agreement can at best be of dubious utility to India, she need not, however, grudge extending the sphere of preference to include some of these commodities, provided the sacrifice which such a policy would entail is kept within reasonable bounds and that the principle of *quid pro quo* is adhered to in all discussions.

## V. IMPLICATIONS OF THE PRINCIPLE OF 'QUID PRO QUO'.

Commercial negotiations, it is usually insisted, should be based on the principle of *quid pro quo*. The task of giving practical shape to this principle is, however, not a simple one. In discussions on Imperial Preference it has not seldom been regarded almost as a self-evident truth that an equation of the values of "preferred" imports and exports would constitute the most satisfactory definition of *quid pro quo*. This notion, it seems, was not completely absent from the minds of the Indian participants in Ottawa deliberations. Yet such a narrow interpretation of equivalence is defective for several reasons:—

For one thing, in piling up the totals to be equated it is legitimate to insist that the preferences which are being enjoyed since pre-Ottawa days should be left out of account. For in respect of such preferences the presumption is that these were granted not as a concession to India but in the interest of the British consumer.

Secondly, such an equation considers only the amount on which preference is given, disregarding the actual result of the preference.

Thirdly, the incidence of even the same amount on which preference is given on the total foreign trade would be very different in the two countries, because the volume of England's foreign trade is many times larger than that of India. Preferences involving a particular amount would consequently tie up a much larger percentage of India's total import trade than would be the case with England. In fact as the results have shown about 23% of India's import trade has been offered to Britain's advantage, while hardly 4% of British import trade is covered by preferences on Indian goods.

Fourthly, equivalence in the above sense overlooks the fact that the urgency of securing preference may not be the same in both cases. It may, for example, be more necessary for England to obtain preference, say, for motor cars and galvanised sheets in the Indian market than for India to ensure a preferential treatment of her tea and jute manufactures in the United Kingdom. For reasons already explained, the British demand for Indian goods would, in general, seem to be less elastic than *vice-versa*.



And lastly, equivalence, so narrowly interpreted, does not do justice to the special needs of the two parties. For example, India as a crude equation of totals, as mentioned above, but rather in an equal obligations. In negotiating a trade agreement she can hardly afford to leave this fact out of consideration.

A give-and-take attitude is no doubt an essential condition of success in trade negotiations. But such an attitude implies, above all, a readiness to understand the needs and difficulties of the other party. The real meaning of *quid pro quo* is, therefore, to be sought not in a crude equation of totals, as mentioned above, but rather in an equal willingness on both sides to make such real concessions as do not demonstrably run counter to one's own special needs. Only such an elastic definition of *quid pro quo* would be compatible with any real partnership which is supposed to be the foundation of Indo-British economic relations.

## VI. POOLING PREFERENCES.

Another most important consideration which should be constantly kept in view in Indo-British trade negotiations is that there should be allowed to remain no veiled preferences for British goods under the name of differential duties. All preferences which are in the nature of effective concessions should be pooled together so that the measure of advantage granted to Britain and the measure of sacrifice borne by India may be easily evaluated.

The Steel Industry Protection Act of 1927 and the Cotton Industry (Protection) Act of 1930, both of which were passed after an investigation by the Tariff Board and give effect to its recommendations, imposed much lower duties on British goods than on similar goods from other countries. But the Indian Delegation to the Ottawa Conference submitted that because the lower rates of duty on British goods were "adopted not in the interests of the U. K. but in the interests of India and in pursuance of the policy of discriminating Protection, these rates of duty could not, we were satisfied, become the subject of bargaining between ourselves and the British Delegation" (Report, p. 12). The contention is hardly justified by facts. It is significant that the Tariff Board did not extend the principle of differential rates to foreign countries, although their costs of production while possibly lower than in England were not necessarily uniform. This shows that the preferential rates were imposed on British goods not so much because they were in the interests of India as because they appeared compatible with the interests of India.

The cost of production of many commodities is higher in America than in England. Why did not they fix lower duties on American goods, if the interests of Indian consumers were the only consideration? Whatever may have been the object of the Tariff Board in recommending differential duties, their effects must be recognised when Indo-British trade relationship is considered.

The Indian Delegation, however, indirectly admitted that there was, qualitatively, no difference between preference granted by a special trade pact and those granted on the recommendation of the Tariff Board. For, as they argued later (*Ibid*, p. 42), they saw no reason why the advantages which the United Kingdom derived from

the duties on cotton textiles and iron and steel goods should not be fully weighed.

One might argue that at least in one respect the Tariff Board's preferences are to be preferred to the Pact preferences. In the case of the latter one has either to lower the existing duties on British goods, which tends to affect the budgetary position unfavourably, or to raise the duties on non-British goods, which means that the consumer is to be taxed more than is otherwise necessary. There is, however, no such dilemma when the duty is not a revenue, but a protective one and when in view of the relatively higher costs in England a lower duty is imposed on British goods than on similar goods of foreign origin. Indeed it is not quite certain that it would not suit India's interests best to limit preference only to this category, receiving in return preferential treatment in the United Kingdom market for a limited number of commodities for which preference might be expected to be of some help. The case for an agreement on this line is reinforced by another consideration. As a result of the Indo-British Trade Convention of January, 1935, the Tariff Board must in future recommend preferential rates of duties on British goods whenever possible. The range of automatic preferences therefore promises to be much widened with a corresponding narrowing down of the opportunities to grant preferences in a special commercial agreement. But, as already pointed out, from the British point of view the real *raison d'être* of a new pact is to be found in an implicit desire to extend preferences in the Indian market to cover unprotected commodities.

In any case, to urge that the Tariff Board's preferences should not form a part of the new trade agreement would in reality be a plea for the exclusion of just that field in which India, on authoritative pronouncements, is best fitted to grant preference to England. The untenability of such a contention would be all the more evident if one recalls that the Fiscal Commission had explicitly recommended to refer all questions of preferences to the Tariff Board which was to judge where and how such preference could be granted without prejudicing Indian interests. Both logic and practical considerations require that the new agreement should be based on a pooling of preferences and not on a continuation of their present arbitrary division into two water-tight compartments.

## VII. LIMITATION OF THE BRITISH MARKET FOR INDIA'S EXPORTS.

In exchanging preferences with the U. K., we should clearly realise the limits of British market for India's exports. For the future development of Indo-British trade relationship it is indeed of vital importance to know to what extent the consumption of Indian goods in the U. K. could be extended. Although imports from India into Britain have risen considerably from the lowest point reached during the depression, they lag far behind the level of pre-depression days, which might be described as the normal British demand for Indian goods. It would therefore be unreasonable to say that the potentialities of the U. K. to increase the consumption of Indian goods have been exhausted. With the progress of the economic recovery the British demand for raw materials will increase which will naturally lead to larger imports from India till they reach something like the level of, say, 1929.

But in discussing the question of preference what is important to know is not the possibility of a rise in the total demand for a particular commodity but the possibility of increasing the existing demand for that particular commodity from the country receiving preference and in the country granting preference. In other words, the relevant question is, taking the British demand at what it is, as to the extent to which it is possible to improve India's position in the British market relatively to that of other competing countries.

A close analysis of the British market (Appendix—Group III) for those articles which play the most important part in India's export trade would convince us that the answer to the above question cannot be very optimistic. Several factors seem to limit India's prospect of considerable trade expansion in the U. K. market in future. First of all, in respect of most of the agricultural products which enjoy a steady demand in the U. K., India has to face competition mainly from the Empire countries which also enjoy preferences in the same market. Tea, coffee, groundnut, piglead, wheat and coir yarn are some of these commodities. Ceylon is interested in tea, East Africa in coffee, Nigeria in groundnut and Australia in piglead and wheat. Secondly, under force of circumstances, the U. K. had to enter into trade agreements

with certain non-Empire agricultural countries which are in direct competition with India in the British market. For instance, the Argentine is a serious rival of India in linseed, the U. S. A. and Egypt in raw cotton. Thirdly, India already enjoys in respect of certain commodities a substantial position in the British market, so that unless in the near future the economic conditions in Great Britain considerably recover, there is little prospect for further increase in the import of India's goods. Fourthly, as a fundamental proposition, the very fact that many of the countries which were previously good markets for British goods are being progressively industrialised impose a definite limit on the potentiality of Great Britain's industrial expansion and consequently on her capacity to consume raw materials.

At Ottawa no preference was given to Indian cotton, but much stress was laid there and also subsequently on the desirability of increased consumption of this commodity in the U. K. Since then, British imports of Indian cotton have shown a large percentage increase, but even then they constitute only a very small part both of India's total exports and Great Britain's total imports. In spite of all propaganda it is very unlikely that the United Kingdom will become a large market for Indian cotton. The prospects of India growing long-stapled cotton in large quantities, which forms the bulk of the British imports, are not very bright for the immediate future. For raw jute, lac and mica there is no scope for improving India's position as she enjoys more or less a monopoly for these articles and already satisfies practically the whole of the British demand. For imported jute goods the British market is not very large and India is by far the largest supplier. For tea India and Ceylon supply about 85 per cent. of British requirements. India's position can be slightly improved at the expense of non-Empire tea, but in that case the latter will compete more keenly in other foreign markets and will thus attack the Indian tea industry, so to say, from the flank. In hides and skins, again, the scope for improvement is limited by the fact that the U. K. already takes from India much the larger part of those kinds (particularly dressed and tanned hides, and raw goat skins) in which she is interested. The articles mentioned above cover from 65 to 70 per cent. of India's total exports. As for other articles, there may be some scope for improving the relative position of India in the British market, but on the whole the conclusion would seem justified that, taking the present British

demand for those articles which enter into India's export trade, the British consumption of Indian goods is, for the large majority of the cases, not far from the point of saturation.

There is however one important consideration to be borne in mind. As the export figures for preferred articles would seem to indicate, there has been a definite diversion in the export of these articles from other foreign countries to the U. K. Whether this diversion is desirable or not, is a different question. But once it has taken place, it would be difficult, if not impossible, to return to the *status quo ante*. For, in the meantime new tariffs have been imposed and in some countries economic nationalism has made rapid strides. In attempting such a return India will run an unnecessary risk and will, on balance, probably lose some of her trade, though the magnitude of this prospective loss can easily be exaggerated.

The effects of Indo-British tariff arrangements on India's trade relationship with other countries should also be borne in mind. No country should and will object, if India makes a straight business deal with Britain for their mutual benefit. But when other countries feel that Britain is taking advantage of her political power over India to discriminate against them they will be provoked to retaliate. In fact, silently yet effectively France, Germany and U. S. A. have sought to retaliate in an indirect manner. These good foreign customers of India have nothing to say against the Indo-Japanese Agreement, because they know that it is a purely business deal; but the duties levied by India on imports from these foreign countries are considered by them as discriminatory, and have been the cause of economic irritation.

All these considerations should receive due weight in the shaping of the new agreement and the unwelcome features of the old agreement should be avoided.

## VIII. INDIA'S FISCAL AUTONOMY.

Another vital consideration which must not be lost sight of in negotiating a trade agreement with the U. K. is the need for safeguarding India's fiscal autonomy convention. One of the main reasons why the Fiscal Commission decided to give its verdict against a general adoption of Imperial Preference was the apprehension that it would affect India's fiscal autonomy. Fiscal autonomy is as valuable and essential to a nation's life as political freedom and India has ample experience of the consequences of the lack of both. Since the Fiscal Commission reported, experience has proved that the general apprehension of Indians with regard to a policy of Imperial Preference was not unfounded. If discriminating protection has become the first leading principle of India's fiscal policy, it is now being attempted to make Imperial Preference the second one. The Indo-British Trade Agreement of January, 1935, which was supposed to be "supplementary" to the Ottawa Trade Agreement, marked a very important step in that direction. The right conceded to the British industries, of stating their case before the Tariff Board and answering the cases presented by other interested parties may, on the face of it, look quite fair in principle. Indeed Canada has also accorded the same right to British industrialists. But the difference in the case of India arises from the fact that the Government of India, as past experience has frequently shown, is more amenable to pressure when brought to bear by British industrial interests. This danger is all the greater, because the difference between the costs of production at home and abroad can at best be ascertained only very roughly, so that in determining the actual rate of protection it is bound to play a large part. That the Tariff Board in its recent enquiry on the required level of protection against British cotton textiles should come to the conclusion that India required not 25 per cent. but only 20 per cent. duties, that is to say, exactly the same rate which was contemplated in the Mody-Lees Agreement gives rise to the suspicion that the Board was from the very beginning inclined to justify the 5 per cent. reduction. Nor is this suspicion allayed by the rapidity with which the findings of the Board were put into force without waiting for the sanction of the Indian Legislature.

The chief object of the Agreement of January, 1935 which was planned and concluded without consulting Indian commercial opinion and put into operation without consulting the Indian Legislature, was no doubt to enlarge the preferential advantage for British goods in the Indian market and for this purpose to circumscribe the powers of the Legislature in fiscal matters. Certain provisions of the new Federal Constitution serve the same end and in a more effective way because any amendment of such provisions would require the consent of the British Parliament. The Government of India and the Indian Legislature "will possess complete freedom to negotiate agreements with the United Kingdom or other countries for mutual tariff concessions," and it will be the duty of the Governor-General "to intervene in Tariff policy or in the negotiation or variation of tariff agreements only if, in his opinion, the intention of the policy contemplated is to subject the trade between the U. K. and India to restrictions conceived not in the economic interests of India but with the object of injuring the interests of the U. K.)\* From this and what has been stated already in Section I, it will be seen how very wide powers have been given to the Governor-General in commercial matters. This elasticity of the principle thus formulated for preventing discrimination against British goods leaves India little scope for entering into reciprocal trade arrangements with other countries.

It is not difficult to explain the anxiety of the U. K. to ensure preferential treatment for her goods. After the War she has been attacked in the Indian market on two fronts. On the one hand, India started to develop her industries at an accelerated pace with the result that the market for certain foreign manufactures was visibly shrinking. On the other hand, even in this limited market British goods had to encounter increasingly severe competition from foreign countries, particularly, Japan. Faced with these difficulties the U. K. is now engaged in erecting a barrier of preferential tariffs to safeguard her own position in the Indian market, apparently not paying any serious heed to the fact that such a policy is prejudicial to the interests of India's consumers and also of her industries.

In the pursuit of this policy the Fiscal Convention was naturally found to be an embarrassing obstacle. In the name of elucidating the

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\*Report of the Joint Parliamentary Select Committee, Vol I., P. 205.



real meaning of the Convention its substance has been thinned down. Yet this encroachment on India's fiscal autonomy, however cleverly done and euphemistically put, has caused deep resentment in India. It has, more than anything else, served to make the idea of Imperial Preference unpopular with Indians. For it is felt that in its own interest the politically stronger party seeks to impose an agreement on the weaker. In such an atmosphere talks of partnership can hardly have any effective appeal to Indian minds

To all those who would at heart welcome a sincere co-operation between the two countries over a very wide field of economic life, this attack on India's fiscal autonomy appears both harmful and unnecessary. It bears an evident impress of lack of imagination. For though the position of Great Britain may at present be difficult in the Indian market for certain commodities, there is, on a larger view, no fundamental contradiction between the economic interests of the two countries.

## IX. MULTILATERAL ARRANGEMENTS.

The scope of a new Indo-British Trade Agreement should not be confined only to their mutual trade relations, for this alone cannot be regarded as a complete remedy for the present unsatisfactory condition of India's level of exports as well as her balance of trade. There is at present a curious anomaly in Indo-British trade relations inasmuch as England, the sole beneficiary of all payments made by India on account of Home Charges and by far the largest in respect of other foreign obligations has also the largest active balance against India on the combined account of "visible" and "invisible" items of the balance of trade. This anomaly becomes the more glaring in view of the fact that the export surplus of India has for years been lagging far behind the requisite minimum. England has thus a clear responsibility to explore all possibilities of finding new outlets for Indian goods.

In one respect at least she is admirably fitted to render very substantial assistance. As already mentioned, the largest part of England's import surplus arises from her trade with the United States and the industrial countries of the European continent. With most of them England is in direct commercial agreement. In view of her excess of imports from these countries she could easily persuade them to enlarge their offtakes of Indian goods. To take one concrete example, Germany normally sells substantially more goods in the U. K. than she buys from her. Britain might consequently ask Germany in return to import increased quantities of such Indian goods as cotton, rice, oilseeds and cow hides. Such a policy will in fact be a sort of compulsory adjustment of claims through a triangular process. In this way the necessity of direct trade negotiations between India and other countries could, to some extent, be obviated. England's position in the Indian market for manufactured goods would be correspondingly strengthened because she could with greater reason claim facilities in India as a reward for providing increased facilities for Indian goods in non-British markets. Further, such a policy would contribute to strengthen that economic unity of the Empire which was admittedly one of the main objectives of the preferential tariff policy initiated at Ottawa.

One peculiar advantage of the adoption of such a scheme would be to widen the scope of the foreign trade relations of India and Britain. We have moved far away from the days of free international trade, and in moulding our commercial policy we cannot afford to lose sight of the realities. However regrettable the crop of tariffs and quotas may be, they are mostly the outcome of a real necessity which in its turn arose because the world has yet to learn how to settle its problems through international co-operation and mutual understanding. And, if the suggestion made above helps to make international trade more free though in a limited degree, there can hardly be any reason why it should not be adopted.

Nor is the above proposal as novel as it might appear at first sight. There are at least two precedents where the idea of multilateral arrangements underlying our proposal, received at least a recognition in principle. As will be recalled, the Mody-Clare Lees Agreement, concluded in the autumn of 1933 stipulated that India should automatically participate in all quotas granted to England in other countries for cotton textiles. The second example, has, however, a more direct bearing on our suggestion. Art. 2 of the Anglo-German understanding of November 1, 1934, clearly stated that in allocating foreign exchanges the Government of the Reich would be guided by the principle that the normal German purchase of Empire raw materials and foodstuffs, bought directly from the colonies or indirectly from England, should not be unfavourably affected. A similar principle was also incorporated in the Trade Agreement between the U. S. A. and the Kingdom of the Netherlands; the large American export surplus with the Netherlands is more than offset by the excess of imports from the Dutch colonies which are included in the Agreement.

If England in her future commercial negotiations were to make it a definite policy to extend, whenever possible and with special regard to India, the application of the principle implied in the agreements referred to, specifically stipulating what concrete benefits should be offered to India by foreign countries as a partial return for the facilities which these countries enjoy in the British market, wider outlets could easily be found for many of India's agricultural products which would also go very far to solve the problem of India's balance of trade. The preferences which England enjoys or may enjoy in future in the Indian market will thus come to acquire a more solid justification.

India requires England's assistance particularly in developing her trade connexions with Indian Ocean countries such as British E. Africa, Ceylon, Strait Settlements and Burma. The U. K. has, of course, helped India to establish special trading terms with certain Empire colonies. Art. 9 of the Ottawa Trade Agreement between the U. K. and India provided that His Majesty's Governments of the non-self-governing Colonies and Protectorates would accord to India any preference which may for the time being be accorded to any other member of the British Empire (with one necessary exception in the case of certain preferences granted by Northern Rhodesia). Similarly in Art. 12 it was provided that the Government of India would invite the Legislature to pass the necessary legislation to secure reciprocal preferential treatment to the colonies and protectorates and certain Mandated Territories.

Since then a whole net-work of preferential tariff arrangements has sprung up between India and various parts of the Colonial Empire. India extended preferences even to Kenya, Zanzibar and the Mandated Territory of Tanganyika, although all of them together with Uganda, Nyasaland and part of Northern Rhodesia were debarred either by the Convention of St. Germain-en-Laye, 1919 or the Treaty of Versailles, or both from entering into reciprocal preferential arrangements as contemplated at Ottawa.

Although, taken individually, the Colonies and the Protectorates, with one outstanding exception, provide only a limited market for Indian goods, their small off-takes, when pooled together, make a handsome total of 15 to 16 crores or about 10 per cent. of India's total exports. Further, a large part of 6 crores of India's total export balance arises from her trade with the Colonial Empire, although as compared with the last pre-War year the surplus shows a large decrease. A careful analysis of the individual markets shows that there is still fairly wide scope for improving India's trade with this part of the Empire. Certain outstanding gaps in the net-work of inter-Imperial preferences have yet to be filled up for which the impending treaty revision is a necessary preliminary. There is, at the same time, scope for a more intensive application of the principle of preferential tariffs between India and the Colonies, that is to say, the arrangements, already existing, could, in certain cases be profitably extended to include more commodities. This holds good especially for the arrangement at present existing with

the West Indian Islands, Malaya and Ceylon. In the case of Ceylon which, thanks to its geographical situation, is by far the most important market for Indian goods within the Colonial Empire and whose off-take in 1935-36 was valued at over Rs. 7 crores, it is to be noted that the articles on which she has granted preferences to India as a reciprocal measure does not include cotton piece-goods and rice, although the first was specially included in Schedule E of the Ottawa Agreement.

The question of India's trade with the Colonial Empire can be more fruitfully discussed in direct trade negotiations between the parties immediately concerned or at the forthcoming Imperial Economic Conference. But there is one important point touching India's trade relations with this part of the Empire, which should receive attention in the course of the negotiations between India and the U. K. There can be no doubt about the desirability of eliminating, as far as possible, competition within the Empire. For example, cotton manufactures of the United Kingdom compete with those of India in Kenya, Nigeria, Gold Coast and Ceylon, while British jute manufactures compete with the Indian product in several parts, e.g., Nigeria, Canada, Australia. Again, Kenya coffee competes with the Indian in the British market while the preference accorded to India for cocoanut oil therein has been rendered illusory by the competition of Ceylon. It would seem desirable at least to limit some of this competition by a sort of quota arrangement. Incidentally, a reference may in this connection be made to the fact that India's cocoanut oil industry at the Malabar Coast has been hard hit by the import of the Ceylonese product for which Ceylon has been granted a preference in the Indian market. As was clearly recognised in India's refusal to grant Mauritius a preference for sugar, preferences should not, as a matter of principle, be extended to articles whose competition would endanger the growing home industries.

Lastly, with the separation of Burma an elaborate trade agreement between India and Burma is essential. The divergent financial and commercial relations between the two will have to be settled and based on a mutual understanding. Burma is almost a natural market for India's products, such as, cotton goods, cement, sugar, iron and steel etc. In pushing these commodities in Burma, India will be faced with competition from British interests. The recent Order-in-Council adopted by the British Parliament has maintained the status quo in regard to Indo-Burma trade relations for a period of three years, after which it

will be open for either of the two countries to impose duties on goods imported from the other. It is necessary that Indo-Burmese trade relations should be examined in all details in order to facilitate the conclusion of a full-fledged reciprocal trade agreement between the two countries after the expiry of the three "free-trade" years.

India's trade with the self-governing Dominions though of much smaller magnitude than that with the Colonial Empire should also be considered. In recent years the exports to the Dominions have tended to decline while the imports from them have shown an upward trend. The possibilities of a large exchange of commodities between India and the Dominions are limited by the fact that they are, like India, large exporters of agricultural goods. In the case of Canada the proximity to the United States is another important factor. Situated so near the largest cotton-grower of the world, Canada can hardly be expected to consume large quantities of Indian cotton. Similarly, for many other products she turns in the first instance to her great neighbour just as it is natural for Ceylon to buy many of her goods in the Indian market. Of all Indian products, the Dominions are most interested in tea and manufactured jute. Here, again, as a member of the Empire, Ceylon, the second largest tea-grower of the world, is entitled to the same treatment as India, while India's jute manufactures have to meet everywhere the competition from the United Kingdom. These natural limitations explain, at least partially, why no serious consideration has so far been given to mutual tariff concessions between India and the Empire.

There is still some scope for an extension of India's trade with the Dominions on the basis of reciprocity. Canada's import of non-Empire tea is not negligible while she imports rice to some extent from outside the Empire. For these products, to some extent possibly also for manufactured jute, Canada might offer India some facilities. In return she could be granted either the same preference as enjoyed by the United Kingdom or some intermediate preference for her motor cars. Australia could, with less difficulty, extend tariff preferences to India, particularly for jute goods, rice, seeds, tea. It is, however, less easy for India to grant Australia preferences in which she would be likely to be interested. The same remark applies, even with greater force, to the Union of South of Africa. The chief articles of import from the Union are coal and coke. In view of the depression in her

own coal industry, India can hardly be expected to grant preference to the Union coal.

It is not necessary here to enter into other minor details. If the nexus of the inter-Imperial trade, based on mutual tariff preferences, is to be fully developed, there is no reason why the opportunity, however limited, of broadening the channels of trade between India and the Dominions should not be exploited.

## X. HOW THE NEW AGREEMENT SHOULD BE SHAPED

Before proceeding to make concrete proposals with regard to the articles on which preference could be given and received, it is worth while to put together, by way of recapitulation, the general principles which have been discussed in details on which the new Agreement should be based. They are :—

1. Preferences should be pooled together so as to help an easy evaluation thereof.
2. The number of articles on which preference is granted should be reduced.
3. Higher preferences may, if necessary, be granted in suitable cases.
4. Intermediate tariffs could be profitably introduced.
5. The United Kingdom should, by means of multilateral arrangements, try to discover new outlets for India's goods.
6. Competition within the Empire should be eliminated in certain cases.
7. Preference should not be granted when it would retard the growth of home industries.
8. India's fiscal autonomy should be respected. The Agreement should not be put into force unless ratified by the Indian Legislature.
9. Preferences granted should not be too discriminatory in character against non-British foreign countries, and should not be any more restrictive of India's broad channels of international trade than is absolutely necessary.

### (a) *Where India should receive Preference.*

The list of the commodities on which preference was granted at Ottawa include some articles which can be safely eliminated because preference on them has proved or will prove useless for India :—



1. *Wheat*—India has no exportable surplus at present nor can she be expected to have any in the near future.

2. *Rice and broken rice*—With Burma separated, India will no more be interested in the export of these articles.

3. *Tobacco*—The available surplus for export is negligible. Also the official Reports admit that preference here will be of little benefit to India.

4. *Iron and Steel*—Excluding ores, pig iron etc., exports of iron and steel on which preference has been granted, are negligible, amounting to no more than Rs. 3,000 annually.

5. *Cotton manufactures*—So far the preference has not helped India's cotton manufactures, nor is there any likelihood that it will do so in future. There is a small demand for India's handloom products in the British market, but none for her mill made cloth.

6. *Pig lead*—After the separation of Burma India will have no more interest in the export of this article.

There is a second group of articles consisting of raw jute, myrobalans, lac and mica, in which India has more or less a monopolistic position and as such does not stand in need of a preference for them. At the request of the Indian Delegation these articles (as well as broken rice and Indian hemp, all the six articles being included in Schedule D) were exempted from duty under the British Import Duties Act, irrespective of the country of origin. The reasons for advocating what might be called a negative preference have been explained in the Report of the Delegation. From the Indian point of view the imposition of a 10% duty on these articles under the Import Duties Act would not have mattered much, because the danger of competition from substitutes was not as serious as it was supposed to be. Besides, it was also to the interest of England to import them, particularly raw jute, free of duty. In any case the continuation of the *status quo* would be the best policy with regard to these four articles.

There is another group of commodities: paraffin wax, bran and pollards, rice meal and dust in which India has to meet severe competition mainly from non-empire products. She supplies only a small part of the total British imports. Preference has not helped her in improving her position and there is not much utility in continuing them.

Turning now to the more positive aspect of the question, preference on the articles listed in Table 3 of Group I might be expected to be of some benefit to India. Judged by the value of the export to the United Kingdom, tea occupies easily the most predominant position in the list. So long as there is going to be any preference at all for this commodity in the British market, it is evident for reasons discussed already that India should be entitled to the same privilege, if only to avoid what would otherwise be a discrimination against Indian tea.

Coir, hides and skins, teak and other woods, oil cakes, oilseeds (other than linseed), woollen carpets and rugs have registered some improvement since the preference scheme was put into operation, though there have been some setbacks as well. While it is not clear as to what extent the improvement has been due to the Agreement, it seems on a calculation of probabilities that India is more likely to benefit from preference on these articles than on any other group.

It might be noted in passing that if the preference on coffee and cocoanut oil is continued, it is desirable to come to some quota arrangements with Costa Rica and Kenya for the former and Ceylon for the latter. Otherwise preference will be of little value to India.

The Ottawa Agreement granted preference on magnesite, sandalwood oil, granite setts and kerbs because certain Indian States were interested in them. Although India's position has not improved much since then, the preferences might be continued if the States concerned desire them, especially when the value and the volume of the trade involved are so small.

The continuation of the preference on manufactured jute should also be recommended for a different reason. As mentioned already, it seems that the continental jute goods, shut out from the United Kingdom, compete more effectively with Indian manufactures in other countries, such as, Germany, Argentine and U. S. A. The removal of the preference at present would expose India's position in the British market without the guarantee that she will be able to recapture her lost markets in other countries.

In the case of linseed, one of the most important constituents of the oilseeds group, the high hopes entertained by the authors of the Ottawa Agreement have not been fulfilled. As, however, Great Britain's total consumption of linseeds much exceeds her imports from

India, there is wide scope for developing trade in this commodity. The preferential tariff should continue in this case, but as the Report of the Ottawa Delegation rightly emphasised, preference ought to be supplemented by the efforts of the Government of India's Agricultural Department to stimulate the cultivation of linseed on a more efficient scale.

Similarly, although the British off-takes of India's vegetable oils have not increased during the operation of the Agreement, the preference might be continued, if only as a trial, for a few years more. The importance of developing an oil industry is generally recognised in India. As was emphasised by the Agricultural Commission, the chief difficulty lay in the fact that India's demand for oil and oil cakes was not sufficiently large while the prospects of developing an export trade were not bright. If preference on vegetable oils were accompanied by more serious efforts to develop a more efficient oil industry in India, she might capture a larger part of the British market and thus partially solve this difficulty. Here again, if preference is to bear any fruit, it must be supplemented by Government initiative.

The case of hemp, which was also included in Schedule D of the Agreement, deserves a separate mention. It was included in the free list because its chief rival, namely, *Cannabis Sativa* (European or true hemp) was expressly exempted from the Import Duties Act so that preference here would have been of little avail. The Delegation regretted that no practical means could be devised to distinguish between the two kinds of European hemp, namely the Russian type which competed with the Indian product and the Italian hemp which was mainly non-competitive. It is much to be hoped that serious efforts will be made again to devise some means of distinguishing between the two sorts so that a new preference could be introduced for Indian hemp.

A new commodity namely sugar should be included in the list of preferred articles. As the indication goes, India's sugar production will ere long be pushed to the extent of a handsome exportable surplus. It is quite natural to expect that Britain will absorb some of this surplus by extending to Indian sugar preference similar to that enjoyed by colonial and dominion sugar in the British market. At present about one third of Britain's sugar requirements are met by Empire countries. As the United Kingdom Sugar Industry Enquiry

Committee of 1934 discouraged the widescale subsidizing of beet sugar industry of England, it is probable that England's need for imported sugar will gradually increase.

The recommendations as to the articles on which India should receive preference can now, for the sake of convenience, be summarised as follows:—

1. *Tea, spices, coir, hides and skins, teak and other woods, oil cakes, oilseeds (other than linseed) woollen carpets and rugs*—India is likely to reap some benefit here.

2. *Jute manufactures*—Preference should be continued in order to avoid possible loss.

3. *Coffee and cocoanut oil*—Preference should be continued, only if quotas are introduced.

4. *Magnesite, sandalwood oil, granite setts and herbs*—Preference may be continued, only if the Indian States concerned desire it.

5. *Vegetable Oils and Linseed*—Preference should be continued for another period of trial. Potentialities are large in these cases, but unless Government measures supplement the preference, much benefit cannot be derived.

6. *Indian hemp*—Preference should be introduced, if practical difficulties can be overcome.

(b) *Where India can give Preference.*

As already pointed out in Section III, the supreme consideration to be borne in mind in giving preference to British goods is the necessity of reducing the number of articles covered in order to create a margin in India's import trade from which concessions could be made to other countries in course of negotiations for bilateral understandings. In our view, this margin can be best created by excluding the following items from the list of commodities (Schedule F) on which the United Kingdom was granted preference at Ottawa:—

1. *Chemicals and Chemical Preparations (excluding chemical manures and medicines)*—Besides the United Kingdom, Germany, U. S. A. and Italy, and also Japan are interested in these articles. There is the added consideration that the imports of certain chemicals included in this list (e.g., sodium carbonate and other soda compounds) are used in indigenous industries and should be subject to as low duties as possible.

2. *Hardwares and Cutlery*—Germany is particularly interested in these articles her percentage share in hardwares being almost equal to that of the United Kingdom. In the face of the German competition the British position could not be maintained.

3. *Instruments, Apparatus and appliances and Parts thereof, Electrical*—Large interests of other countries, e.g., Germany, Italy, etc., are involved. Besides, as beginnings of industries on these lines have already been made and are giving promise for the future, it is undesirable to stunt these infant industries in order to grant a favour to a particular country.

4. *Metals and Ores*—Germany is specially interested in brass and copper wrought and the improvement in the British position could not be maintained in the face of the German competition.

5. *Paper and Pasteboard*—Several other countries including Germany and Austria are interested in these articles. Besides, there is a growing home industry.

6. *Rubber Manufactures*—Germany, U. S. A. and to some extent also France are interested in them. They are India's important customers and, besides, India is trying to build her own industry.

7. *Wool Manufactures*—France and Italy are interested here. Besides, an Indian home industry is developing.

There is another group of articles on which preference should not be granted mainly because it affects India's industrial enterprise in the particular lines. This group includes, apart from some of the articles already mentioned, vegetable fibre, cork manufactures, earthenware and porcelain, leather and floor cloth, toilet soaps, toys and requisites for sports.

In spite of these eliminations Schedule F will still contain the following articles on which preference could be given:—

1. Apparel (excluding hosiery and boots and shoes).
2. Arms, Amunition.
3. Boots and Shoes of leather.
4. Building and Engineering Materials other than of iron, steel or wood.
5. Drugs and Medicines (except chemicals and narcotics).
6. Liquors, including denatured and perfumed spirits.
7. Oils.
8. Paint and Painters' Materials.

9. Provisions and Oilman's Stores.
10. Stationery.
11. Textiles (haberdashery and millinery).
12. Machinery and Millwork, all sorts subject to duty under No. 96 of the Indian Tariff Act, including sewing and knitting machines and parts thereof, and typewriters and parts thereof.
13. Umbrellas and Umbrella Fittings. .
14. Vehicles including motor cars, motor omnibuses, etc.
15. Some other miscellaneous articles.

The question of granting preference to the British textile industry in the Indian market deserves special consideration in view of the recent pronouncements made by responsible leaders of the industry. It appears that the recent reduction made by the Government of India of the import duties by 5%, on the recommendation of the special Tariff Board, is considered too inadequate by the Lancashire cotton interests, and a fresh request is being put forward for further concessions to the industry. The recent press opinions in England seem to indicate that the bone of contention in regard to commercial relations between the two countries is the question of import duties levied on cotton textile piece-goods and yarn produced in Lancashire. But judging from the very strong criticism which this reduction has evoked from the Indian cotton textile industry, it is very doubtful whether the new demands of Lancashire will receive a sympathetic hearing in India. There is thus evidently a clear lack of understanding between the two countries as to their respective requirements and the special nature of their problems, and it is therefore necessary to mention a few facts to clarify the position. The British industrialists have evidently failed to realise fully the limitations of India in the matter of granting preference to Lancashire cotton goods. In the first place, the Indian industry has made tremendous progress during the last few years, and also expects to make still more progress in years to come under the protective tariff. Any concession which India may grant to other countries including the United Kingdom, must be conditioned by the recognition of this fundamental problem of developing the Indian industry. We cannot obviously be expected to sacrifice our own interests in order to satisfy Lancashire. In the second place, the situation has been further complicated by the Agreement which India entered into with Japan in 1934, and which is at present

the subject of negotiations between the official representatives of the two countries. The peculiar problem of Indo-Japanese trade relations has compelled India to grant important concessions to Japan in the matter of the import of cotton piece-goods in return for equally important concessions obtained by her in the Japanese market in respect of the export of raw cotton. It is necessary to realise that the concessions granted by India to Japan limit the scope within which it is possible to grant any further preference to the British industry to that entailed by the necessity of developing the indigenous industry already referred to. It may further be pointed out that even though the terms of the revised Agreement with Japan may be modified, as they should be, India will have to agree to reserve a certain portion of her market in favour of Japanese piece-goods, in the interest of her export trade in raw cotton. It is no doubt true that Britain is also increasing her off-take of Indian raw cotton more or less in implementation of the assurance given at the Ottawa Conference. But it is idle to expect her to provide any large market for Indian raw cotton sufficient enough to enable India to dispense with her exports to Japan. The British textile industry must therefore recognise that India can be reasonably expected to grant preference to imports of cotton piece-goods from England only after the conditions set forth above are satisfied. At the same time, we on this side also recognise the special difficulties of the Lancashire industry and are prepared to examine sympathetically any concrete suggestion which may emanate from Lancashire and which recognises the paramount necessity of protecting and developing the Indian cotton industry and also of providing an assured market for India's surplus raw cotton.

Although the exclusions suggested above comprise some important articles in which the interests of the United Kingdom are considerable, even the modified list, as it stands, accords her very substantial concessions from which she will certainly not derive less benefit than India may be expected to derive from the preferences she asks for. In appraising the real position of the United Kingdom, the Tariff Board preferences should be taken into account. The United Kingdom already enjoys a large preference on cotton textiles and various iron and steel goods. It has been suggested above not to grant preferences on certain articles on the ground that there is a growing home industry in these lines. If on the recommendation

of the Tariff Board new duties are levied for protecting some of these industries, or some new ones, the United Kingdom will, in all probability, automatically receive some more preferences. Lastly, the amount of preference on certain articles could be increased so long as it does not impose too heavy a burden on the Indian consumer. At first sight it seems that on such luxury articles as motor cars and liquors a higher preference could be granted without much difficulty.

If all these factors are taken into consideration, an Agreement concluded on the lines recommended above should be considered as quite reasonable and fair to both the participants—the United Kingdom and India.

*March, 1937.*



# APPENDICES

## STATISTICS OF INDIA'S FOREIGN TRADE GROUP I—INDIA'S EXPORT TRADE

TABLE 1  
INDIA'S BALANCE OF TRADE\*

(In Crores of Rupees)

	Pre-War average †	War average †	Post-War average †	1928-29	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37
Exports of Merchandise ‡	224	224	806	838	226	161	135	150	155	164	202
Imports of Merchandise	146	148	254	251	164	126	182	115	182	184	125
Excess of Exports over Imports	78	76	52	87	62	35	3	35	28	80	77

\*Excludes—(a) Government transactions in merchandise, and  
(b) Movement of goods over ports in Indian States.

†Average for five years ending 1913-14, the four War years and the first five Post-War years ending 1924-25. The average export surplus for the first ten Post-War years was 82 crores of rupees.

‡Includes re-exports.

TABLE 2  
INDIA'S EXPORTS  
(In Crores of Rupees)

	Of "Preferred goods"		Of "Non-preferred Goods"	
	U. K.	Other Countries	U. K.	Other Countries
	1931-32	88	78	10
1932-33	80	65	7	31
1933-34	87	63	11	38
1934-35	87	58	11	47

TABLE 3  
EXPORTS FROM INDIA TO U. K.  
(In 1,000 Rupees)

	1931-32	1932-33	1933-34	1934-35	1935-36
Coir	98,75	53,54	62,33	60,30	...
Hides and Skins, Tanned	4,85,08	4,36,29	4,30,11	4,85,74	4,88,37
Tea	16,92,34	14,78,46	17,56,56	18,14,64	17,68,02
Spices	7,46	10,09	7,43	5,90	1,96
Teak and other Woods	84,26	28,37	39,33	65,35	30,50
Oil Cakes	72,51	72,44	86,08	1,16,15	1,24,94
Oil Seeds (Excl. Linseed)	1,48,35	98,34	1,06,40	2,06,70	1,16,34
Linseed	16,47	16,55	2,01,25	1,28,41	1,01,90
Wool manufactures (mainly Carpets and Rugs)	40,89	44,34	56,58	74,08	60,32
Coffee	27,95	33,91	30,32	21,43	38,02 ✓
Hemp, raw	...	9,47	8,29	10,61	17,16
Jute manufactures	1,86,40	1,74,61	1,60,32	1,59,68	2,01,69

TABLE 4  
INDIA'S TRADE WITH THE UNITED KINGDOM

(In Crores of Rupees)

	Imports from the U. K.	Exports to the U. K.	Excess of Imports
1918-14	-118	+ 58	- 60
1920-21	-205	+ 57	-148
1921-22	-151	+ 49	-102
1924-25	-188	+102	- 81
1928-29	-113	+ 72	- 41
1929-30	-103	+ 70	- 88
1980-81	- 61	+ 54	- 7
1981-82	- 45	+ 45	...
1982-88	- 49	+ 88	- 11
1988-84	- 48	+ 48	...
1984-85	- 54	+ 49	- 5
1985-86	- 52	+ 50	- 2

GROUP II—INDIA'S CHIEF EXPORTS

TABLE 1  
TEA—EXPORTS FROM INDIA  
(In Million lbs.)

	Pre-War Average	War Average	Post-War Average	1982-88	1988-84	1984-85	1985-86
United Kingdom	194	252	280	880	276	289	276
Canada	10	10	10	17	15	18	18
Australia	9	8	6	2	2	2	2
Ceylon	4	8	8	4	8	8	8
Total Brit. Empire	221	280	307	856	308	311	299
Russia	80	18	...	8	7	...	9
China	8	6	...	...	...	...	...
U. S. A.	2	6	6	11	8	8	7
Total Foreign Countries	45	48	15	28	15	14	18
GRAND TOTAL	266	328	321	879	313	325	318

TABLE 2  
RAW COTTON—EXPORTS FROM INDIA  
(In 1,000 bales; 1 bale=400 lbs.)

	Pre-War Average	War Average	Post-War Average	1982-88	1988-84	1984-85	1985-86
U. K.	122	212	152	167	842	847	456
Japan	1,012	1,878	1,540	1,085	1,022	2,055	1,759
Italy	288	240	268	150	261	278	154
France	109	69	91	124	161	148	166
China	81	48	289	184	887	142	109
(exclusively of Hongkong, etc.)							
Belgium	277	44	217	128	144	158	225
Germany	851	69	198	152	246	158	264
Total	2,407	2,190	2,917	2,068	2,729	3,490	3,897

TABLE 3  
OILSEEDS—EXPORTS FROM INDIA

		(In 1,000 tons)				
		Pre-War Average	1932-33	1933-34	1934-35	1935-36
Linseed ...	...	379	72	379	238	165
Rapeseed ...	...	278	115	78	87	19
Groundnuts ...	...	212	433	547	511	413
Castor ...	...	114	86	82	69	60
Cotton ...	...	240	2	6	6	7
Sesamum ...	...	119	10	15	4	1
Copra ...	...	31	...	...	...	...
Others ...	...	85	15	22	15	14
<b>Total</b> ...	...	<b>1,453</b>	<b>733</b>	<b>1,124</b>	<b>875</b>	<b>673</b>

TABLE 4  
EXPORT OF LINSEED FROM INDIA

		(In 100 tons)						
		Pre-War Average	War Average	Post-War Average	1932-33	1933-34	1934-35	1935-36
U. K. ...	...	180.5	208.5	141.9	14.3	176.4	108.8	90.1
France ...	...	76.8	25.3	42.9	21.4	42.6	18.7	7.6
Italy ...	...	26.6	16.6	16.1	10.6	21.7	10.1	6.7
Belgium ...	...	37.8	4.9	23.1	8	10.2	8	3.6
Germany ...	...	33.5	2.0	3.2	9.3	10.3	5.4	3.4
Australia ...	...	1.6	11.1	11.4	9.4	12.0	21.4	9.7
Other Countries ...	...	42.2	7.0	12.9	6.9	105.7	33.2	35.6
<b>Total</b> ...	...	<b>379.0</b>	<b>270.4</b>	<b>251.5</b>	<b>72.2</b>	<b>373.9</b>	<b>233.4</b>	<b>164.7</b>

TABLE 5  
EXPORT OF GROUNDNUTS FROM INDIA

		(In 100 tons)						
		Pre-War Average	War Average	Post-War Average	1932-33	1933-34	1934-35	1935-36
France ...	...	109.1	37.5	126.3	219.4	188.1	99.8	140.7
U. K. ...	...	1.9	3.8	13.3	31.6	52.3	134.2	62.4
Belgium ...	...	15.3	6	14.0	8.6	13.5	14.0	9.2
Italy ...	...	7	2.9	14.6	23.2	72.4	54.4	17.3
Germany ...	...	7.4	3	12.2	43.1	97.2	65.1	71.3
Netherlands ...	...	1	...	7.3	37.5	100.3	114.3	95.2
Other Countries ...	...	17.3	13.6	7.0	37.3	21.6	23.4	16.0
<b>Total</b> ...	...	<b>211.3</b>	<b>113.7</b>	<b>195.2</b>	<b>433.0</b>	<b>546.5</b>	<b>511.2</b>	<b>412.6</b>

TABLE 6  
EXPORT OF CASTOR SEEDS FROM INDIA

		(In 100 tons)						
		Pre-War Average	War Average	Post-War Average	1932-33	1933-34	1934-35	1935-36
U. K. ...	...	53.9	47.1	10.5	22.7	27.0	26.4	22.4
U. S. A. ...	...	11.3	14.7	13.3	23.4	23.5	13.9	4.0
Belgium ...	...	13.7	1.1	4.1	4.0	3	...	7
France ...	...	15.7	14.3	3.3	13.3	13.0	9.2	14.6
Italy ...	...	11.0	7.1	4.3	6.2	7.9	5.1	6.7
Other Countries ...	...	7.5	4.0	1.3	7.3	9.9	14.2	11.6
<b>Total</b> ...	...	<b>113.6</b>	<b>83.3</b>	<b>43.3</b>	<b>83.9</b>	<b>81.6</b>	<b>63.6</b>	<b>60.0</b>

TABLE 7  
HIDES AND SKINS—EXPORTS FROM INDIA

(In 1,000 tons)

	RAW					TANNED				
	1913-14	1922-23	1932-33	1934-35	1935-36	1913-14	1922-23	1932-33	1934-35	1935-36
Cow Hides ...	87.2	11.4	18.9	19.3	19.5	7.9	7.9	11.4	9.6	11.8
Buffalo Hides ...	17.3	1.6	2.9	2.8	2.7	0.8	0.4	0.8	0.7	1.2
Other Hides ...	1.3	0.3	0.3	0.5	0.5	...	0.7	0.1	1.1	1.0
Goat Skins ...	22.7	12.2	18.2	18.9	20.1	8.7	2.9	8.5	8.6	8.1
Sheep Skins ...	1.6	0.6	1.2	1.2	0.9	2.5	2.5	2.9	2.8	3.1
Other Skins ...	...	0.5	0.5	0.1	0.2	0.8	0.1	0.1	1.0	0.1
<b>Total</b> ...	<b>80.1</b>	<b>26.6</b>	<b>40.2</b>	<b>37.8</b>	<b>48.9</b>	<b>15.2</b>	<b>14.5</b>	<b>19.7</b>	<b>17.9</b>	<b>20.3</b>

TABLE 8  
HIDES AND SKINS—EXPORTS FROM INDIA  
(In Lakhs of Rupees)

	Pre-War Average	War Average	Post-War Average	1933-34	1934-35	1935-36
<b>1. Raw Hides—</b>						
United Kingdom	81	109	60	11	10	15
U. S. A. ...	69	165	86	2	2	2
Italy ...	84	145	52	18	28	18
Spain ...	47	21	26	4	8	5
Germany ...	248	25	75	84	29	88
Netherlands ...	17	1	4	7	10	4
<b>Total</b> ...	<b>657</b>	<b>505</b>	<b>342</b>	<b>101</b>	<b>110</b>	<b>112</b>
<b>2. Raw Skins—</b>						
U. S. A. ...	230	398	480	159	109	178
U. K. ...	26	39	50	34	46	76
France ...	25	22	28	18	8	6
<b>Total</b> ...	<b>375</b>	<b>482</b>	<b>602</b>	<b>322</b>	<b>208</b>	<b>298</b>
<b>3. Dressed and Tanned Hides—</b>						
U. K. ...	152	488	291	233	195	222
<b>Total</b> ...	<b>152</b>	<b>488</b>	<b>291</b>	<b>233</b>	<b>195</b>	<b>222</b>
<b>4. Dressed and Tanned Skins—</b>						
U. K. ...	215	199	214	292	291	262
U. S. A. ...	29	59	25	4	8	8
Japan ...	18	12	36	22	25	20
<b>Total</b> ..	<b>270</b>	<b>275</b>	<b>298</b>	<b>324</b>	<b>325</b>	<b>291</b>

TABLE 9  
LAC—EXPORTS FROM INDIA  
(in 1,000 cwt.)

	Pre-War Average	War Average	Post-War Average	1933-34	1934-35	1935-36
<i>Shellac—</i>						
U. K. ...	79	65	76	809	229	44
U. S. A. ...	164	191	234	94	32	87
Germany ...	61	4	11	40	20	28
France ...	18	9	9	12	8	9
Japan ...	4	11	10	31	48	53
Total ...	356	301	356	529	432	285
<i>Button-lac—</i>						
U. K. ...	20	6	8	18	10	18
U. S. A. ...	8	1	8	1	2	8
Total ...	35	10	14	19	16	29
<i>Seed-lac—</i>						
Total exports ...	10	16	6	152	89	126
<i>Stick-lac—</i>						
Total exports ...	5	3	2	7	5	7
<i>Other kinds—</i>						
Total exports ...	28	17	39	24	45	41
TOTAL ALL KINDS ...	484	345	416	781	586	488

GROUP III—INDIA AND THE BRITISH MARKET

TABLE I  
TEA—IMPORTS INTO ENGLAND  
(In Million lbs.)

From	Pre-War Average	War Average	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
India ...	189	238	270	304	289	307	290	277	312	280	275	269
Ceylon ...	112	101	140	148	139	153	152	159	172	143	156	142
China ...	20	18	14	18	7	9	9	9	5	8	21	34
Java ...	18	19	65	75	71	86	85	86	73	66	44	39
Total ...	349	377	492	537	509	561	541	585	566	505	508	476
Percentage of India's Share of Total ...	54.2	61.9	55.0	56.5	56.8	54.8	58.6	51.7	55.1	55.7	54.1	...

TABLE 2  
**IMPORTS OF RAW COTTON INTO U. K. (except Linters)**  
*(In 1,000 centals; 1 cental=100 lbs.)*

	1981	1982	1988	1984	1985
<i>Of 1½ inch staple and over</i>					
From Anglo-Egyptian India ...	88	516	870	444	550
" British India ...	6	2	4	11	*
" West India Islands ...	16	5	4	5	7
" Other British Countries ...	9	1	1	1	6†
" Egypt ...	1,657	1,591	2,260	1,857	1,694
" Peru ...	150	90	91	94	77
" Other Foreign Countries ...	75	88	49	28	12
Total ...	2,001	2,258	2,779	2,485	2,842
<i>Under 1½ inch and over ¾ inch staple</i>					
From British West Africa ...	67	85	97	109	157
" East ...	*	105	296	169	118
" India ...	401	266	689	847	881
" Other British Countries ...	189	117	95	111	97
" Soviet Union ...	788	260	...	...	...
" Egypt ...	896	812	988	899	1,026
" U. S. A. ...	4,275	7,156	7,447	4,498	5,507
" Peru ...	510	568	708	784	605
" Brazil ...	849	14	127	1,482	566
" Argentine ...	379	886	284	480	248
" Other Foreign Countries ...	172	176	128	180	176
Total ...	8,015	9,897	10,705	9,406	9,858
<i>Of ¾ inch staple and under</i>					
From British India ...	649	269	451	684	828
" Other British Countries ...	...	16	12	9	1
" Soviet Union ...	104	...	...	...	...
" U. S. A. ...	122	120	98	86	159
" Other Foreign Countries ...	15	20	10	6	5
Total all Countries ...	890	425	565	785	987
Cotton Linters ...	...	...	888	875	452
<i>Raw Cotton and Cotton Waste—</i>					
From all Countries ...	27.2	31.2	36.8	36.1	37.2
" British India ...	...	1.1	2.8	3.3	3.7
" Egypt ...	...	6.8	9.6	8.3	8.9
" U. S. A. ...	...	17.0	18.4	12.9	16.0
" Peru ...	...	1.7	2.8	2.7	2.1

\* Figures not separately available.

† Including British India.

TABLE 3  
**OILSEEDS—GROUNDNUTS**  
*(In 1,000 tons)*

	1981	1982	1988	1984	1985
Undecorticated ...	28	16	35	10	12
Decorticated ...	14	9	26	29	48
From British West Africa ...	79	54	68	70	90
" India ...	...	10	7	8	7
" Other British Countries ...	16	8	1	...	...
" Foreign Countries ...	110	81	97	102	140
Total ...	...	...	...	...	...

## FLAX OR LINSEED

(In 1,000 tons)

	1981	1982	1983	1984	1985
From British India ...	15	9	181	140	58
Other British Countries ...	...	...	1	...	...
From Argentine ...	811	844	118	44	196
Other Foreign Countries ...	11	9	3	2	8
Total ...	838	862	249	184	257

TABLE 4

## OILSEEDS—IMPORTS INTO ENGLAND

(In 1,000 tons)

Castor—						
From British India ...	...	25	20	80	88	29
Other British Countries ...	...	...	...	1	...	...
Foreign Countries ...	...	6	5	2	3	7
Total ...	...	81	25	83	85	36

TABLE 5

(In 1,000 tons)

Cotton—						
From British East Africa ...	...	...	...	88	85	59
Anglo-Egyptian Sudan ...	...	42	87	50	55	89
Egypt ...	...	807	286	249	869	868
Other Foreign Countries ...	...	...	...	59	79	125
Total ...	...	502	529	456	548	655

TABLE 6

(In 1,000 tons)

Rape ...	...	22	25	21	20	80
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(In 1,000 tons)

Soya Beans—						
From British Countries ...	...	...	...	...	...	...
China ...	...	92	66	1	...	...
Japan ...	...	18	76	5	...	...
Kwangung Peninsula ...	...	...	...	114	176	122
Other Foreign Countries ...	...	...	...	88	2	87
Total ...	...	110	161	157	177	159

TABLE 7

(In 1,000 tons)

Copra—						
From British Malaya ...	...	18	48	48	48	71
Territory of Papua ...	...	24	18	9	7	19
British West India Island ...	...	7	8	8	5	1
Other British Countries ...	...	24	25	89	85	28
Total from all Countries ...	...	98	98	108	96	120

\*Figures not separately available.

TABLE 8

**JUTE, MANUFACTURED—IMPORTS INTO ENGLAND**  
 Jute manufactures (other than cordage, cables, ropes and twine)

	(In million sq. yds.)					
	1980	1981	1982	1988	1984	1985
<b>(a) Piece-goods—</b>						
From British India ...	59.9	56.8	67.8	55.1	68.4	71.4
" all British Countries ...	60.4	57.6	67.9	55.8	60.4	71.4
" " Foreign " ...	10.4	14.8	0.8	0.9	0.1	...
Grand Total ...	70.8	71.9	68.7	56.8	68.6	71.5
<b>(b) Jute Carpets, Carpeting and Floor Rugs, Floor Mats and Mattings—</b>						
	(In 1,000 sq. yds.)					
From all British Countries ...	12	42	1	2	8	...
" Germany ...	461	792	48	12	8	...
" Belgium ...	160	162	86	37	8	...
" Czechoslovakia ...	1,251	1,891	88	91	84	...
" all Foreign Countries ...	1,016	2,400	885	174	57	...
Grand Total ...	1,927	2,442	837	175	60	...
<b>(c) Made-up Jute Goods—</b> (Sacks and Bags of a shape similar to sacks empty)						
	(In 1,000 cwt.)					
From British India ...	888	679	707	552	671	718
" all British Countries ...	857	698	725	564	688	729
" " Foreign Countries ...	9	21	5	4	11	8
Grand Total ...	866	719	730	567	694	737
<b>(d) Other sorts—</b>						
	(In 1,000 cwt.)					
From British India ...	9	8	6	9	1	...
" all British Countries ...	88	81	10	18	4	*
" " Foreign " ...	92	77	16	18	4	*
Grand Total ...	124	108	27	81	9	*

\* Figures not separately available.

TABLE 9

**HIDES AND SKINS (UNDRESSED)—IMPORTS INTO ENGLAND**  
 (In 1,000 cwt.)

	1981	1982	1988	1984	1985
<b>(a) Wet Ox and Cow Hides—</b>					
From Irish Free States ...	69	71	88	96	118
" Union of South Africa ...	81	27	16	24	80
" British India ...	8	7	14	24	*
" Australia ...	89	14	26	7	20
" New Zealand ...	78	60	51	67	77
" Other British Countries ...	14	12	27	26	85†
" Germany ...	181	80	54	81	40
" Italy ...	118	114	107	81	53
" Argentine ...	181	266	209	165	201
" Other Foreign Countries ...	166	218	806	286	420
Total ...	831	870	897	807	1,048

\* Separate figures not available.

† Including British India.



(In 1,000 cwt.)

	1981	1982	1988	1984	1985
<b>(b) Dry and Dry Salted Ox and Cow—</b>					
From Union of South Africa ..	71	65	71	120	74
„ British East Africa ..	94	88	86	40	80
„ Australia ...	18	19	84	27	61
„ British India ...	15	18	81	88	*
„ In Other British Countries	51	40	44	41	74†
„ Abyssinia ...	54	81	49	88	42
„ Argentine ...	24	26	88	85	58
„ Other Foreign Countries	95	80	181	127	129
Total ...	856	812	428	461	462
Other Descriptions ...	...	...	69	67	84

\* Separate figures not available.

† Including British India.

(In 1,000 cwt.)

<b>(c) Sheep and Lamb Skins—</b>					
(With wool left on)					
From Union of South Africa ...	150	122	176	128	180
„ Australia ...	185	127	141	102	182
„ New Zealand ...	64	67	87	97	89
„ Other British Countries	85	48	65	57	15
„ Chile ...	46	70	67	45	29
Other Foreign Countries ...	51	45	59	57	45
Total ...	582	479	594	480	440

(Number in 1,000)

<b>(d) Dry and Dry Salted Goat Skins—</b>					
From British West Africa ...	1,289	1,229	1,191	1,882	1,751
„ Union of South Africa ...	688	875	269	888	805
„ British India ...	8,665	4,128	5,670	8,802	5,176
„ Other British Countries	675	857	572	520	1,150
„ Foreign Countries ...	1,856	828	688	484	758
Total ...	7,619	6,912	8,275	6,471	9,184
Goat Skins, wet ...	866	745	1,002	998	1,080
<b>Total of Hides and Skins (Undressed)—(Value in million £)</b>					
From all Countries ...	11.7	12.1	14.8	14.7	14.7
„ British India ...	1.0*	1.0*	1.8	0.9	1.0

\*Approximately

TABLE 10

## IMPORTS OF LAC INTO ENGLAND—SHELLAC, SEEDLAC AND STICKLAC

Shellac, Seedlac and Sticklac

(In 1,000 cwt.)

	1981	1982	1988	1984	1985
From British India ...	117	105	167	485	87
„ Other British Countries ...	...	...	...	...	...
„ Foreign Countries ...	8	2	8	4	6
Total ...	120	108	170	489	98
Total value (in £1,000) ...	478	819	536	2,186	824

(Total imports of Shellac, Seedlac, Stick-lac in 1929 were 157,000 cwts. worth £1,480,000)

TABLE 11  
RICE—IMPORTS INTO ENGLAND  
(In 1,000 cwt.)

	1980	1981	1982	1983	1984	1985
<i>In the Husk (paddy)—</i>						
From all Countries ...	...	...	...	20	...	...
" British Countries ...	...	...	...	19	...	...
<i>Rice husked or cleaned—</i>						
(a) Whole—						
From British India	418	458	527	644	808	896
" Australia ...	2	8	1	77	144	*
" all British Countries...	415	461	582	722	958	1,028
" Netherlands	41	71	204	11	58	...
" Spain ...	498	477	486	28	176	22
" Italy ...	37	7	72	146	18	*
" U. S. A. ...	277	822	892	115	116	117
" all Foreign Countries ...	872	980	1,060	818	405	168
Grand Total ...	1,287	1,441	1,592	1,084	1,858	1,186
(b) Broken and mixtures of whole—						
From British India	558	483	616	705	462	845
" all British Countries	558	488	624	716	514	865
" French Indo-China ...	281	249	149	169	802	258
" all Foreign Countries	422	526	286	831	681	609
Grand Total ...	1,001	959	960	1,067	1,194	974

\*Figures not separately available.

TABLE 12  
WOOLLEN CARPETS AND RUGS—IMPORTS INTO ENGLAND  
(In 1,000 sq. yds.)

	1981	1982	1983	1984	1985
From all Countries ...	8,949	8,189	8,577	4,857	4,119
" British India ...	...	...	1,277	1,760	1,656

\*Not separately shown.

TABLE 18  
SPICES—IMPORTS INTO ENGLAND  
(In 1,000 cwt.)

	1981	1982	1983	1984	1985
<i>Pepper—</i>					
From all Countries ...	188	98	141	860	286
" British India ...	27	7	9	8	8
" Malaya ...	50	52	68	217	97
" Dutch E. Indies ...	48	22	44	87	128

TABLE 14  
COFFEE—IMPORTS INTO ENGLAND  
(In 1,000 cwt.)

	1981	1982	1983	1984	1985
<i>Not Kiln-Dried, Roasted or Ground—</i>					
From all Countries ...	751	743	659	581	488
" British East Africa ...	290	276	280	131	220
" British India ...	46	50	45	40	80
" Costa Rica ...	291	227	288	287	180

TABLE 15

## VEGETABLE OILS—IMPORTS INTO ENGLAND

	1981 tons	1982 tons	1983 cwt.	1984 cwt.	1985 cwt.
<i>Coconut Oil, refined—</i>					
From all Countries... ..	11,252	8,865	102,978	87,567	78,787
" British India ...	42	80	595	481	...
" Ceylon ...	626	406	10,779	4,510	...
" Netherlands ...	5,159	2,869	30,792	26,151	...
" Denmark ...	2,774	8,648	54,644	46,005	...

## GROUP IV—INDIA AND THE EMPIRE MARKETS

TABLE 1

## INDIA'S TRADE WITH DOMINIONS

(In Lakhs of Rupees)

	1918	1981-82	1982-83	1988-84	1984-85	1985-86
<i>Imports from—</i>						
Canada ...	1	42	484	69	92	158
Australia ...	92	1,58	1,07	1,02	97	1,19
New Zealand ...	...	4	8	2	8	4
South Africa ...	28	22	19	26	25	82
<b>Total ...</b>	<b>1,16</b>	<b>2,26</b>	<b>1,68</b>	<b>1,99</b>	<b>1,17</b>	<b>2,48</b>
<i>Exports to—</i>						
Canada ...	1,48	1,48	1,68	1,88	1,72	1,72
Australia ...	4,10	2,97	8,90	2,98	2,72	2,87
New Zealand ...	56	85	89	58	50	40
South Africa ...	1,20	1,46	1,26	1,22	1,44	1,56
<b>Total ...</b>	<b>7,29</b>	<b>6,26</b>	<b>7,18</b>	<b>6,61</b>	<b>6,88</b>	<b>6,55</b>

TABLE 2

## INDIA'S TRADE WITH THE COLONIAL EMPIRE

(In Lakhs of Rupees)

	1918-14	1981-82	1982-83	1988-84	1984-85	1985-86
<i>Imports from—</i>						
Ceylon ...	81	1,87	1,76	1,99	1,29	1,50
Straits Settlements ...	8,42	2,87	2,79	2,68	8,11	8,66
Hongkong ...	98	58	52	45	89	42
Mauritius ...	2,58	...	...	...	...	2
Kenya Colony } ...	89	8,68	2,22	2,48	8,20	8,50
Zanzibar and						
Pemba						
Other Countries ...	1,20	1,15	1,66	1,28	1,76	1,74
<b>Total ...</b>	<b>9,88</b>	<b>9,60</b>	<b>8,95</b>	<b>8,18</b>	<b>9,45</b>	<b>10,84</b>

	1918-14	1981-82	1982-83	1983-84	1984-85	1985-86
Exports to—						
Ceylon ...	9.04	7.96	6.82	6.24	6.84	7.12
Straits Settlements ...	6.70	4.74	8.64	8.34	8.25	8.66
Hongkong ...	7.82	1.88	1.46	1.12	60	50
Mauritius ...	1.26	90	76	68	88	82
Kenya Colony				69	66	58
Zanzibar and Pemba } ...	1.02	87	78			
Other Countries ...	2.82	8.57	3.08	8.18	8.87	4.12
Total Colonial Empire	28.75	19.92	16.44	15.20	15.60	16.90

TABLE 2A  
IMPORTS INTO CANADA

(In 1,000 cwt. )

	1928-29	1980-81	1981-82	1982-83	1983-84
1. Rice—					
From all Countries	529	552	599	459	610
" British India	99	97	145	128	140
" Hongkong ...	125	107	96	74	108
" Japan ...	48	45	67	65	90
" U. S. A. ...	177	229	169	148	140

(In 1,000 lbs. )

	1981	1982	1983	1984	1985
2. Tea—					
From all Countries ...	88,115	40,418	89,414	88,589	85,176
" Ceylon ...	9,850	10,770	12,074	11,865	11,509
" China ...	265	208	452	765	820
" British India	19,985	26,722	24,008	28,047	20,726
" Japan ...	2,890	2,548	2,722	2,518	2,887
" Other Countries	174	175	158	848	278

(In Million lbs. )

	1928-29	1929-30	1930-31	1931-32	1932-33
3. Cotton—					
From all Countries...	94.9	97.4	119.7	148.5	121
" U. S. A. ...	98.1	95.8	116.8	186.2	115.4
" British India	...	...	...	0.1	0.8
" Egypt ...	1.8	1.5	2.9	6.8	4.7

(In 1,000 cwts. )

	1928-29	1929-30	1930-31	1931-32	1932-33
4. Hides and Skins—					
From all Countries	271	296	314	299	402
" U. S. A. ...	157	200	127	166	165
" Argentine ...	64	85	57	69	148

(In 1,000 lbs. )

	1929	1980	1981	1982
5. Oilseeds and Nuts—				
From all Countries	...	560	875	70
" Outside Empire	...	528	874	66

TABLE 3  
AUSTRALIA—IMPORT OF TEA  
(In 1,000 lbs.)

	Pre-War Average	1980	1981	1982	1988	1984
India ... ..	8,714	4,485	2,687	2,040	2,451	1,746
Ceylon ... ..	19,978	16,218	18,940	16,468	11,249	12,994
China ... ..	2,897	1,904	598	582	1,815	1,143
Java ... ..	8,756	28,615	27,492	29,212	81,125	80,015
<b>Total ... ..</b>	<b>85,442</b>	<b>46,427</b>	<b>44,178</b>	<b>48,485</b>	<b>46,782</b>	<b>47,079</b>
Percentage of India's Share of Total ...	24.6	9.6	6.1	4.2	5.2	8.7

TABLE 4  
NEW ZEALAND—IMPORTS OF TEA  
(In 1,000 lbs.)

	Pre-War Average	1980	1981	1982	1988	1984
India ... ..	651	898	938	1,211	1,909	2,216
Ceylon ... ..	6,147	9,648	11,042	9,185	9,568	7,716
China ... ..	89	92	76	66	114	116
Java ... ..	...	44	14	8	6	70
<b>Total ... ..</b>	<b>7,548</b>	<b>10,178</b>	<b>12,115</b>	<b>10,415</b>	<b>11,600</b>	<b>10,170</b>
Percentage of India's Share of total ...	8.6	8.9	8.1	11.6	16.5	21.8

TABLE 5  
UNION OF S. AFRICA—IMPORTS OF OILSEEDS AND NUTS  
(In 1,000 lbs.)

	1929	1980	1981	1982
From all Countries ...	128	71	49	58
„ British Countries ...	6	8	17	88
„ Foreign Countries ...	117	63	31	20

## GROUP V—INDIA AND THE GERMAN MARKET

TABLE 1  
TEA IMPORTS INTO GERMANY

	1981	1982	1988	1984	1985
Total (in Dz.) ... ..	52,948	47,976	46,907	48,878	44,478
British India ... ..	15,582	12,604	11,111	9,604	9,995 ✓
Dutch Indies ... ..	20,501	21,586	22,450	25,157	22,619
Ceylon ... ..	10,567	9,896	9,878	9,558	6,751
China ... ..	5,782	3,860	3,545	8,559	4,789

TABLE 3  
COTTON (RAW)—IMPORTS INTO GERMANY  
(In 1,000 bales)

	1981	1982	1988	1984	1985
Total ... ..	1,559	1,780	1,969	1,550	1,607
British India ... ..	201	118	192	198	159
U. S. A. ... ..	1,111	1,889	1,470	885	841
Egypt ... ..	88	99	118	188	129
Peru ... ..	50	88	48	50	111
Argentine ... ..	...	...	25	27	68
Brazil ... ..	...	...	...	52	486
Total ... ..	8,255	8,747	4,166	8,169	8,100
British India ... ..	859	206	857	848	279
U. S. A. ... ..	2,867	2,960	3,181	1,898	740
Egypt ... ..	294	829	890	842	898
Peru ... ..	102	84	97	118	251
Argentine ... ..	...	...	58	56	144
Brazil ... ..	...	...	...	68	827

TABLE 8  
IMPORTS OF OILSEEDS INTO GERMANY

	(In 1,000 metric tons)				(Million R.M.)			
	1929	1983	1984	1985	1929	1983	1984	1985
From all Countries ...	2,598	2,291	2,214	1,884	861	269	220	155
" India ... ..	582	261	277	142	218	40	88	24
" Br. W. Africa ...	54	198	268	204	108	25	25	25
" China ... ..	1,045	1,197	994	580	248	116	79	48
" Argentine ... ..	280	888	806	285	92	42	88	28
" Dutch Indies ...	214	99	170	64	106	16	20	9
" Belgian Congo ...	84	68	61	42	85	8	6	5

TABLE 4  
IMPORTS OF OIL-CAKES INTO GERMANY

From all Countries ...	555	528	122	298	114	49	10	24
" India ... ..	64	68	...	...	18	6	...	...
" France ... ..	27	45	4	14	6	4	...	2
" Russia ... ..	25	66	69	204	5	6	5	16
" U. S. A. ... ..	47	26	1	1	10	2	...	...
" Argentine ... ..	82	25	1	8	7	2	...	...
" Denmark ... ..	9	91	28	40	2	9	2	8
" China ... ..	86	21	7	5	7	2	1	...
" Dutch Indies ...	29	15	1	...	6	2	...	...

TABLE 4a  
OILSEEDS—IMPORTS INTO GERMANY

	1981	1982	1983	1984	1985
1. Groundnuts (Undecorticated)—					
Total (in 1,000 Dz.) ...	854	249	519	768	70
British India ... ..	75	29	109	65	9
China ... ..	171	119	144	144	24
French West Africa ...	858	78	188	14	...
British " " ... ..	184	20	62	440	84

	1981	1982	1983	1984	1985
<b>2. Groundnuts (Decorticated)—</b>					
Total (in 1,000 Dz.) ...	4,998	2,177	2,687	8,186	1,840
British India ...	4,025	1,528	2,115	2,887	1,268
China ...	404	887	286	428	820
British West Africa ...	466	185	177	298	151
<b>3. Linseed—</b>					
Total (in 1,000 Dz.) ...	8,405	4,464	8,588	8,169	2,478
British India ...	100	90	154	104	67
Argentine ...	8,184	4,256	8,885	8,029	2,844
<b>4. Kopra—</b>					
Total (in 1,000 Dz.) ...	1,451	1,806	1,211	2,252	980
British India ...	61	47	18	22	...
Dutch Indies ...	1,122	1,055	990	1,581	576
British Malaya ...	91	55	59	96	201
Ceylon ...	88	54	58	218	11

TABLE 5

## JUTE, MANUFACTURED—IMPORTS INTO GERMANY

	1981	1982	1983	1984	1985
<b>1. Jute Bags—</b>					
Total (in Dz.) ...	81,645	14,024	17,946	14,489	18,861
British India ...	10,949 ✓	5,251	8,008	794	616 ✓
Czechoslovakia ...	18,878	406	6,975	9,827	5,469
Netherlands ...	2,906	2,878	8,788	929	1,971
Belgium ...	...	8,817	3,221	288	607
Great Britain ...	...	1,075	688	1,521	2,174
<b>2. Jute Cloth (Sacking)—</b>					
Total (in Dz.) ...	11,860	10,970	18,108	29,170	86,847 ✓
British India ...	7,247	8,898	1,842	816	1,056 ✓
Netherlands ...	876	8,654	8,849	7,889	8,716
Estonia ...	471	2,229	4,899	8,272	8,592
Czechoslovakia ...	2,041	1,270	8,610	18,691	19,768
<b>8. Jute Cloth (Bleached—Dyed and Worked)—</b>					
Total (in Dz.) ...	5,124	6,729	9,912	2,150	8,792
British India ...	8,587	5,827	8,816	68	8,581
Netherlands ...	...	882	...	161	1,961
Switzerland ...	688	...	746	997	101
Belgium ...	...	...	151	410	67

TABLE 6

## IMPORTS OF HIDES AND SKINS INTO GERMANY

(In 1,000 metric tons)

	1981	1982	1983	1984	1985
<b>Calf and Cow Hides—</b>					
Imports from all countries ...	115	117	125	140	120
" India ...	4	8	5	5	5
" France ...	8	9	11	18	14
" Argentine ...	81	89	84	87	80
" Brazil ...	14	10	12	18	16
" Uruguay ...	8	8	12	11	9

TABLE 7  
HIDES—IMPORTS INTO GERMANY

	1981	1982	1983	1984	1985
<b>1. Cow Hides (Wet)—</b>					
Total (in 1,000 Dz.)	728	774	816	928	749
British India	2	1	1	...	...
Argentina	245	380	286	805	227
Uruguay	59	60	89	89	76
Brazil	96	68	80	96	126
<b>2. Cow Hides (Dry)—</b>					
Total (in 1,000 Dz.)	217	188	282	214	208
British India	89	80	45	51	50
Brazil	44	84	48	88	82
Argentina	44	89	42	87	46
<b>3. Sheep Skins (Raw)—</b>					
Total (in 1,000 Dz.)	57	58	59	86	88
British India	...	...	2	1	1
Soviet Russia	22	29	21	22	7
Iceland	9	5	8	8	7
Algeria	...	2	7	10	4
(Number in 1,000)					
<b>4. Goat Skins (Raw)—</b>					
Total	4,694	5,280	4,742	5,097	5,948
British India	1,210	1,196	1,158	1,054	864
Spain	864	1,048	844	615	1,418
Egypt	217	668	680	500	508
China	515	856	218	584	508

TABLE 8  
LAC—IMPORTS INTO GERMANY  
(In 1,000 Dz.)

	1981	1982	1983	1984	1985
<b>Gum Lac—</b>					
Total	30,644	24,182	21,146	26,259	39,898
British India	29,615	23,769	20,588	24,067	34,145
Siam	681	244	858	1,458	3,800
<b>Shellac—</b>					
Total	24,748	19,945	17,797	17,689	19,785
British India	24,426	19,216	17,271	17,058	19,117
Dutch Indies	141	416	890	97	82

TABLE 9  
RICE—IMPORTS INTO GERMANY  
(In 1,000 Dz.)

	1981	1982	1983	1984	1985
<b>Rice (Polished)—</b>					
Total	1,822	1,205	1,186	645	400
British India	407	432	459	284	77
Siam	94	110	168	106	87
U. S. A.	228	247	128	27	7
Italy	106	78	118	91	50
French India	60	81	90	96	71
Dutch Indies	180	87	78	52	39



	1981	1982	1983	1984	1985
<i>Rice (Unpolished)—</i>					
Total ...	2,742	2,642	1,988	2,281	1,509
British India ...	2,567	2,198	1,762	1,749	989
Siam ...	2	66	82	185	48
Italy ...	4	19	46	242	875
Dutch Indies ...	22	211	9	11	1
Persia ...	88	85	4	10	...

(In 1,000 Dz.)

	1981	1982	1988	1984	1985
<i>Rice Bran—</i>					
Total ...	898	1,387	841	50	20
British India ...	871	576	108	87	4
Siam ...	15	114	66	...	...
French India ...	...	94	6	6	...
U. S. A. ...	89	192	55	4	...
Netherlands ...	110	71	88	...	11
Dutch Indies ...	28	100	21	...	1
Italy ...	166	68	18	...	...

TABLE 10

## RICE—IMPORTS INTO FRANCE

(In 1,000 metric quintals)

	1981	1982	1983	1984	1985
<i>Rice in the Husk—</i>					
From all Foreign Countries, i.e., excluding French Colonies—					
Total ...	877	851	898	880	802
From Italy ...	811	802	278	227	188
" British India ...	*	*	*	10	8
" Dutch Indies ..	18	8	11	25	15
" U. S. A. ...	*	*	*	41	69
Total from French Colonies ...	*	14	28	87	40
From Indo-China ...	*	13	28	87	40
<i>Rice Broken—</i>					
Total ...	886	989	1,649	1,498	897
From French Indo-China ...	840	972	1,684	1,495	892
<i>Rice—Whole—</i>					
Total from Foreign Countries, i.e., excluding French Colonies ...	*	122	108	61	19
Total from French Colonies ...	1,848†	2,297	8,598	4,504	2,981
From French Indo-China ...	1,700	2,279	3,580	*	2,978
From Madagascar ..	4	17	12	*	7

\*Not separately available.

†Including Foreign Countries.

## GROUP VI—INDIA AND THE FRENCH MARKET

TABLE 1  
TEA IMPORTS INTO FRANCE  
(In metric quintals)

	1981	1982	1988	1984	1985
From all Foreign Countries (i.e., excluding French Colonies)—					
Total ...	16,082*	12,419	16,277	8,284	8,177
From China ...	2,927	2,882	8,877	2,079	1,915
Great Britain ...	4,215	2,144	2,025	†	†
British India ...	5,611	4,029	2,245	†	†
Other Asiatic Countries ...	†	†	†	4,182	4,918
Other Countries ...	951	8,854	8,680	2,078	1,844
From all French Colonies	†	2,486	2,426	2,717	8,682
" French Indo-China	2,828	2,821	2,899	2,708	8,682

\*Including French Colonies.

†Figures not separately available.

TABLE 2  
COTTON—IMPORTS INTO FRANCE  
(In 1,000 metric quintals)

	1981	1982	1988	1984	1985
From all Foreign Countries (i.e., excluding French Colonies)—					
Total ...	2,880	2,418	8,445	2,276	2,198
From British India ...	297	138	469	419	418
" Egypt ...	895	848	494	461	469
" Argentine ...	19	27	80	28	28
" Brazil ...	28	...	...	102	121
" U. S. A. ...	1,848	1,788	2,802	1,175	1,084
" all French Colonies ...	...	88	85	49	68

Linters, Waste, etc.—

From all Countries ...	145	152	59	148	157
" British India ...	4	9	8	9	22

TABLE 3  
OILSEEDS—IMPORTS INTO FRANCE  
(In 1,000 quintals)

	1981	1982	1988	1984	1985
Groundnuts (unshelled)—					
From China ...	...	...	...	67	76
" French West Africa ...	...	1,700	2,908	4,754	8,418
" Other Countries of West Equatorial Africa ...	...	449	868	...	...

	1981	1982	1983	1984	1985
<b>Groundnuts (shelled)—</b>					
From China ...	...	898	169	42	269
" India ...	...	2,595	8,070	1,527	1,784
" Other Countries of West Equatorial Africa ...	...	1,175	1,269	884	587
" French West Africa ...	...	54	50	89	72

(In 1,000 quintals)

	1982	1983	1984	1985
<b>Linseed—</b>				
From Belgium-Luxemburg ...	20	28	22	81
" India ...	822	462	216	56
" Argentine ...	1,884	2,049	2,055	2,877
" Morocco ...	86	20	72	27
" Uruguay ...	69	58	...	...

## IMPORTS INTO FRANCE

(In 1,000 quintals)

	1918	1980	1981	1982	1988	1984
<b>Sesamum Seed—</b>						
Total ...	278	88	14	12	5	2
Share: India ...	228	...	...	...	...	...
China ...	10	28	8	...	...	...

## IMPORTS INTO ITALY

(In 1,000 quintals)

<b>Sesamum Seed—</b>						
Total ...	...	258	184	141	195	218
Share: India (including Ceylon) ...	...	84	18	75	78	118
China ..	...	217	84	8	24	55

TABLE 4

## HIDES AND SKINS—IMPORTS INTO FRANCE

(In 1,000 metric quintals)

	1981	1982	1983	1984	1985
<b>1. Cow Hides—</b>					
From Foreign Countries (i.e., excluding French Colonies)—					
Total ...	475	229	814	197	200
From Italy ...	43	80	88	28	22
" Netherlands ...	46	38	86	22	25
" Argentine ...	16	11	27	18	16
" French Colonies					
Total ...	*	48	68	59	56
" Madagascar ...	49	81	42	40	87
<b>2. Goat Skins—</b>					
From Foreign Countries (i.e., excluding French Colonies)—					
Total ...	51†	88	48	27	88

\* Figures not separately available,

† Including French Colonies.

	1981	1982	1988	1984	1985
From British India ...	4	8	4	8	7
" Union of South Africa ...	*	2	8	8	8
" Other African Countries ...	7	4	7	7	8
" French Colonies— Total ...	*	14	18	12	10
3. Calf Skins (i.e., excluding French Colonies)— Total ...	57†	81	44	21	81
From British India ...	...	...	...	2	2
" Argentine ...	5	...	...	8	5
" French Colonies— Total ...	*	16	25	25	80
" French West Africa ...	5	8	8	7	6
" Algeria ...	7	6	9	8	9
" Morocco ...	7	8	4	8	7
" Tunis ...	2	8	4	5	7

\*Figures not separately available.

†Including French Colonies.

## GROUP VII—SOME INTERNATIONAL STATISTICS

TABLE 1

### TEA—EXPORTS FROM THE PRINCIPAL PRODUCING COUNTRIES

(In Million lbs.)

	1928	1925	1927	1929	1930	1981	1982	1988	1984	1985
Northern India ...	288	298	821	826	809	296	818	277	278	...
Southern India ...	87	48	46	54	48	47	55	47	47	...
Ceylon ...	182	210	227	251	241	247	258	216	218	...
Java ...	90	95	127	137	185	145	141	181	118	...
Sumatra ...	16	17	18	28	28	27	82	27	28	...
China ...	107	111	116	126	91	96	87	92	108	...
Japan ...	27	28	28	24	20	25	80	80	82	...
Formosa ...	22	21	28	18	19	18	15	18	24	...
<b>Total</b> ...	<b>769</b>	<b>818</b>	<b>901</b>	<b>959</b>	<b>866</b>	<b>901</b>	<b>926</b>	<b>888</b>	<b>888</b>	<b>...</b>

TABLE 2

### TEA—IMPORT INTO U. S. A.

(In 1,000 lbs.)

	Pre-War average	1980	1981	1982	1988	1984	1985
India ...	6,640	16,564	17,407	16,077	16,752	11,686	...
Ceylon ...	18,869	28,691	26,704	26,757	22,693	18,805	...
China ...	22,180	6,518	8,219	6,410	8,697	6,058	...
Japan ...	46,245	20,948	21,417	24,594	24,881	22,569	...
Java ...	158	5,409	6,718	9,984	17,092	11,489	...
<b>Total</b> ...	<b>95,126</b>	<b>84,926</b>	<b>86,788</b>	<b>94,727</b>	<b>96,582</b>	<b>76,410</b>	<b>...</b>

TABLE 8

## OILSEED—WORLD PRODUCTION OF GROUNDNUTS (Unshelled)

Average for 1926-30		In 1,000 quintals	
1981	...	" "	46,800
1982	...	" "	42,900
1983	...	" "	54,600
1984	...	" "	56,900
			42,400

## INTERNATIONAL TRADE IN OILSEEDS AND GROUNDNUTS

(In 1,000 metric tons)

		1981	1982	1983	1984
<i>Imports into—</i>					
Germany	...	585	248	316	895
France	...	702	677	796	782
U. K.	...	188	98	184	114
Italy	...	122	64	88	188
Netherlands	...	180	77	109	176

(In 1,000 metric tons)

<i>Exports from—</i>					
French West Africa	...	455	194	889	544
Nigeria	...	162	191	208	249
India	...	721	480	596	580
China	...	250	187	188	187

## LINSEED

(In 1,000 quintals)

	1926 to 1980 Average	1981	1982	1983	1984
World Production	37,900	41,500	88,800	81,500	85,200

(In 1,000 metric tons)

<i>Imports into—</i>					
Germany	...	340	446	858	817
Belgium-Luxemburg	..	168	167	125	81
France	...	264	286	264	288
U. K.	...	848	868	252	187
Netherlands	...	420	450	295	822
U. S. A.	...	868	201	851	860

(In 1,000 metric tons)

<i>Exports from—</i>					
India	...	114	78	858	230
Argentina	...	1,180	2,028	1,892	1,874
Uruguay	...	188	75	61	0

**THE OTTAWA TRADE AGREEMENT**  
**BETWEEN**  
**INDIA AND GREAT BRITAIN**



**BY**  
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**AND**  
**M. C. MUNSHI, M. A.**

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#### PREFACE

The importance of a detailed study of the implications of the Ottawa Trade Agreement between India and the United Kingdom need not be emphasised. The legislator, the businessman, the average citizen in his capacity as consumer and taxpayer and the student of Economics are all interested in the agreement. Such a study is however generally avoided because of the bewildering mass of statistics involved in the same, some of which are not easily accessible.

The subject was discussed by one of us in its broad outlines in two public lectures in Bombay in the beginning of August. The problem however required fuller examination with the help of all the relevant statistical sources. An attempt has been made in this pamphlet to explain in simple language the fruits of such a study. It is not pretended that a more intensive study is not possible; in fact, it is both possible and required. If such an intensive inquiry into the effects of the agreement on each article of trade can be made by those interested in the same, we shall be in a better position to realise the implications of the agreement. It is expected that this pamphlet will give an impetus to such an enquiry on the one hand, and will enable the public in general to grasp the essentials of the problem on the other.

Thanks are due to Mr. R. G. Saraiya of Messrs. Narandas Rajaram & Co. Bombay, for the figures and other information in connection with Raw Cotton. Considerable help has been received from Messrs. D. N. Maluste, M. A. Mulky and A. G. Sheth, postgraduate students of this School, in the collection of the preliminary data and in other ways.

SCHOOL OF ECONOMICS AND SOCIO-  
LOGY, UNIVERSITY OF BOMBAY }  
26th September 1932.

C. N. VAKIL  
M. C. MUNSHI



## NOTE ON STATISTICAL CALCULATIONS AND SOURCES

### CALCULATIONS

In arriving at the estimates of possible gain or loss due to the proposed trade agreement, we have chosen the year 1929-30 as the last year which was not affected by the recent abnormal slump in prices. In view of universal efforts towards a higher level of prices, the future normal trade relations of countries will not be on the basis of the present price-level. The recent slump began with the Wall Street crisis of October 1929, the effects of which have dominated the trade figures of the following years. We have, therefore, come to the conclusion that from the point of view of the future normal trade relations between U. K. and India, the year 1929-30 is the most reliable basis. Whereas the figures for India relate to the financial year beginning with 1st April, those for the U. K. relate to the calendar year 1929, and have been converted into rupees at £ = 13.3 Rs.

It may be pointed out that the classification and terms used in the statistical publications of both the countries are not uniform. In order to arrive at comparable figures, we have had to make several adjustments all of which it has not been found possible to indicate in detail.

### SOURCES

The tables in the Appendix have been compiled from the following publications:—

- (1) Statistical Abstract of the U. K., 1932.
- (2) Annual Statement of the Trade of U. K. with foreign countries and British countries, Vols. I to IV.
- (3) Monthly Accounts relating to the Trade of the U. K.
- (4) Statistical Tables relating to British Trade and Industry, 1930.
- (5) Monthly Accounts relating to the Sea-Borne Trade and Navigation of British India.
- (6) Annual Statement of the Sea-Borne Trade of India, Vols. I and II.
- (7) Annual Review of the Trade of India.
- (8) Government of India Budgets.
- (9) Indian Trade Journal.

# THE OTTAWA TRADE AGREEMENT BETWEEN INDIA AND GREAT BRITAIN

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## I. THE ECONOMIC OUTLOOK IN ENGLAND

The Industrial Revolution in England which preceded similar events in other countries enabled her to enjoy the industrial leadership of the world for many years. The growth of modern industries in other countries and the struggle for markets was gradually reducing the relative position of England. This tendency was brought in greater relief by the events of the War and the post-war periods. Even during the war period important discussions for a thorough overhauling of the British Economic Policy were going on; some of these have taken shape in recent years; some are still being shaped. We propose to give a brief summary of the leading events which have brought about this change.

The U. S. A. and Japan are the two most important countries which availed themselves of the opportunities created by the War; they developed their industries and export trade in many directions; Other countries from Turkey to China also began to take active steps towards industrialisation. In India the policy of Discriminating Protection was adopted in 1924.

Europe was cut up into a large number of small nations by the Treaty of Versailles. Each of these countries began to think on national lines and planned for the development of industries with the help of tariff walls. The tariff barriers thus created led to a mutual restriction of trade and added to the difficulties of the economic reconstruction of Europe. In spite of the efforts of a World Economic Conference and of the League of Nations, this situation has remained unchanged.

The economic domination of the U. S. A. over Europe is another important factor in the economy of the world. Most European countries owe large sums of money to the U. S. A. either as war debts or debts for reconstruction. The inter-allied debts of European countries, the reparations to be paid by Germany, and the debt to the U. S. A. have

all conspired to create an unnatural economic situation in the western world. Various schemes have been made from time to time to adjust and reduce the burdens thus created; the last of such schemes being that made at the Laussane Conference for the ultimate abolition of the Reparation payments. The cancellation of the American debt is bound up with the difficult problem of disarmament by European countries.

In the meanwhile, the economic policy of the U. S. A. is creating further difficulties. They are in the position of receiving large sums of money from the U. K. and other countries. They are at the same time making such payments in goods difficult by their recently increased tariff. The U. S. A. do not want the manufactured goods of Europe to compete with their home produce; at the same time they want to have an aggressive export policy for their own goods in different parts of the world. This has resulted in two situations: (a) either the U. S. A. should give further credits to European countries or (b) the debtors should pay the U. S. A. in gold.

The huge accumulation of gold in the U. S. A. during and since the War is mainly accounted for by this phenomenon. The movement of gold between the different countries of the world and the problem of the Gold Standard are too large and complicated to be discussed in detail here. But a brief reference may be made to the policy of the U. K. in this connection. The Gold Standard had been temporarily suspended by the U. K. during the War. The pound sterling had depreciated, but its depreciation was small compared with that of other European countries. The restoration of the pound sterling to its pre-war gold value in 1925, and the adoption of the machinery of the Gold Bullion Standard involved a large amount of deflation in the U. K. This policy had a great reaction on English industry and trade because of the depressing effect on prices which followed.

The depression was further accentuated by the world fall in gold prices due to the policy of the U. S. A. British industry was therefore hit by these monetary factors in addition to the industrial progress and competition of other countries mentioned above.

At the same time important changes amounting to a New Industrial Revolution were taking place in industrial production in some parts of the world. In order to adjust to the rapidly changing events in the world, industrialists began to adopt a policy of rationalisation. This involved changes in technique, in machinery and above all in organisation. Combinations of producers in the same industry or allied industries followed. International agreements between producers of the same class of goods took place for the removal of competition and the division of markets. We are yet too near the events to be able to gauge all the consequences of this movement; but one thing

is clear that wherever it succeeded it naturally led to increase in unemployment.

The labour movement in the U. K. is strong and well organised. Attempts at reducing wages or in any way affecting the standard of life of the labourers meet with a fierce opposition. So far as the most important item in the cost of production of British industry is concerned, easy adjustment to the new conditions is not possible. At the same time, the Government have found it necessary to maintain large numbers of the unemployed from public funds by means of dole. On account of this as well as on account of the huge national debt of the U. K. we find that the level of taxation is the highest in that country. Most of the taxes are borne by industry directly or indirectly, and at a time when industry is in a bad way, such taxation is likely to do more harm than good.

The decline in the trade<sup>1</sup> of the U. K. and her relative position with other countries is brought out in the table on page 6 which gives in terms of index numbers the imports and exports of leading countries revalued on the basis of the prices ruling in 1913.

The following table shows the volume of the trade of the U. K. over a series of years and the ratio of exports to imports and reflects the tendencies referred to above.

*U. K. Trade in manufactures in million<sup>3</sup> £.*

Year	Retained Imports	Domestic Exports	Ratio of Exports to Imports
1860	20.4	123.7	6.06
1870	45.4	181.1	3.99
1880	62.8	196.9	3.13
1890	73.5	225.4	3.07
1900	110.1	219.7	1.99
1910	129.5	344.1	2.58
1913	164.1	400.3	2.44
1920	399.3	1093.2	2.74
1924	266.0	618.9	2.33
1929	305.5	573.8	1.88
1930	283.2	419.8	1.48
1931 (January to June)	115.2	150.4	1.30

To remove the unusual difficulty in which the U. K. is thus involved, several remedies have been adopted; the two important events with which we are concerned are (1) the abandonment of the Gold Standard and (2) the adoption of a policy of Protection and Imperial

1. Also cf. Tables II and III.

2. This table has been taken from Williams, *Through Tariffs to Prosperity*, p. 112.

*Retained Imports and Domestic Exports of the leading Countries re-valued at 1913 Prices<sup>1</sup>*

	IMPORTS						EXPORTS					
	1913	1921	1924	1927	1928	1929	1913	1921	1924	1927	1928	1929
United Kingdom	100*	74*	107*	117*	113*	119*	100	50	81	83	84	87
Germany	100	53	63	106	103	109	100	44	51	76	86	95
France	100	86	90	109	116	133	100	105	133	146	148	147
Russia	100	15	15	39	49	42	100	1	23	87	41	47
Denmark	100	91	131	138	144	147	100	90	134	167	174	170
Switzerland	100	66	87	91	98	101	100	61	88	99	102	101
Sweden	100	77	133	149	160	167	100	53	93	117	107	134
Italy	100	96	102	113	132	131	100	79	119	130	132	146
U. S. A.	100	120	156	180	181	206	100	119	129	157	164	169
Canada	100	82	95	149	179	...	100	117	183	209	256	...
Argentina	100	67	90	112	127	137	100	91	144	167	...	...
Australia	...	...	...	...	...	...	100	98	81	110	108	...
New Zealand	100	93	143	147	150	165	100	125	142	152	157	162
South Africa †	100	56	94	149	...	...	100	78	82	118	119	118
Japan	100	142	162	...	...	...	100	113	140	...	...	...
India	100	68	75	100	104	...	100	75	102	101	107	...
China	100	96	108	107	122	120	100	119	...	133	143	133

\* Total imports.

† Excluding bullion.

1. This table has been taken from Cole, *British Trade and Industry*, p. 136.

Preference. It is beyond our scope to go into the circumstances which led to the abandonment of the Gold Standard by the U. K. in September 1931. It is well known that similar steps have been taken by other countries, and that among the important countries still on the Gold Standard are the U. S. A. and France. The monetary problem of the world will have to be solved sooner or later, but it is so intimately bound up with other economic problems that a permanent solution is likely to take time. For the present the U. K. has succeeded in getting a higher level of prices as measured in sterling; British goods compete favourably with goods from gold standard countries; in countries like India where the local currency is linked to sterling British goods get a preference against goods coming from gold standard countries, which may be measured by the amount of the depreciation of sterling relatively to gold, which is about 33 per cent at present.

#### *History of Imperial Preference in the U. K.*

It is well known that the old colonial policy of England was that of exploitation of the colonies for the advantage of the mother country. This was carried to the extent of taxing the colonies in the interests of the mother country. After the successful revolt of the American colonies, this was changed. The second stage may be described as that of the development of the colonies by the investment of British capital particularly in Railways and in other activities, and the establishment of closer trade relations. After the colonies became politically independent, they gradually became conscious of the need for economic progress in trade and industry. On the one hand they adopted an independent fiscal policy meant to develop their industries with the help of protective duties and other forms of state assistance. On the other they tried to increase their trade with the U. K. and the Empire countries by special arrangements. Towards this end they advocated a policy of Imperial Preference at the Imperial Conferences, which were held from time to time to consider Empire problems. This appeal fell on deaf ears so far as the U. K. was concerned. Wedded to a policy of Free Trade, proud of her industrial leadership, the U. K. did not show any willingness to allow Dominion goods to enter British ports at a preferential rate of duty. In the hope that in due course their appeal would be heard, the Dominions began in 1897 by giving some preference to British goods in their own markets; some of them at the same time entered into mutual trade agreements. This may be considered to be the third phase in the Empire Economic Policy.

Among the statesmen of England, however, there was one who foresaw the advantage to the U. K. in the adoption of a policy of

Imperial Preference by her. It was this conviction which led to the Tariff Reform propaganda initiated by Joseph Chamberlain in 1903. Gradually this movement spread and the Conservative party was convinced of the utility of a change in the Economic policy of the U. K. even before the War. The War gave them an opportunity to put their ideas into practice, and the events described above have gradually brought about a thorough change in the Economic policy of the U. K. The McKenna duties of 1915 were imposed for revenue purposes, but were certainly protective in character. In 1919, it fell to the lot of Mr. (now Sir) Austen Chamberlain to introduce preferential duties advocated by his father since 1903. With the exception of two brief interludes of the Labour Government, we can say that the policy of the U. K. has been in recent years towards Protection and Imperial Preference. The passing of the Safeguarding of Industries Act and the Dyestuffs Importation Act of 1921, the special procedure contrived by the Conservative Government for granting assistance under the Safeguarding of Industries Act during 1925 to 1927; and the introduction of the Churchill duties are among the active measures in pursuance of this policy. Along with this there came into existence the Imperial Economic Committee appointed by the Imperial Economic Conference and the Empire Marketing Board appointed by the British Government. The work of these two bodies has been to investigate facts and help in the development of the new Economic policy referred to above. The culmination of this policy came with the formation of the National Government with a large Conservative majority in 1931. The passing of the Import Duties Act this year and the power given to the Executive to impose protective duties to help any industry in difficulties are the final acts in the long drama enacted to mark the conversion of the U. K. from a Free Trade to a protective country.

Having given some preference to Empire products since 1919, and armed with the powers of the Import Duties Act, the British Cabinet was ready to forge a permanent scheme of Imperial Preference at a specially convened Imperial Economic Conference. Besides the acute depression in British industry, the low level of British exports, the unusually large number of the unemployed maintained by state funds and other factors, British economic life suffered a further blow in common with the world by the Wall Street crash of October 1929, which brought an era of a low level of prices all over the world. It was under great pressure that the U. K. gave up the Gold Standard in 1931. She now wants to restore her position (1) by taking a lead in the settlement of European problems as she did at the Lausanne Conference, and (2) by taking a lead in the settlement of world problems at the World Economic Conference which is due to take place

in the future. In order to restore economic strength to her industry and trade on the one hand and to assert her leadership in the councils of the world on the other, the U. K. found that it could make good use of the Imperial Economic Conference of Ottawa. If the U. K. could be assured of increased markets in the different parts of the Empire by trade agreements between herself and the other members of the Empire, a great impetus would be given to British industry, and at the same time the voice of British statesmen in the councils of the world would get more weight. The Dominions have been willing and even anxious in the past to enter into such agreements; the need of the U. K. would give them the right opportunity. Politically they are independent and in a position to strike a bargain best suited to their interests. It was in a Conference held under such an environment in a Dominion capital that the representatives of the Government of India were sent to enter into a trade agreement with the U. K. They were sent not because the Government of India or any important commercial interest in the country had shown a desire to enter into such an agreement. They were sent because the Government of India had a notice from the Government of the U. K. under the Import Duties Act of this year, that certain articles on which customs duties had been imposed by the U. K. would be exempt from duty till November 1932, and that the U. K. would be willing to continue the exemption provided the Government of India entered into an agreement giving preference to certain British goods in India.<sup>1</sup>

## II. IMPERIAL PREFERENCE AND TRADE AGREEMENTS

### *Definition of Imperial Preference*

Imperial Preference is an extension of the Swadeshi principle to the Empire with an important difference. Whereas Swadeshi means the voluntary preference of our own goods to the goods of other countries, Imperial Preference means the preference for Empire goods to non-Empire goods enforced by law, that is, by making non-Empire goods dearer than Empire goods with the help of Customs duties. In the former case the appeal is to one's patriotic sentiment; in the latter case the appeal is to one's pocket. In other words, Imperial Preference may mean a sort of an Empire Zollverein or a scheme of protection for Empire goods against the competition of non-Empire goods in Empire markets.

The development of schemes of Imperial Preference that has taken place between the U. K. and the Dominions has assumed several forms. (1) Tariff preference in favour of British or Dominion

1. Cf. Speech of Sir G. Rainy in the Legislative Assembly in April, 1932, quoted later in the section on "The Indian Point of View".



goods as against non-Empire goods. (2) Administrative preference or preference to Empire goods by public bodies in their requirements. (3) Preference resulting from investments, the creditor country laying down a condition to that effect. (4) Voluntary preference resulting from propaganda such as of the Empire Marketing Board. It is expected that as a consequence of this policy the volume of trade between the Empire countries will increase, and that the economic development of the colonies will be accelerated, resulting in increased immigration and an increased demand for British products.

#### *Trade Agreements*

The Ottawa Conference has attempted the development of the existing schemes of Imperial Preference by means of Trade Agreements between different parts of the Empire. Trade agreements between any two countries for mutual benefit are well known in history. A trade agreement based on the principle of reciprocity may if properly devised add to the economic prosperity of the countries concerned. This implies the giving and taking of approximately equal advantages for the disposal of the products of one country into another, which may not be otherwise possible. Such reciprocity treaties have been usually governed by the most favoured nation clause. This means that while trade relations between the two contracting parties are promoted, those with others are not jeopardised. In fact in the case of the unconditional most favoured nation clause, the concessions granted by a particular trade agreement in respect of tariff rates automatically extend to those other countries who are enjoying the most favoured nation treatment in the countries entering into that agreement. In the case of the conditional application of the clause, the other countries are entitled to get the benefits of the new trade agreement provided they make similar concessions.

#### *The Chief Criteria re: Trade Agreements*

In the case of a trade agreement between any two countries there are certain governing factors which will decide the question whether such an agreement should be made or if one is in existence whether it should be continued. (1) The chief criterion is the additional market which the agreement is likely to bring about for the goods of each country. (2) The maximum available additional market may not be captured by a country if its capacity to supply the same is limited, and therefore the capacity of each country to take advantage of the extra market should be determined. (3) As against the available advantage of this nature, we should weigh the burden or sacrifice involved, say, by way of increased or avoidable duties on some articles. (4) At the same time an estimate of the probable harm involved in not entering

into a proposed agreement due to the restriction of trade should also be taken into account.

### III. THE ECONOMIC OUTLOOK IN INDIA

The proposed Ottawa Agreement between India and the U. K. should be judged in the light of these criteria. Before we do so however we should briefly consider the general attitude of India on this question from the point of view of her own industrial and commercial requirements.

Till the end of the last century the imports of India came chiefly from the U. K. In more recent years, the imports have assumed an international aspect. Her exports have been taken by a large number of countries in varying quantities for many years. Though the U. K. is the largest single buyer, the percentage of exports going to other countries is very large.<sup>1</sup>

In the international commerce of the world India occupies an important place. But this position does not bring her as large a gain as she is entitled to because of the quality of her trade, namely, export mainly of raw materials and foodstuffs and import mainly of manufactured goods. An attempt to remove this anomaly has been made by the adoption of the policy of Discriminating Protection since 1924. Only a few industries have so far been investigated and protection granted in the case of some of them. The economic policy of this country should be to develop this effort on more comprehensive lines with a view to increase the industrial production of the country which alone will enable her to solve the poverty problem of the masses. Any attempt to divert our efforts from this goal is likely to perpetuate the present

1. Cf. Table I in Appendix, and the following:—  
India's Trade with some Principal Countries : Shares of Principal Countries  
(In percentages)

YEAR.	IMPORTS				EXPORTS				TOTAL			
	U. K.	Germany	U. S. A.	Japan	U. K.	Germany	U. S. A.	Japan	U. K.	Germany	U. S. A.	Japan
Pre-war average ...	62.8	6.4	3.1	2.5	25.1	9.8	7.5	7.5	40.0	8.5	5.8	5.5
Post-war average ...	57.6	2.8	8.5	6.9	24.2	4.9	12.0	13.3	39.5	4.0	10.4	10.4
1926-27 ...	47.8	7.3	7.9	7.1	21.5	6.6	11.1	13.3	32.8	6.9	9.7	10.7
1928-29 ...	44.7	6.3	6.1	7.0	21.4	9.6	11.8	10.2	31.4	8.2	9.7	8.8
1929-30 ...	42.8	6.6	7.3	9.8	21.9	8.8	11.6	10.2	30.9	7.6	10.1	10.8
1930-31 ...	37.2	7.5	9.2	8.8	24.0	6.4	9.4	10.6	29.6	6.8	9.3	9.8

Cf. 'The Place of India in International Commerce' by M. C. Munshi in Bombay University Journal, July 1932.

backward position of India as a supplier of raw materials and an importer of manufactured goods.

*Indian Attitude towards Imperial Preference*

It was perhaps the impossibility of having any gain for India from a scheme of Imperial Preference that led Lord Curzon's Government in 1904 to reject the proposals for such a scheme then made. The attitude of the Indian authorities continued to be the same till before the War.

The Indian Fiscal Commission noticed a general unanimity of opinion among the witnesses examined by them against Imperial Preference. Even the majority report did not try to make a definite recommendation on the subject and laid it down that any scheme of Imperial Preference should be first investigated by the Tariff Board; that it should not diminish in any way the protection required by Indian industries; and that the decision should rest with the Indian Legislature.

In the case of protection to the steel industry, preferential rates of duty for British steel were proposed by the Tariff Board in 1926 on the ground of differences in prices. These were accepted by the Legislature without committing itself to the principle of preference. In the case of protection to the cotton industry the Tariff Board did not make any discriminatory suggestion in favour of British goods. The Government of India, however, proposed a preferential duty in 1930 which was accepted by the Legislature with a slight modification. The principle of Imperial Preference was however not accepted.

A second inquiry into the state of the cotton industry was due because the protective duty imposed in 1930 was due to expire in 1933. In their reference to the Tariff Board in this connection, the Government of India, in the beginning of this year, included the question whether it would not serve the interests of the Indian industry by having differential rates of duty in favour of British goods.

#### IV. THE OTTAWA AGREEMENT AND U. K.

We are now in a position to consider the proposed Trade Agreement between India and the U. K. on its own merits. The Agreement provides that India shall give a preference of 10 per cent.<sup>1</sup> on articles coming from the U. K. In return, it has been provided that the U. K. shall give a similar preference on Indian articles. The way in which the preference will have to be given by India differs from the way in which it will be given by the U. K. This will be explained in appropriate places. For the present, we shall proceed to consider the advantages that the U. K. is likely to derive from the proposed agree-

1. 7½ per cent. on motor vehicles.

ment, In doing so we shall bear in mind the criteria already laid down with reference to the utility of trade agreements.

*Possible Additional Market for British Goods in India*

The number of articles on which India is to give preference to British goods is 58, most of which are manufactured goods. For the sake of making the required estimate, we have divided these articles into (1) those mainly imported from the U. K. and (2) those mainly imported from other countries. Each of these categories has been further divided into major and minor articles; the major articles being those whose total import into India exceeds one crore and the minor being those whose total import is less than one crore. We find that the number of articles mainly coming from the U. K. is 33 and that of those mainly coming from other countries is 25. Of the former 18 are major articles, and 15 are minor. Of the latter 8 are major and 17 are minor articles. The maximum additional margin of trade available to the U. K. in these articles will be seen from the following figures:—

*Figures in lakhs of Rupees*

Articles	Total imports into India	Imports from U. K.	Maximum margin left for U. K.
I. Mainly imported from U. K.:—Major ...	1,26,43	76,33	50,20
II. Mainly imported from U. K.:—Minor ...	2,99	1,77.8	1,21.2
III. Mainly imported from other countries:—Major	22,26	3,74	18,52
IV. Mainly imported from other countries:—Minor	5,71	1,19.5	4,51.3
Total...	1,57,39	83,04.3	74,44.5

It may be of interest to mention the major articles mainly coming from the U. K. because they constitute the most important element in the agreement. They are:—(1) Cotton piecegoods; (2) Cotton twist and yarn; (3) Iron and steel goods; (4) Machinery and mill-work; (5) Instruments, apparatus and appliances; (6) Hardware; (7) Woollen manufactures; (8) Paper; (9) Rubber manufactures; (10) Chemicals; (11) Drugs and medicines; (12) Apparel, haberdashery and millinery; (13) Paints and Painters' materials; (14) Building and Engineering

materials; (15) Cycles; (16) Earthenware, Porcelain furniture and cabinetware; (17) Stationery; and (18) Ale and Beer.

We find from the above table that the maximum margin of additional trade that the U. K. can capture is 74.4 crores. It is obvious, however, that even with the help of the preferential duty the U. K. will not be able to capture the whole of this available market. In order to estimate the probable capacity of the U. K. to absorb this market, we have taken into account the following factors.<sup>1</sup> The total export from the U. K. to all countries of each of these articles has been taken as the indication of the maximum capacity of the U. K. to produce the same article for export. It is true that in many cases the production will be increased if the foreign demand is large enough but we have no data for calculating the same. We have further reviewed the figures of the import of each of these articles from the U. K. into India in recent years and have determined whether there is a tendency towards a decline or a rise or whether the import is steady. Along with these factors, we take into account the other factors affecting the import of each article into India, such as protection to the indigenous industry; competition from other countries; and the possibility of expansion of the industry in the U. K. On a general review of all these factors, we come to conclusions regarding the probable amount of market that the U. K. will be able to capture in each case; in most cases we estimate that 50 per cent. of the available market will go to the U. K., though in many the percentage varies due to special features. We find that the estimate of the additional market that the U. K. will thus capture is as under in each of the above groups, the figures being in lakhs of rupees.

<i>Group of Articles</i>	<i>Maximum margin left for U. K.</i>	<i>Estimated additional market that U. K. will capture</i>
I	5020	2405
II	121.2	70
III	1852	680
IV	451.3	183
	<hr/> 7444.5	<hr/> 3338

This shows that out of a maximum available market of 74.4 crores, the U. K. will be able to capture 33.3 crores with the help of the proposed preference.

#### *Other Preferences to British Goods*

It must be pointed out that there are certain factors which have been omitted from the above estimate. In the case of some of the articles, allowances have to be made because of exceptions in the case of those varieties to which the preference is not to be applied. This

1. For details see Table IV.

cannot be calculated. But at the same time there are other factors on the opposite side which are also difficult to estimate. For example, the U. K. gets preference for her goods in India (1) due to administrative arrangements and (2) to investment of British capital in India. In addition to this, since the abandonment of the Gold Standard by the U. K. and the linking of the rupee to the sterling, the U. K. gets a preference of about 33 per cent. in the Indian market against goods coming from Gold Standard countries. Besides, the recent imposition of additional duties on non-British cotton piecegoods gives a preference of 25 per cent. to the U. K. over cotton goods coming from countries other than Japan, the case of Japan on the ground of depreciated currency being special.

The existing protective duties are not affected by the Ottawa agreement and in making the above estimate we have taken note of this factor as far as possible. The fact however remains that in the two most important cases of steel and cotton goods, the protective duties are so arranged as to give a preference to British goods.

*Conclusion re: Additional Market for U. K.*

In view of the fact that it is not possible to take into account the above mentioned considerations in making the required estimate, we shall err on the safe side if we take the estimate already explained above, namely, 33.3 crores, as the probable additional market that the U. K. will capture with the help of the proposed preference.

*Fresh Taxation Inevitable*

But in order that this may be so, India will have to make important changes in her tariff. A glance at Table VI will show that most of these articles are subject to a duty of 25 per cent. The total revenue derived from these articles is about 20 crores or 50 per cent. of the total Customs Revenue from Import duties. Customs Revenue happens to be the most important single source of revenue to the Central Government<sup>1</sup>. The Government of India derive more than 45 crores<sup>2</sup> from this source out of its total net revenue of less than 90 crores, which means 50 per cent. In view of their present financial position and the impending constitutional changes, it is not possible for the Government of India to reduce taxation under this item. In fact during the last three years, increasing reliance has been placed on this source to make up for the deficits in the Central Budget.

The agreement implies a difference of 10 per cent. in the duty in favour of British goods. If this cannot be done by lowering the duty on British goods, lest the revenue may suffer, the duty on non-British goods will have to be raised. Or, there may be, say, a 5 per cent.

1. For details see Table VII.

2. Out of this about 5 crores are derived from export duties.

reduction on British goods and a 5 per cent. increase on non-British goods to bring about a difference of 10 per cent. In any case, this must involve some fresh taxation for India. The nature and extent of this additional taxation cannot be determined till the proposals of the Government of India embodying this agreement are known, but there is no doubt that the amount is likely to be substantial.

India can escape fresh taxation only on one hypothesis, namely, that the entire additional market in these articles amounting to 74.4 crores is captured by the U. K. because in that case the lower rate of duty chargeable on British goods only will come into operation. If this is possible, the reciprocal advantage that India should receive from the agreement should be in proportion. If this is not possible, India must pay additional taxation on those imports of these articles which continue to come from other countries<sup>1</sup>. Even if it becomes possible in future to reduce indirect taxation on the whole, it will be necessary for the Indian taxpayer to continue to pay some avoidable higher duties, so long as the agreement lasts, and to the extent to which the whole additional market in these articles is not captured by British goods.

## V. THE OTTAWA AGREEMENT AND INDIA

### *Import Duty in United Kingdom on Indian Goods*

We shall now consider the Ottawa Agreement from the Indian point of view. In this connection we shall have to bear in mind two aspects:—(1) The amount of additional trade which India is likely to get in the British market; and (2) the effects of the non-acceptance of the agreement by India. It is necessary to study this latter aspect, because a good deal has been made out of it. The position is that the U. K. has imposed this year a general duty of 10 per cent. on all imports with the exception of certain essential foodstuffs and raw materials. Indian and Dominion products have been free from the operation of this duty pending the ratification of the Ottawa Agreements. On the side of the U. K. the exemption to Indian products will continue if the agreement is accepted by India. If not, the U. K. will impose the 10 per cent. duty on Indian products. It has been apprehended that our trade will under such a contingency shrink and our loss on that account will be so great, that it is worth our while to agree to give the required preference to British goods in India. We shall therefore study in detail the amount of additional trade available to us by the acceptance of the agreement, and also the

1. According to the above estimate 74.4-33.3, that is, 41.1 crores worth of imports of these articles will come from other countries. At the rate of 10 per cent. this will mean a taxation, additional or avoidable, of more than 4 crores.

amount of loss of trade that we may incur by the non-acceptance of the agreement. This will enable us to weigh the balance of advantages on the whole in their true perspective.

*Classification of Articles on which India is to receive Preference*

The total number of commodities on which India is to receive preference in the British market is 30. In order to estimate the gain or the loss of trade under either contingency just mentioned, we shall divide these articles into four groups:—(1) Articles in which India is the chief supplier to the U. K. This is the most important group containing 10 articles. (2) The second group contains 7 articles in which the British Dominions compete with India in the British market. (3) The third group relates to 10 articles in which for one reason or another the expansion of our export trade to the U. K. cannot be large. (4) The fourth group contains three articles, which are going to receive special treatment.

*Method of Estimating Additional Market for India in U. K.*<sup>1</sup>

In order to estimate the additional trade that India may hope to get in these articles, we have first taken the total import into the U. K. in each case. Deducting the existing import from India, we get the amount supplied by other countries. In order to find whether India can supply the whole or part of this quantity, we have taken the total export of the same commodity to all countries from India. Deducting the existing export from India to the U. K. we get the figure of export to other countries. This indicates our capacity to supply the British demand, on the assumption that our production and exportable surplus remain the same. Having got the figure for the additional market in the U. K. and the figure of our capacity to meet the same, we have the basic data to estimate the amount of new trade with U. K. that we may have, with due reference to the peculiarities of each article.

*Articles in which India is the Chief Supplier to U. K.*

The articles in the first group or those in which India is the chief supplier are:— (1) Jute manufactures; (2) Tea; (3) Tanned hides and skins; (4) Goat skins; (5) Castor seed; (6) Teakwood; (7) Oilseed cake; (8) Groundnuts; (9) Coir manufactures; and (10) Sandalwood oil. In view of the fact that the position of India in these articles is strong, we shall assume that as a rule India will be able to capture the available market in the U. K. to the fullest extent of her capacity, unless there be special factors pointing towards a modification of this possibility. For example, the most important article in

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1. For details see Table V.



this group from the point of view of our export to U. K. is tea. There is a large available market in tea in U. K. but there are obvious limitations to our capacity to capture the same as indicated by our export figures. Besides, the next largest supplier, namely, Ceylon will get the same preference, and the share of India in the additional market will therefore be further limited. The total additional market that India can hope to capture in this group may be estimated at 9.2 crores on the lines explained above.

In case of non-acceptance of the agreement by India, the position in regard to these articles will determine the position on the whole. The total amount of our exports of these articles was 115 crores in 1929-30 of which 36.6 crores were sent to the U. K. In the first place, this shows that we have large buyers of these articles outside the U. K. who in the aggregate took more than twice as much as the U. K. In view of this, some loss of our trade in the U. K. in these articles will not be felt; it will be made good by gain elsewhere. The question therefore is to ascertain the amount of the probable loss of trade by us if the U. K. imposes a 10 per cent duty on these products. The two most important articles in this list are jute manufactures and tea; we exported 52 crores of the former and 26 crores of the latter or a total of 78 out of 115 crores of this group. The U. K. takes only a small quantity of our jute manufactures, about 3 crores. In view of our monopolistic position in this article, we need have no fears regarding the British market which takes such a small percentage of our jute manufactures. But she takes most of our tea, nearly 22 crores. If the U. K. imposes a 10 per cent duty on our tea, the first sufferer will be the British consumer. India is the chief supplier of tea to the U. K. Ceylon comes next in importance. Java also sends some tea to the U. K. The capacity of Ceylon and Java to supply the British market is not much greater than now. If they succeed in displacing some Indian tea out of the British market, the chief sufferer will be the British tea planter in India. In view of this, our conclusion is that the U. K. is not likely to impose a duty of 10 per cent on Indian tea, and that if she does we are not likely to lose much; the shrinkage in trade will be very little, if any.

The other important articles in this group are chiefly raw materials for British industry, e.g., tanned hides and skins, goat skins, and so on. Even if a duty is imposed on these articles, which is not likely, the trade will not suffer much partly because our position in them is strong, and partly because British industries are likely to require them. Allowing for all circumstances, we may safely say that not more than 10 per cent of our total trade in this group or about 3.6 crores is likely to shrink by the proposed duty in case of non-acceptance of the agreement by us.

*Articles in which Dominions will compete*

The second group of articles contains (1) Pig-lead; (2) Coffee; (3) Spices; (4) Tobacco; (5) Pulses; (6) Beans; and (7) Barley. In the case of these articles the margin of additional trade in the U.K. is large, but our capacity is limited and the Dominions are also supplying these articles to the U. K. Our total export of these articles in 1929-30 was 9 crores out of which we sent 3.2 crores to the U. K. In view of our limited capacity on the one hand, and in view of the fact that the same preference will be available to the Dominions on the other, it is not likely that we shall be able to obtain more than one-fourth of the additional market in these articles, or 152 lakhs on detailed considerations of each article. In case of non-acceptance of the agreement we may err on the safe side by assuming that our trade in this group will shrink by one-fourth.

*Articles with Limited Capacity for Expansion of Trade*

The third group contains the following:—(1) Cotton piecegoods; (2) Cotton twist and yarn; (3) Rice; (4) Carpets and rugs; (5) Non-essential vegetable oils; (6) Bran and pollards; (7) Manures; (8) Magnesite; (9) Granite and magnesium chloride; and (10) Asbestos. In the case of the last three articles, we find no separate figures of exports from India; these articles are obviously of little importance, and one does not know why they have been included in the list. Again, cotton yarn and piecegoods from India have no market of any importance in the U. K. and are not likely to have any. Only small quantities of the other articles are taken by the U. K., the total for the group being 184 lakhs out of our total export of 41 crores in these articles. We assume an increase of 109 lakhs in our trade in this group if we get the preference; in case of non-acceptance of the agreement, we assume a loss of one-fourth of this trade or 46 lakhs.

*Three Special Articles: (1) Linseed*

The fourth group consists of three articles which are to receive special treatment. They are Linseed, Pig-iron and Cotton. In the case of Linseed which is at present free from duty, it is proposed that the U. K. will levy a duty of 10 per cent. and that Indian Linseed will get preference. The U. K. is importing 651 lakhs worth of Linseed of which 180 lakhs worth goes from India. We exported 572 lakhs worth of Linseed in 1929-30 of which the major portion or 392 lakhs worth was taken mainly by France and Australia. The chief supplier of Linseed to the U. K. is the Argentine Republic which sends about 4.7 crores. Large amounts of British capital have been invested in the Argentine Republic, and already the Republic has sought for a separate trade agreement with the U. K. We may estimate that with

the proposed arrangement, another crore worth of Linseed from India may go to the U. K. instead of to some other countries.

(2) *Pig-iron*

In the case of pig-iron, we exported 259 lakhs in 1929-30 of which Japan and the U. S. A. took large quantities, the U. K. having taken 33 lakhs. The terms on which this article may be admitted free of duty in the U. K. are to be settled. We cannot estimate the figure of additional trade under the circumstances, but it is obvious that it cannot be large, particularly if the steel industry in this country expands.

(3) *Cotton*

In the case of Indian cotton, it has been said that arrangements will be made to see that increasing quantities of Indian cotton are used by Lancashire. Out of 100 crores of cotton imported by the U. K. in 1929, she took 4 crores from India. She gets most of her cotton from Egypt and the U. S. A. In the same year, we exported 65 crores worth of cotton, of which 4 crores went to the U. K. Our chief buyers are Japan and China.

The position regarding the cotton trade needs fuller consideration and will be better realised from the following figures of the export of raw cotton from India to certain countries in recent years :

*Export of Raw Cotton from India*  
(In bales of 400 lbs. each)

	1929-30	1930-31
Exports to U. K.	270,000	281,000
To other parts of the Empire ... ..	7,000	6,000
To Japan ... ..	1640,000	1686,000
To China ... ..	566,000	606,000
Total including other countries ... ..	4070,000	3926,000

The very subordinate position of the U. K. among the buyers of Indian cotton is obvious from the above table. The relative position of Indian cotton in the British market compared with cotton imported by U. K. from other countries is poor as can be seen from the following table:

*Consumption of various kinds of Cotton in Great Britain*  
( In thousands of bales )

	1927-28	1928-29	1929-30	1930-31
( 1 ) American ... ( bales of 500 lbs. ) ...	1942	1936	1390	944
( 2 ) Egyptian ... ( bales of 700 lbs. ) ...	352	364	307	246
( 3 ) Indian ... ( bales of 400 lbs. ) ...	138	205	225	248
( 4 ) Sundry ... ( bales of 478 lbs. ) ...	510	420	550	493

Though a relative increase in the use of Indian cotton in the U. K. is seen in the above table, it is obvious that the prospects of a further increase are not bright inasmuch as these have not been guaranteed, but have been left for further exploration by the Lancashire industry. Besides, part of the recent increase is due to the requirements of the newly developed artificial silk industry in the U.K. It may be pointed out that the imports of Russian cotton which have been included in 'Sundry' in the table above, have increased in a much greater proportion than those of Indian cotton.

If arrangements to bring about a large export of Indian cotton to the U. K. are made, this will be done on the assumption that superior varieties of cotton are grown in India. Experiments in this connection have so far not given material results. Besides, if finer varieties of cotton are grown in India, Indian mills will be the first buyers, because they have now to import large quantities of superior cotton from other countries. The extent to which the Indian demand will absorb such production in the country may be indicated by the present imports of cotton by India. This demand is likely to increase with the growth of the Indian Mill Industry in future.

*Imports of Foreign Cotton into Bombay*  
( Bales of 392 lbs. each )

	1928-29	1929-30	1930-31	1931-32
East African ...	107,747	134,533	179,473	133,162
Egyptian ...	1,636	12,387	148,947	121,032
American ...	11,719	15,889	140,296	280,808
Persian ...	1,774	704	1,438	2,951
Total	122,876	163,513	470,154	537,953

*N. B.*—In 1931-32, an additional import of 70,000 bales came through Bhavnagar,

This means that the Indian grower will have to satisfy a demand of nearly 600,000 bales of higher staple cotton before he can hope to cater for the British market. If it is contended that the Lancashire industry will be willing to use inferior Indian cotton in increasing quantities, the situation will be worse, because in that case Lancashire goods will compete with the Indian industry which will then have to be protected against Lancashire.

In view of these considerations, we do not look forward to any appreciable expansion of our trade in raw cotton with the U. K.

So far as the shrinkage in trade in linseed, pig-iron and cotton by the non-acceptance of the agreement is concerned, we assume the same percentage as in other cases, namely, a reduction of 25 per cent. Our total export of these three articles to the U. K. in 1929-30 was 644 lakhs, and therefore the shrinkage may be put at 161 lakhs.

The position regarding the gain or loss to India in the British market by the acceptance or rejection of the proposed agreement may be thus summarised :—

Group of Articles.	Estimated additional market in U. K.	Estimated loss of market in U. K.
	<i>lakhs of Rupees</i>	
I ... ..	924	360
II ... ..	152	225
III ... ..	109	46
IV ... ..	100	161
Total	1285	792

*Conclusion re: additional market for India in U. K.*

We are thus likely to get an additional market for Indian products in the U. K. of the value of 1285 lakhs or about 13 crores by accepting the agreement, and we are likely to lose a market of 792 lakhs or about 8 crores in the U. K. by non-acceptance of the agreement. From the preceding survey, it is obvious that the expansion of our trade with the U. K. will be mainly brought about by a diversion of our exports from other countries to the U.K. By entering into the proposed agreement we shall reduce the imports of other countries into India and therefore their capacity to take our exports will be reduced. If we take the estimates already made, it will be seen that we shall displace foreign goods worth 33 crores by British goods. If we assume that the demand for Indian products in foreign markets will be reduced to this extent, we shall have to find markets for the

same. For this purpose we shall have the consolation of getting an additional market of 13 crores in the U. K. This means that there will be difficulties for the disposal of our goods on the existing level, and even if these are overcome, it is obvious that we cannot expect a favourable reaction on our production.

*Conclusion re: loss to India by non-acceptance*

In the case of non-acceptance of the agreement by us the loss of our trade in the U. K. estimated at 8 crores is not large and need cause no anxiety. In the first place, most of the articles in question are required either for direct consumption or for industry in the U. K., and it is not likely that restrictive duties will be imposed on them. Even if they are imposed, the demand being strong the shrinkage in trade will not be large, and we believe that the above figure is an overestimate erring on the safe side. Our total exports in 1929-30 amounted to 310 crores, of which the U. K. took nearly 70 crores. Having got large buyers outside the U. K. it should not be difficult for us to arrange for the disposal of our goods to this extent in other markets, or for the diversion of 2.6 per cent. of our exports from the U. K. to other countries. This means that there will not be any unfavourable reaction on our production by the non-acceptance of the agreement.

## VI. THE INDIAN POINT OF VIEW

The question from the Indian point of view is whether we need special devices for the disposal of our goods. On the whole, we are in no such need; it is the requirement of other countries for our raw materials which determines the volume of our exports. In fact by restricting the imports of non-British goods, we may create ill-will among some of our best customers.

Some of the recent difficulties of our export trade are due to the fall of world prices, which is greater in the case of raw products compared with manufactured goods. The Ottawa agreement is not likely to remove this difficulty.

Our real need is to utilise these raw products more and more for our own industrial development. For example, we want to manufacture more cotton and steel goods and reduce the import of the same; we want to manufacture our hides and skins and oilseeds and export the finished goods, if there is not sufficient market for these at home. The Ottawa agreement presupposes that we shall continue to supply raw materials to the world, and not develop ourselves industrially.

So far as the threat of the loss of market for some of our goods in the U. K. is concerned, we have already shown the hollowness of

the same. Besides, we have further to remember that a country interested in sending to us large quantities of imports cannot in her own interest lightly restrict our exports, which are the means of payments for our imports.

The determining factor<sup>1</sup> in the proposed agreement is obviously the need of the U. K. for a larger market in India. As already shown the industrial leadership of the U. K. has been challenged and her trade is meeting with increasing competition everywhere. The land of *laissez faire* has found herself in the position of seeking protection both at home and in the Empire against non-Empire goods. But if the U. K. wants certain economic advantages in India, let her offer equally advantageous terms to India of a real character, if the agreement is to be on a basis of reciprocity.

There is one more point of view from which the agreement may be considered. The trade relations of India with the U. K. are already large—larger than that of any other single country. The proposed agreement will make them still larger with the consequence that India will have to depend to an increasing extent on the U. K. for the disposal of her goods, and for the supply of her requirements. So far as the gain from international trade is concerned this position is not desirable because it is a well-established rule that “any country gains the more from trade the larger the number of other countries which compete with each other in buying and selling with it”<sup>2</sup>.

The Government communique observes that “in concluding this agreement the Indian Delegation have throughout kept before them two main principles, namely, the extension and the development of the export trade of India and the reservation unimpaired to the protection enjoyed by certain Indian industries”.

We have given ample proof in the foregoing analysis of the possibilities of gain or loss to India under the agreement to show that there will be no real extension and development of the export trade of India, and that on the whole India may incur greater real loss than real gain in trade by the acceptance of the agreement. So far as the protection to certain existing industries is concerned, it is true that the agreement regarding new preferential duties will not apply to them. But this remark conceals two important things. In the first place we have already found that the present method of giving protection to Indian industries is so worked that it involves a preferential arrange-

1. Cf. Sir George Rainy's reply in the Legislative Assembly 4th April 1932:—"It (Government of India) has been further invited in particular to consider the question whether having regard to the new Tariff policy of H. M's Government in U. K., Great Britain and India should enter into a tariff agreement so as to benefit the trade of both the countries."

2. H. G. Brown, *International Trade*, p. 38.

ment for British goods in the case of those industries in which the U. K. is interested. For example, the two largest industries which have come under the protective scheme, namely, steel and cotton, are those in which the U. K. is interested in the Indian market, and we find that the protective scheme itself gives preference to British steel and cotton goods. The other thing which is concealed in the remark referred to above is that in future whenever protection is sought by an Indian industry, similar difficulties will arise and the greater the interest of the U. K. in any particular item of trade, the greater the certainty of there being a preference for British goods even in a protective scheme. If we look at the articles of import on which preference is proposed to be given, we shall find that there are many in which India will and must try to progress industrially at an early date in her own interest, and for this purpose state assistance in the form of protection or otherwise may be necessary.

## VII. SUMMARY OF CONCLUSIONS

Our conclusions on the implications of the Ottawa Trade Agreement between India and the U. K. may be thus summarised:—

- (1) That the determining factor in the proposed agreement is the need of the U. K. for a larger market in India.
- (2) That the additional market which the U. K. will be able to capture in India may be estimated at 33 crores.<sup>1</sup>
- (3) That this will give an impetus to industrial production in the U. K.<sup>1</sup>
- (4) That in order to do so, there will have to be substantial additions to taxation in this country.
- (5) That even if it is possible in future to reduce taxation, there will be some avoidable larger duties on the articles in question, so long as the agreement lasts, and so long as the U. K. has not captured the whole trade in these articles.
- (6) That India is likely to get an additional market of 13 crores in the U. K. by accepting the agreement.
- (7) That this will be brought about mainly by a diversion of our trade from other countries to the U. K. and therefore it will not lead to increased production in the country.
- (8) That the displacement of our import trade with other countries to the extent of 33 crores will reduce their capacity

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1. The invisible gains to the U. K. due to such enlarged trade with India in the form of additional freight, insurance charges, banking and financial activities etc. have not been taken into account in forming our estimate.



- to take our exports, and in some cases ill-will may be created.
- (9) That the diversion of our export trade of 13 crores from other countries to the U. K. will not be an adequate compensation for the difficulty pointed out in (8).
  - (10) That India may lose on a liberal estimate a market of 8 crores in the U. K. by non-acceptance of the agreement.
  - (11) That this is only 2.6 per cent. of our total exports, and in view of our strong position in the world market we shall not find it difficult to find markets for these goods.
  - (12) That the U. K. is not likely to restrict our exports as most of them are required either for consumption or for industrial purposes ; besides, being interested in sending large quantities of imports to us, she would be compelled to take adequate quantities of our exports.
  - (13) That the agreement presupposes that India will continue to be a supplier of raw materials, and will not develop industrially.
  - (14) That there will be no real advantage on the whole to India by the acceptance of the agreement as suggested in the Government communique.
  - (15) That there will be difficulties in the way of future development of our industries.

**APPENDIX**  
**STATISTICAL TABLES**

**TABLE I**  
**EXPORTS OF MERCHANDISE FROM INDIA**  
*(In lakhs of Rupees)*

Year	Total	To U. K.	To other Empire countries	To non- Empire countries
Pre-war average ... ..	2,19,50	56,30	35,24	1,32,06
1921-22 ... ..	2,31,38	46,02	45,23	1,40,12
1929-30 ... ..	3,10,80	69,59	45,02	2,03,32
1930-31 ... ..	2,20,49	51,77	34,35	1,34,37
1931-32 ... ..	1,55,89	43,46	25,26	87,17

**IMPORTS OF MERCHANDISE INTO INDIA**  
*(In lakhs of Rupees)*

Year	Total	From U.K.	From other Empire Countries	From non- Empire countries
Pre-war average ... ..	1,45,84	91,58	9,96	44,31
1921-22 ... ..	2,66,35	1,50,92	26,44	88,98
1929-30 ... ..	2,40,80	1,03,10	21,36	1,16,34
1930-31 ... ..	1,64,82	61,29	14,73	88,80
1931-32 ... ..	1,26,34	44,76	11,86	69,72

## TABLE II

## RETAINED IMPORTS OF THE U. K.

*Percentage Distribution according to Countries*

Countries	1924	1925	1926	1927	1928	1929
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*(1) Food, Drink and Tobacco*

Self-governing Dominions	26.69	29.46	27.90	25.53	27.49	25.31
Colonies and Protectorates ... ..	4.60	4.76	5.33	6.11	5.52	5.63
India ... ..	6.34	5.15	4.33	5.21	4.13	3.84
Foreign countries ...	62.37	60.63	62.44	63.15	62.86	65.22

*(2) Articles wholly or mainly unmanufactured*

Self-governing Dominions	12.55	13.62	12.74	13.20	13.48	13.93
Colonies and Protectorates ... ..	5.18	6.93	9.60	7.67	5.84	9.91
India ... ..	7.03	8.15	4.70	6.06	7.16	6.95
Foreign countries ...	75.24	71.30	72.96	73.07	73.52	69.21

*(3) Articles wholly or mainly manufactured*

Self-governing Dominions	5.75	5.53	5.01	5.12	5.15	5.31
Colonies and Protectorates ... ..	1.29	1.30	1.04	1.39	1.21	0.77
India ... ..	2.93	3.29	2.70	2.96	3.32	2.97
Foreign countries ...	90.03	89.88	91.25	90.53	90.32	90.95

*(4) Total*

Self-governing Dominions	17.96	19.14	17.78	17.03	18.09	17.09
Colonies and Protectorates ... ..	3.99	4.32	5.43	5.22	4.45	5.41
India ... ..	5.72	5.54	4.00	4.80	4.67	4.39
Foreign countries ...	72.33	70.80	72.79	72.95	72.79	73.11

**TABLE III**  
**EXPORTS OF DOMESTIC PRODUCE FROM THE U. K.**  
*Percentage Distribution according to Countries*

Countries	1924	1925	1926	1927	1928	1929
<i>(1) Food, Drink and Tobacco</i>						
Self-governing Dominions	36.13	34.52	35.59	34.47	33.16	31.53
Colonies and Protectorates ...	13.19	14.75	17.25	17.57	18.13	18.76
India ...	4.84	5.44	7.03	7.40	6.94	8.29
Foreign Countries ...	45.84	45.29	40.13	40.56	41.77	41.42
<i>(2) Articles wholly or mainly unmanufactured</i>						
Self-governing Dominions	5.84	7.20	7.60	7.98	7.90	8.26
Colonies and Protectorates ...	2.72	3.21	3.17	3.16	2.88	2.62
India ...	0.55	0.76	1.15	0.76	0.71	0.70
Foreign Countries ...	90.89	88.83	88.08	88.10	88.51	88.42
<i>(3) Articles wholly or mainly manufactured</i>						
Self-governing Dominions	24.77	24.37	27.38	25.92	25.33	25.95
Colonies and Protectorates ...	6.75	7.84	8.04	8.55	8.78	8.60
India ...	13.93	13.18	14.20	14.10	13.51	12.48
Foreign Countries ...	54.55	54.61	50.38	51.13	52.38	52.97
<i>(4) Total</i>						
Self-governing Dominions	23.56	23.68	26.99	25.04	24.48	24.74
Colonies and Protectorates ...	6.80	7.96	8.58	9.04	9.20	9.02
India ...	11.31	11.12	12.52	12.00	11.60	10.73
Foreign Countries ...	58.33	57.24	51.91	53.92	54.72	55.51

**TABLE IV**  
**ARTICLES OF IMPORT INTO INDIA UNDER THE**  
**OTTAWA AGREEMENT**

*Figures for 1929-30: in lakhs of Rupees*

**A. ARTICLES MAINLY IMPORTED FROM U. K.**

ARTICLES	I	II	III	IV	V	VI
	Total Imports	Imports from U. K.	Maximum margin left for U. K.	Total exports from U. K.	Whether U. K.'s share is declining (-), steady or increasing (+)	Capacity of U. K. to absorb margin
<b>MAJOR: Total Import Exceeding one Crore</b>						
(1) Cotton piecegoods ...	50,25	33,65	16,60	131,06	—	830
(2) Cotton twist and yarn...	5,99	2,96	3,03	27,50	Steady	151
(3) Iron & Steel goods ...	17,19	10,16	7,03	90,45	Steady	466
(4) Machinery and mill-work ...	18,21	13,68	4,53	73,15	—	151
(5) Instruments, Apparatus and appliances ...	5,38	3,03	2,35	8,64	Steady	157
(6) Hardware ...	5,06	1,80	3,26	1,86	—	6
(7) Woollen manufactures ...	3,76	1,28	2,58	50,00	Steady	129
(8) Paper ...	3,35	1,13	2,22	13,03	—	111
(9) Rubber manufactures ...	3,30	1,11	2,19	4,52	—	109
(10) Chemicals ...	2,78	1,59	1,19	35,37	Steady	83
(11) Drugs & Medicines ...	2,26	95	1,31	...	+	...
(12) Apparel, haberdashery and millinery ...	1,75	85	90	10,77	—	60
(13) Paints & Painters' materials ...	1,46	99	47	5,32	Steady	24
(14) Building and Engineering materials ...	1,34	65	69	not specified	Steady	35
(15) Cycles ...	1,18	96	22	1,86	—	11
(16) Earthenware, Porcelain, furniture & cabinet-ware ...	1,09	39	70	14,49	—	35
(17) Stationery (excluding paper) ...	1,05	55	50	1,33	Steady	25
(18) Ale & Beer ...	1,03	60	43	2,39	Steady	22
<b>Total of 1-18</b>	<b>126,43</b>	<b>76,33</b>	<b>50,20</b>	<b>471,74</b>		<b>24,05</b>

- (1) Protection on certain varieties; competition from local industry and from Japan. Hence 50 p. c. of the margin can be captured.
- (2) Competition from Local Industry and from China and Japan. Capacity same as above.
- (3) Protected Industry. Preference for British goods in the protective scheme. U. K. may capture two-thirds of the margin.
- (4) Proposed preference only on those paying 25 p. c. duty. Allowing for this and for competition from other countries, U. K. may capture one-third of the margin.
- (5) U. K. may capture two-thirds of the margin.
- (6) U. K. may capture more if she increases her production.
- (7-9) U. K. may capture 50 per cent of the margin.
- (10-11) Heavy chemicals protected; competition in other chemicals. U. K. may capture one-third of the margin.
- (12) U. K. may capture two-thirds of the margin.
- (13-18) U. K. may capture 50 per cent of the margin.

TABLE IV (continued)

## A. ARTICLES MAINLY IMPORTED FROM U. K. (continued)

ARTICLES	I	II	III	IV	V	VI
	Total Imports	Imports from U. K.	Maximum margin left for U. K.	Total exports from U. K.	Whether U. K.'s share is declining (-), steady or increasing (+)	Capacity of U. K. to absorb margin
<b>MINOR: Total Imports Less than one Crore</b>						
(19) Toilet requisites ...	72	27	45	1,46	—	22
(20) Toilet soap ...	50	39	11	93	steady	5
(21) Leather manufactures (ex. boots & shoes) ...	39	31	8	10,50	steady	8
(22) Asbestos... ..	32	21	11	1,86	steady	7
(23) Confectionery ...	25	19	6	1,33	—	4
(24) Filled cartridges and cartridge cases ...	15	11	4	70	steady	4
(25) Brushes ... ..	13	5	8	66	—	4
(26) Oil cloth and floor cloth ...	12	5	7	1,33	—	4
(27) Cordage & Rope ...	11	5	6	3,05	steady	6
(28) Perfumed spirit ...	11	4	7	included in (19) ... not specified	steady	0
(29) Leather cloth and artificial leather ...	5	3	2	.66	steady	1
(30) Fish oil ... ..	5	2	3		steady	2
(31) Engine and Boiler packing ... ..	4	3	1	13	+	1
(32) Cocoa & Chocolate ...	3	2	1	1,46	steady	1
(33) Paint solutions... ..	2	0.8	1.2	70	—	1
<b>Total of 19-33</b>	<b>299</b>	<b>177.8</b>	<b>121.2</b>	<b>24,77</b>		<b>70</b>

(19-20) U. K. may capture 50 per cent of the margin,

(21) U. K. may capture the maximum margin.

(22-23) U. K. may capture two-thirds of the margin.

(24) U. K. may capture the maximum margin.

(25) U. K. may capture 50 per cent of the margin.

(26) U. K. may capture more than half the margin.

(27) U. K. may capture the maximum margin.

(29) U. K. may capture 50 per cent of the margin.

(30) U. K. may capture 2/3rds of the margin.

(31-33) U. K. may capture the maximum margin.

TABLE IV (continued)

B. ARTICLES MAINLY IMPORTED FROM COUNTRIES  
OTHER THAN U. K.

ARTICLES	I	II	III	IV	V	VI
	Total Imports	Imports from U. K.	Maximum margin left for U. K.	Total exports from U. K.	Whether U. K.'s share is declining (-), steady or increasing (+)	Capacity of U. K. to absorb margin
<b>MAJOR: Total Imports Exceeding one Crore</b>						
(34) Copper ... ..	301	29	272	438	—	136
(35) Motor vehicles ... ..	752	156	596	1968	—	200
(36) Brass and similar alloys	223	56	167	425	—	55
(37) Silk piecegoods ... ..	222	1	221	53	—	26
(38) Artificial silk piecegoods	211	3	208	678	nil	104
(39) Aluminium ... ..	201	57	144	146	—	48
(40) Canned and bottled provisions... ..	186	48	138	385	steady	92
(41) Mineral lubricating oil	130	24	106	106	steady	19
Total of 34-41	22,26	374	18,52	41,99		680

- (34) U. K. may capture 50 per cent of the margin.  
 (35) 7½% preference only. Competition from other countries. U. K. may capture about one-third of the margin.  
 (36) Germany is the principal supplier. U. K. may capture about one-third of the margin.  
 (37) U. K. may send half their total export at present.  
 (38) Trade of recent growth only. U. K. may capture 50 per cent of the margin.  
 (39) U. K. may capture one-third of the margin.  
 (40) U. K. may capture two-thirds of the margins.  
 (41) U. S. A. chief supplier. U. K. may capture less than one-fourth her capacity ( $106 - 24 = 82 \times \frac{1}{4} = 20\frac{1}{2}$ ).

TABLE IV (continued)  
B. ARTICLES MAINLY IMPORTED FROM COUNTRIES  
OTHER THAN U. K.

ARTICLES	I	II	III	IV	V	VI
	Total Imports	Imports from U. K.	Maximum margin left for U. K.	Total exports from U. K.	Whether U. K.'s share is declining (-), steady or increasing (+)	Capacity of U. K. to absorb margin
<b>MINOR: Total Import Less Than One Crore</b>						
(42) Condensed and preserved milk ...	88	28	60	133	steady	30
(43) Boots and Shoes ...	87	22	65	731	—	32
(44) Silk yarn ...	71	0.8	70	66	steady	1
(45) Toys and requisites for games ...	64	15	49	93	—	24
(46) Umbrellas and Umbrella fittings...	43	11	32	70	—	16
(47) Vegetable non-essential oil ...	43	7	36	478	steady	36
(48) Cutlery ...	41	11	30	146	—	15
(49) Zinc ...	39	11	28	26	—	7
(50) Tinned and canned fish.	25	3	22	12	steady	4
(51) German silver ...	16	2	14	not specified	steady	—
(52) Canned and bottled fruit ...	14	1	13	7	steady	3
(53) Natural essential oil ...	13	3	10	26	—	5
(54) Metal buttons ...	10	1	9	1	—	1
(55) Ghee ...	8	2	6	70	—	6
(56) Smokers' requisites ...	6	1	5	26	steady	2
(57) Cork manufactures ...	2	0.6	1.4	13	—	0.6
(58) Synthetic essential oil...	1	0.1	0.9	5	—	0.4
Total of 42-58	571	119.5	451.3	1903		183
Grand Total ...	157,39	83,04.3	74,44.7	557,53		33,38

- (42-43) U. K. may capture 50 per cent of the margin.  
(44) Capacity of U. K. to capture Indian market limited in view of present volume of trade.
- (45-46) U. K. may capture 50 per cent of the margin.  
(47) U. K. may capture the maximum margin unless local industry is developed.
- (48) U. K. may capture 50 per cent of the margin.  
(49, 50 & 52) U. K. may capture half her capacity; cf. (41) above.
- (53) U. K. may capture 50 per cent of the margin.  
(54) In view of possibilities of development of this industry in U. K. she may double her existing trade.
- (55) U. K. may capture the maximum margin.  
(56) U. K. may capture 50 per cent of the margin.  
(57-58) U. K. may capture nearly half the margin.



**TABLE V**  
**ARTICLES OF EXPORT FROM INDIA UNDER THE**  
**OTTAWA AGREEMENT**

*Figures for 1929-30: in lakhs of Rupees*

**A. ARTICLES IN WHICH INDIA IS THE CHIEF SUPPLIER TO U. K.**

ARTICLES	1	2	3	4	5
	Total Export	Export to U.K.	Total import into U.K.	Maximum margin available to India (3-2)	Estimated capacity of India to meet margin
(1) Jute manufactures ...	51.92	3.17	3.78	1.61	161
(2) Tea ...	26.00	22.19	49.87	26.68	200
(3) Tanned hides and skins	8.05	6.97	9.84	2.87	108
(4) Goat skins—raw ...	4.43	1.9	1.98	1.78	19
—tanned ...	2.25	2.05	2.26	21	21
(5) Castorseed ...	2.14	49	79	36	30
(6) Teakwood ...	1.47	93	12.63	11.71	27
(7) Oilseed cake ...	3.11	1.19	5.98	4.79	1.23
(of which groundnut cake and linseed cake)	2.59	1.16	2.39	1.23	...
(8) Groundnuts ...	16.38	1.24	3.19	1.95	195
(9) Coir manufactures ...	1.04	26	1.73	1.53	40
(10) Sandalwood oil ...	23	7	...	...	...
Total of 1-10	114.76	36.61	...	...	924

- (1) India may capture the maximum margin.
- (2) Ceylon, the next large supplier, will also get preference. Out of a maximum margin of 400 lakhs taking Ceylon's trade into account, India may capture half.
- (3) Corresponding to undressed leather in U. K. trade figures, India may capture to the full extent of her total capacity, 805 — 697 = 108.
- (4) India may double her export of raw goat skins and absorb the whole margin in tanned goat skins,
- (5) India may capture the whole margin.
- (6) All hardwoods taken for U. K. figure; separate details not available. India's capacity poor; may divert half her other trade to U. K.
- (7) Chief supplier to U. K. of groundnut cake and linseed cake only; may capture the whole margin in them; in others expansion is not possible.
- (8) India may capture the whole margin.
- (9) The export figures of India and the import figures for U. K. do not tally. We assume that India may treble her export to U. K.

TABLE V (continued)

B. ARTICLES IN WHICH OTHER BRITISH COUNTRIES COMPETE  
WITH INDIA IN THE U. K. MARKET

ARTICLES	1	2	3	4	5
	Total export	Export to U. K.	Total Import into U.K.	Maximum margin available to India (3-2)	Estimated capacity of India to meet margin
(11) Pig-lead ... ..	2,44	1,54	9,17	7,63	22
(12) Coffee ... ..	1,45	54	4,92	4,38	14
(13) Spices ... ..	1,96	26	3,05	2,79	42
(14) Tobacco ... ..	1,06	41	22,85	22,44	32
(15) Pulses ... ..	1,63	35	not available		32
(16) Beans ... ..	43	11	1,33	...	8
(17) Barley ... ..	6	5	7,34	...	1
Total of 11-17 ...	9,03	3,26			152

- (11) Pig-lead and sheet together in U. K. figure, India may capture one-fourth of her total capacity. *cf.* (3) above
- (12) India may capture one-sixth of her total capacity.
- (13) India may capture one-fourth of her total capacity.
- (14) India may capture 50 per cent of her total capacity.
- (15-16) India may capture one-fourth of her total capacity.
- (17) India may capture to the full extent of her capacity.

TABLE V (continued)

**C. ARTICLES IN WHICH THE EXPANSION OF INDIAN  
EXPORT TRADE WITH U. K. IS LIMITED**

ARTICLES	1	2	3	4	5
	Total export	Export to U.K.	Total Import into U.K.	Maximum margin available to India (3-2)	Estimated capacity of India to meet margin
(18) Cotton piecegoods ...	4,67	0.2	678	678	
(19) Cotton twist and yarn...	1.90	0.8	172	171	
(20) Rice (not in the husk)...	3128	50	239	189	90
(21) Carpets and rugs ...	85	38	319	281	12
(22) Non-essential vegetable oils... ..	31	7	550	543	7
(23) Bran and Pollards ...	118	85	93	8	...
(24) Manures ... ..	124	3	133	130	
(25) Magnesite ... ..	...	...	...	...	
(26) Granite and magnesium chloride ... ..	...	...	120	...	
(27) Asbestos ... ..	...	...	133	...	
Total of 18-27	4143	184	...	...	109

**D. SPECIAL ARTICLES**

(28) Raw cotton ... ..	6507	431	10054	9623	100
(29) Linseed ... ..	572	180	651	471	
(30) Pig-iron ... ..	259	33	66	33	
Total of 28-30	7338	644			
Grand Total...	23860	4815	...	...	1284

(18-19) No possibility of India capturing additional market in U. K.

(20) India may capture about half the margin.

(21) Woollen carpets and rugs. India may capture one-fourth her total capacity.

(22) India may double her export to U. K.

(23) India has reached her limits. Here, too, the export figures of India and import figures for U. K. do not tally.

(24) Figures of fertilisers for U. K.; Indian exports of crude manures; no expansion possible.

(29) India may capture nearly one-fourth of her total capacity.

**TABLE VI**  
**CUSTOMS REVENUE FROM ARTICLES OF IMPORT**  
**INCLUDED IN THE OTTAWA AGREEMENT**  
*(In Lakhs of Rupees)*

ARTICLES	1929-30	1931-32	Duty now in operation
(1) Cotton piecegoods ...	5.83	3.70	Various rates. <sup>1</sup>
(2) Cotton twist and yarn	45	37	6½ p. c. or 1 7/8 per lb.
(3) Iron and steel goods ...	2.60	1.53	Various rates.
(4) Machinery & millwork	...	68.8	Various rates.
(5) Instruments, apparatus and appliances ...	50.2	51.6	25 p. c. excluding surgical, musical and telegraphic.
(6) Hardware ...	81.6	60	25 p. c.
(7) Woollen manufactures	52.4	26.9	25 p. c.
(8) Paper & Stationery ...	59.8	61.9	Printing paper & other paper not containing mechanical pulp an. 1 ps. 3 per lb.
(9) Rubber manufactures...	75	66	25 p. c. (excluding those for aeroplanes)
(10) Chemicals ...	69.9	2.8	Heavy chemicals under different protective (specific) rates; others 25 p. c.
(11) Drugs and medicines ...		82.2	
(12) Apparel, haberdashery and millinery ...	43	35	25 p. c.
(13) Paints and Painters' materials ...	26.1	24	25 p. c.
(14) Building and Engineering materials ...	13	12	Other than steel or Portland cement 25 p. c.
(15) Cycles ...	...	...	25 per cent.
(16) Earthenware, Porcelain, Furniture and cabinetwork ...	51	41	25 p. c.
(17) Stationery (excluding paper) ...	Included in (8)		Writing paper an. 1 ps. 3 per lb. or 18½ p. c.; others 25 p. c.
(18) Ale and Beer ...	24	31	Different specific rates varying from 5/8 an. per bottle to as. 4 per gallon.
(19) Toilet requisites ...	11	10	25 p. c.
(20) Toilet soap ...	24.8	19.5	25 p. c.
(21) Leather manufactures (excluding boots and shoes) ...	5.2	4.6	25 p. c.

1. Cotton piecegoods (other than fents of not more than nine yards in length) —

(a) plain grey, that is, not bleached or dyed in the piece, if imported in piece which either are without woven headings or contain any length of more than nine yards which is not divided by transverse woven headings —

(i) of British manufacture ... 25 p.c. or 4 3/8 as. per pound whichever is higher.

(ii) not of British manufacture ... 31½ per cent or 4 3/8 as. per pound whichever is higher.

(b) others —

(i) of British manufacture ... 25 p. c.

(ii) not of British manufacture ... 50 p. c.

ARTICLES	1929-30	1931-32	Duty now in operation
(22) Asbestos ... ..	..	..	Unspecified, hence 25 p. c.
(23) Confectionery ... ..	7-8	8	50 p. c.
(24) Filled cartridges and cartridge cases ... ..	..	..	Not otherwise specified; 50 p. c.
(25) Brushes ... ..	2-0	1-8	25 p. c. along with brooms.
(26) Oil cloth and floor cloth	2-4	1-9	25 p. c.
(27) Cordage and Rope ... ..	2-0	1-5	(and vegetable fibre not otherwise specified) 25 p. c.
(28) Perfumed spirit ... ..	4-9	4-1	Rs. 6 per gallon
(29) Leather cloth and artificial leather ... ..	..	..	not specified, hence 25 p. c.
(30) Fish oil ... ..	..	..	"
(31) Engine & boiler packing	1-2	1-0	25 p. c.
(32) Cocoa and chocolate ...	Included in (23)		
(33) Paint solutions ... ..	Included in (13)		
(34) Copper ... ..	9-7	16	25 p. c.
(35) Motor vehicles ... ..	95	63	37½ p. c. for motor cycles only; for others 25 p. c.
(36) Brass and similar alloys	21	17-9	25 p. c.
(37) Silk piecegoods ... ..	79	1-09	50 p. c.
(38) Artificial silk goods ...	..	..	25 p. c.
(39) Aluminium ... ..	..	..	25 p. c.
(40) Canned and bottled provisions ... ..	84-7	74-7	not specified, hence 25 p. c.
(41) Mineral lubricating oil	..	..	not otherwise specified; 25 p. c.
(42) Condensed and Preserved milk ... ..	Included in (40)		not specified, hence 25 p. c.
(43) Boots and shoes ... ..	..	11-3	25 p. c. or as. 5 per pair.
(44) Silk yarn ... ..	..11	..11	25 p. c.
(45) Toys and requisites for games ... ..	19	16	50 p. c.
(46) Umbrellas & umbrella fittings... ..	6	6	25 p. c.
(47) Vegetable non-essential oil ... ..	16-3	20-1	25 p. c.
(48) Cutlery ... ..	5-5	4-1	(other than plated with gold or silver) 25 p. c.
(49) Zinc ... ..	..	..	25 p. c.
(50) Tinned and canned fish.	0-6	0-7	not specified, hence 25 p. c.
(51) German silver ... ..	..	..	25 p. c.
(52) Canned and bottled fruit ... ..	..	..	not specified; hence 25 p. c.
(53) Natural essential oil ...	..	..	25 p. c.
(54) Metal buttons ... ..	..	..	not specified; hence 25 p. c.
(55) Ghee ... ..	..	..	(clarified) 10 p. c.
(56) Smoker's requisites ...	1-8	1-0	(other than tobacco or matches) 50 p. c.
(57) Cork manufactures ... ..	..	..	not specified, hence 25 p. c.
(58) Synthetic essential oil...	..	..	25 p. c.
Grand Total ... ..	18,44-9	15,26-6	

*Notes*—In view of the fact that separate details for some articles are not available, it will be safe to assume a total revenue of 20 crores from these articles in 1929-30. It is significant that the revenue has fallen in 1931-32 in spite of large increases in duty in the interval.

**TABLE VII**  
**CUSTOMS REVENUE AND TOTAL REVENUE OF**  
**GOVERNMENT OF INDIA<sup>1</sup>**

	<i>Lakhs of Rupees</i>	
	Customs net	Total Net Revenue
1921-22	33,75	81,30
1926-27	46,57	95,05
1927-28	47,37	87,30
1928-29	48,34	88,51
1929-30	50,31	92,43
1930-31	45,88	81,85
1931-32 (Revised Estimate)	45,31	77,70
1932-33 (Budget Estimate)	51,40	86,23

1. Government of India : Budget for 1932-33, pp. 108 and 110.

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TRADE AGREEMENT  
BETWEEN  
HIS MAJESTY'S GOVERNMENT  
IN THE  
UNITED KINGDOM  
AND  
THE GOVERNMENT OF INDIA

1939



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TRADE AGREEMENT BETWEEN HIS MAJESTY'S GOVERNMENT  
IN THE UNITED KINGDOM AND THE GOVERNMENT OF INDIA.

His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland and the Government of India, having resolved, so far as the relations between them are concerned, to replace by the present Agreement the Agreement concluded between them at Ottawa on 20th August, 1932, have agreed upon the following provisions :—

*Article 1.*

His Majesty's Government in the United Kingdom undertake that goods grown, produced or manufactured in India and consigned from any part of the British Empire which are now free of duty shall continue to enjoy entry free of customs duty into the United Kingdom.

*Article 2.*

His Majesty's Government in the United Kingdom undertake in respect of the goods the growth, produce or manufacture of India enumerated in Schedule I to this Agreement that the difference between the rates of the duties of customs on such goods on importation into the United Kingdom when consigned from any part of the British Empire and the rates upon similar goods the growth, produce or manufacture of any foreign country shall not be less than the rates set out in that schedule.

*Article 3.*

His Majesty's Government in the United Kingdom undertake that, in the event of any greater preference than the preference accorded by this Agreement being accorded in respect of goods of the kinds specified in Schedule I the growth, produce or manufacture of any other part of the British Empire, such greater preference will be extended to similar goods grown, produced or manufactured in India and consigned from any part of the British Empire.

*Article 4.*

His Majesty's Government in the United Kingdom undertake to maintain, until the 19th August, 1942, for tobacco grown, produced or manufactured in India and consigned from any part of the British Empire the existing margin of preference over foreign tobacco, so long, however, as the duty on foreign unmanufactured tobacco does not fall below 2s. 0½d. per pound, in which event the margin of preference shall be equivalent to the full duty.

*Article 5.*

His Majesty's Government in the United Kingdom recognise the importance attached by the Government of India to the development of the use of unmanufactured Indian tobacco by tobacco manufacturers in the United Kingdom, and undertake that they will co-operate in any further measures that may appear necessary and practicable in order to facilitate the marketing of such tobacco in the United Kingdom.

*Article 6.*

(1) His Majesty's Government in the United Kingdom undertake that on and after the 15th August, 1939, drawback of duty shall not be allowed in the case of goods other than linseed oil, unmixed, manufactured in the United Kingdom and exported or shipped as stores therefrom in respect of linseed used in the manufacture of such goods. For the purposes of this Article "linseed oil" includes linseed oil refined or heat-treated or both refined and heat-treated, and "unmixed" means not mixed with any substances other than driers.

(2) His Majesty's Government in the United Kingdom undertake that on and after the 15th August, 1939, drawback shall not be allowed in the case of groundnut oil (hydrogenated or not) manufactured in the United Kingdom and exported or shipped as stores therefrom in respect of ground-nuts used in the manufacture of such oil.

*Article 7.*

His Majesty's Government in the United Kingdom undertake that the goods specified in Schedule II to this Agreement, of whatever origin and from whatever place arriving, shall be admitted into the United Kingdom free of customs duty.

*Article 8.*

The Governments of the non-self-governing colonies, the Protectorates and Protected States will accord to India any preference which may for the time being be accorded to any other part of the British Empire, and the Governments of the Colonies and Protected States shown in Schedule III to this Agreement will accord to India preferences on the commodities and at the rates shown therein.

Provided that the operation of the first paragraph of this Article shall not extend to any preferences accorded by Northern Rhodesia to the Union of South Africa, Southern Rhodesia and the High Commission Territories in South Africa.

Provided also that in the case of Ceylon the first paragraph of this Article shall apply only so far as is consistent with the terms of Article 13 of this Agreement.

*Article 9.*

The Government of India undertake, in respect of goods the growth, produce or manufacture of the United Kingdom of the kinds specified in Schedule IV to this Agreement, which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties, that the difference between the rates of customs duties on such goods on importation into India and the rates upon similar goods the growth, produce or manufacture of any foreign country shall not be less than the margins set out in that schedule.

*Article 10.*

1. In this Article—

The expression "cotton year" means a year beginning on the 1st January.

The expression "cotton piece goods year" means a year beginning on the 1st April.

A cotton piece goods year and the cotton year in which that cotton piece goods year begins are referred to as "corresponding"; and the expression "the following cotton piece goods year" means in relation to a cotton year the cotton piece goods year beginning on the 1st April next after the end of that cotton year.

The word "yard" means a linear yard.

The word "bale" means the weight of lint cotton contained in the standard Indian bale of gross weight 400 lb. and nett weight 392 lb.

The expression "United Kingdom cotton piece goods" means fabrics manufactured in the United Kingdom of the kinds which, at the date of the signature of this Agreement, were assessable to duty on import into British India under item 48 (3) or item 48 (9) of the First Schedule to the Indian Tariff Act, 1934, at the rates applicable to fabrics of British manufacture.

The expression "Indian raw cotton" means raw cotton grown in India.

2. His Majesty's Government in the United Kingdom undertake that they will continue to use all possible efforts in co-operation with commercial interests to stimulate the consumption of Indian cotton in all possible ways, including technical research, commercial investigation, market liaison and industrial propaganda. They have taken note that it is the desire of cotton growers in India that as much as possible of their production of short and fair staple varieties of cotton should be absorbed in the United Kingdom. They have also taken note, and invite the Government of India to take note, that the Lancashire Indian Cotton Committee, set up by His Majesty's Government in the United Kingdom to stimulate the consumption of Indian cotton, have expressed their sympathy with that desire and their intention to take all practicable steps to assist in its fulfilment. It is recognised that the fulfilment of the foregoing objectives largely depends on the continued pursuit by all interests concerned in India of the policy of improving the quality and staple of Indian cotton exported to the United Kingdom by all practicable means.

3. From the entry into force of this Agreement the customs duties charged on imports into India of United Kingdom cotton piece goods shall not, save as provided in paragraphs 5 and 7, exceed the following rates, hereinafter referred to as the basic rates, namely:—

(a) Printed goods . . . . .	17½ per cent <i>ad valorem</i> .
(b) Grey goods . . . . .	15 per cent. <i>ad valorem</i> or 2 as. 7½ pies per lb. whichever is higher.
(c) Other goods . . . . .	15 per cent. <i>ad valorem</i> .

4. If in any cotton piece goods year the total quantity of United Kingdom cotton piece goods imported into India does not exceed 350 million yards the duties charged on imports of such goods into India after the end of that year and until the end of any cotton piece goods year in which the total quantity of such goods imported into India exceeds 425 million yards shall not exceed the basic rates reduced by 2½ per cent. *ad valorem*, and a proportionate reduction shall apply to the alternative specific duty on United Kingdom grey cotton piece goods.

5. If in any cotton piece goods year the total quantity of United Kingdom cotton piece goods imported into India exceeds 500 million yards, the duties charged on imports of such goods into India in the following cotton piece goods year may be increased above the basic rates to such rates as may be deemed necessary for the purpose of restricting imports of such goods during the year to the "maximum yardage figure" for the preceding cotton piece goods year.

but shall be reduced to the basic rates (or, where the provisions of paragraph 4 are applicable, in accordance with those provisions) after the end of any cotton piece goods year in which the total quantity of such imports into India has not exceeded 425 million yards.

The expression "maximum yardage figure" for any cotton piece goods year means 500 million yards, or, for a year corresponding to a cotton year in which there is a deficiency, as defined in paragraph 6, 500 million yards reduced by the appropriate figure in accordance with the provisions of paragraph 6.

6. For the purpose of determining the appropriate rates of duty to be charged on United Kingdom cotton piece goods under this Article, the quantity of United Kingdom cotton piece goods actually imported into India in any cotton piece goods year corresponding to a cotton year in which there is a deficiency shall be deemed to have been increased by 25 million yards for every 50,000 bales of the deficiency or for any part thereof, provided that the deficiency does not exceed 100,000 bales in the cotton year ending 31st December, 1939, and 150,000 bales in any subsequent cotton year.

The word "deficiency" means the amount by which imports of Indian raw cotton into the United Kingdom fall below the following quantities :—

	Bales.
For the cotton year ending 31st December, 1939 . . . . .	500,000
For the cotton year ending 31st December, 1940 . . . . .	550,000
For every subsequent cotton year . . . . .	600,000

7. Notwithstanding anything contained in the preceding paragraphs if the imports of Indian raw cotton into the United Kingdom fall below 400,000 bales in the cotton year ending 31st December, 1939, or in the cotton year ending 31st December, 1940, and 450,000 bales in any other cotton year, the duties charged on imports of United Kingdom cotton piece goods into India in the following cotton piece goods year may be increased above the basic rates to such extent as the Government of India may, after consultation with His Majesty's Government in the United Kingdom, determine.

8. (1) If in any cotton year the quantity of Indian raw cotton imported into the United Kingdom exceeds 750,000 bales, the rate of duty charged on United Kingdom printed cotton piece goods imported into India in the following cotton piece goods year shall not exceed the duty charged in that year on other United Kingdom cotton piece goods imported into India.

(2) If in any cotton piece goods year in which a reduction in duty on the United Kingdom printed cotton piece goods takes effect under the provisions of this paragraph, or in any following cotton piece goods year in which the same reduction remains in force, the quantity of United Kingdom printed cotton piece goods imported into India is in excess of the quantity of such goods so imported in the cotton piece goods year immediately preceding that in which the said reduction first took effect, such excess up to a quantity of 25 million yards shall not be taken into account for the purposes of determining whether or not the figure of 425 million yards specified in paragraph 4 of this Article or the figure of 500 million yards specified in paragraph 5 of this Article has been exceeded.

9. For the purpose of calculating imports in any cotton year or cotton piece goods year under this Article there shall be deducted the amount of re-exports from the United Kingdom of Indian raw cotton in that year and

the amount of re-exports from India of United Kingdom cotton piece goods in that year.

10. Any alteration of the duties charged on United Kingdom cotton piece goods imported into India which falls due to be made under the provisions of this Article shall come into effect not later than the 17th April of the cotton piece goods year to which it relates, and the relative provisions of this Article shall be deemed to have been duly fulfilled if such alteration takes effect on or before that date.

#### *Article 11.*

The Government of India undertake to accord to the non-self-governing Colonies, the Protectorates and Protected States and the Mandated Territories of Tanganyika, the Cameroons under British Mandate and Togoland under British Mandate preferences on the commodities which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties and at the rates shown in Schedule V to this Agreement, and also any preferences for the time being accorded to any part of the British Empire other than Burma if His Majesty's Government in the United Kingdom so request.

Provided that the Government of India shall not be bound to accord any preference to Ceylon except as provided in Article 13 of this Agreement.

Provided further that the Government of India shall not be bound to continue to accord any preferences to any Colony, Protectorate or Protected State which, not being precluded by international obligations or in the case of Nigeria by the declared policy of His Majesty's Government in the United Kingdom from according preferences, either (i) accords to India no preferences or (ii) accords to some other part of the British Empire (in the case of Northern Rhodesia, excepting the Union of South Africa, Southern Rhodesia and the High Commission Territories in South Africa) preferences not accorded to India.

#### *Article 12.*

The Government of India undertake to accord to goods the growth, produce or manufacture of any of the non-self-governing Colonies, the Protectorates and Protected States and the Mandated Territories of Tanganyika, the Cameroons under British Mandate, Togoland under British Mandate and Palestine, treatment not less favourable than that accorded to similar goods the growth, produce or manufacture of any foreign country.

#### *Article 13.*

1. The Government of India will, as soon as may be after the conclusion of this Agreement, enter into negotiations with the Government of Ceylon regarding the trade relations between India and Ceylon.

2. The Government of Ceylon will continue in force during the interim period the preferences at present accorded to India as set out in Schedule III to this Agreement, and the Government of India will continue to accord during the interim period

(a) to Ceylon the preferences to be accorded under Article 11; and

(b) to Ceylon and to the Colonies, Protectorates, Protected States and Mandated Territories to which preferences are to be accorded under Article 11, preferences at the rates shown in Schedule VI



to this Agreement on the commodities named in that Schedule which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties.

3. In this Article the expression "the interim period" means a period ending on the date on which any Agreement between the Government of India and the Government of Ceylon resulting from the negotiations heretofore mentioned comes into effect or a period of six months from the date on which the present Agreement comes into effect, whichever is the shorter. Provided that if it appears likely that the said negotiations will be protracted beyond the said period of six months, His Majesty's Government in the United Kingdom and the Government of India shall consider in consultation whether the interim period should be extended.

*Article 14.*

His Majesty's Government in the United Kingdom undertake to extend to India any tariff preferences which are, or may be, accorded to Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa, Eire, Newfoundland, Southern Rhodesia or Burma and the Government of India undertake to extend to the United Kingdom any tariff preferences which are or may be accorded to Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa, Eire, Newfoundland or Southern Rhodesia.

*Article 15.*

In the event of circumstances arising which, in the judgment of His Majesty's Government in the United Kingdom or of the Government of India, as the case may be, necessitate a variation in the terms of this Agreement, the proposal to vary its terms shall be the subject of consultation between the two Governments.

*Article 16.*

This Agreement shall come into force on a date to be mutually agreed between the two Governments. On the coming into force of the present Agreement, the Agreement concluded between His Majesty's Government in the United Kingdom and the Government of India at Ottawa on the 20th August, 1932, shall cease to have effect between the United Kingdom and India. Pending the coming into force of the present Agreement, the two Governments will apply its provisions as far as may be possible. The present Agreement shall continue in force until the 31st March, 1942. Unless six months before the 31st March, 1942, notice of termination shall have been given by either Government to the other, the Agreement shall remain in force until the expiry of six months from the date on which a notice of termination is given.

Done in duplicate at.....  
this.....day of.....1939.

Signed on behalf of His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland .....

Signed on behalf of the Government of India.  
.....

## SCHEDULE I.

(a) Preferences at a rate of 10 per cent. *ad valorem* :—

Bones.

Castor seed.

Coir yarn.

Cotton yarns, unbleached, up to No. 40 count.

Goatskins, raw, dried, salted or pickled, but not further treated, of varieties supplied by India to the United Kingdom.

Gram or chick pea.

Ground-nuts.

Hardwoods, hewn or sawn, the following :—

*Indian hardwoods.*

*Tectona grandis* (teak).

*Dipterocarpus* species (gurjun).

*Terminalia crenulata* (also known as *Terminalia tomentosa*) (laurel).

*Terminalia bialata* (silver greywood).

*Dalbergia latifolia* (rosewood or Bombay blackwood).

*Diospyros* species (ebony, including Andaman marblewood).

*Pterocarpus dalbergioides* (Andaman padauk).

*Chloroxylon swietenia* (satinwood).

*Canarium euphyllum* (white dhup).

*Santalum album* (sandalwood).

*Albizia lebbek* (kokko).

*Similar foreign hardwoods.*

*Tectona grandis* (teak).

*Chlorophora excelsa* (iroko or "African teak").

*Hopea*, *Shorea*, *Parashorea* and *Pentacme* species (yakal, bangkirai and lauan).

*Dipterocarpus* species (apitong, bagac, keruing, yang and dau).

*Dryobalanops* species (kapur, kamfer or Borneo camphorwood).

*Terminalia crenulata* (also known as *Terminalia tomentosa*) (laurel).

*Terminalia superba* (frake, limba, limbo or noyer du Mayoumbe).

*Dalbergia nigra* (Brazilian rosewood).

*Diospyros* species (ebony).

*Pterocarpus* species (padauk).

*Zanthoxylum flavum* (satinwood).

*Canarium* species.

*Santalum* species (sandalwood).

Leather, undressed-hides, other than sole leather.

Leather, undressed-skins.

Linseed.  
 Magnesite.  
 Oil-seed cake and meal.  
 Paraffin wax.  
 Sandalwood oil.  
 Soya beans.  
 Spices, the following—

Pepper, ginger and cardamoms.

(b) Preferences at a rate of 15 per cent. *ad valorem*—

Castor oil, linseed oil, coconut oil, ground-nut oil, rape oil and sesamum oil.

Granite setts and curbs.

Leather dressed :—

(i) Box and willow calf, box and willow sides, and other chrome tanned calf, kip and hide leather, but not patent leather or machinery belting.

(ii) Reptile leather of the following descriptions :—

Snake, lizard, crocodile and alligator skins, not shaped or subjected to any process other than dressing or dressing and colouring.

Manufactures wholly of jute, the following :—

Cordage, cables, ropes and twine (including polished, starched or glazed singles, and all multiples).

(c) Preferences at a rate of 20 per cent. *ad valorem*—

Coir mats and matting.

Manufactures wholly of cotton, the following :—

(i) Tissues and like materials.

(ii) Household goods and similar articles for non-domestic use.

(iii) Blankets, shawls, coverlets and travelling rugs.

(iv) Handkerchiefs.

Manufactures wholly of jute, the following :—

(i) Tissues not made up (not including rags).

(ii) Sacks and bags of a shape similar to sacks.

(d) Preference at a specific rate of 1s. per cwt.—

Magnesium chloride.

(e) Preference at a specific rate of 9s. 4d. per cwt.—

Coffee.

(f) Preference at a specific rate of 2d. per lb.—

Tea.

## (g) Preferences at a specific rate of 2/3d. per lb.—

Rice, husked, including cargo rice and cleaned rice whole, but not including broken rice.

Rice in the husk.

## (h) Preferences at the undermentioned rates—

Carpets, carpeting and floor rugs, wholly or partly of wool, and not containing any silk or artificial silk :—

- |                                  |   |
|----------------------------------|---|
| (i) hand made, knotted . . . . . | 4s. 6d. per sq. yd. exclusive of fringes. |
| (ii) Other kinds . . . . .       | 20 per cent. <i>ad valorem</i> .          |

## SCHEDULE II.

Shellac, seed lac, stick lac and other varieties of these lacs.

Jute, raw.

Myrabolams.

Mica slabs and splittings.

Hemp of the variety *crotalaria juncea*, not further dressed after scutching or decorticating; tow of such variety of hemp.

## SCHEDULE III.

## (1) Ceylon—

(a) At a rate of not less than 5 per cent. *ad valorem*—

Cotton piece goods.

Fruit, dried or otherwise preserved without sugar (except canned fruit and currants, dates and raisins).

Tanks and drums of iron and steel, black painted or galvanised.

(b) At a rate of not less than 10 per cent. *ad valorem*—

Cotton yarn.

Fruit fresh, dried or otherwise preserved, except currants and except those fruits to which a preference of not less 5 per cent. *ad valorem* applies under Section (1) (a) of this Schedule.

Iron and steel, including machinery other than oil pressing and refining, but excluding the following :—

Tea chest fittings.

Sheets and circles declared to be imported for the purpose of manufacturing drums for the export of Ceylon produce.

Plain plates and sheets, flat or corrugated, not fabricated.

Expanded metal and other materials for reinforcement, not fabricated.

Rolled angles, bulbs, channels, shapes and sections, H iron, girders, tees, beams, joists, pillars and rails, not fabricated.

Bars, rods and slabs including blister, jumper and tool steel, not fabricated.

Staples and wire nails.  
 Unwrought metal (including pig iron).  
 Tanks and drums, black painted or galvanised.  
 Vegetables preserved or tinned, but not dried.  
 Pig lead, except lead sheets, tea lead or foil.  
 Teak and other hardwoods (excluding manufactures thereof).  
 Perfumery, cosmetics, powder and toilet preparations (except perfumed spirits).  
 Apparel of woollen, silk and artificial silk and mixed material.  
 Boots and shoes (other than canvas, rubber-soled).  
 Woollen carpets and rugs.

(c) At specific rates—

Vegetables fresh or dried (including fresh chillies but excluding onions, potatoes and garlic)	At the rate of 1 rupee per cwt.
Beans . . . . .	At the rate of 50 cents per cwt.
Tea . . . . .	At the rate of 12½ cents per lb.
Beedies . . . . .	At the rate of 50 cents per lb. gross weight.
Cigars . . . . .	At the rate of 75 cents per lb.
Snuff . . . . .	At the rate of 50 cents per lb.
Hooka and beedy tobacco . . . . .	At the rate of 30 cents per lb.
Cigarettes . . . . .	At the rates per lb. specified below as against cigarettes manufactured in foreign countries.

(i) Manufactured in the British Empire from Empire-grown tobacco—

- (a) Sold wholesale at not more than Rs. 11 per lb. nett . . . . . Rs. 2.  
 (b) Sold wholesale at more than Rs. 11 per lb. nett . . . . . Re. 1.

(ii) Manufactured in the British Empire from foreign tobacco—

- (a) Sold wholesale at not more than Rs. 11 per lb. nett . . . . . Rs. 1/50.  
 (b) Sold wholesale at more than Rs. 11 per lb. nett . . . . . 50 cents.

(iii) Manufactured in the British Empire from Empire-grown and foreign tobacco at rates intermediate between (i) and (ii) above according to the certified proportion of Empire and foreign leaf content.

Other manufactured tobacco at the rate of 75 cents per lb.

(2) The Governments of Malaya other than the Straits Settlements—

(a) At a rate of not less than 10 per cent. *ad valorem*—

Ground-nuts.  
 Cotton piece goods.

And, so long as it is consistent with the tariff policies of the Governments to impose a customs duty on the commodity in question—

Perfumery.

(b) At 2 cents per lb.—

So long as it is consistent with the tariff policies of the Governments to impose customs duties on the commodities in question—

Ground-nut oil (Kachang oil).

Gingelly oil.

(3) The Governments of Malaya including the Straits Settlements—

At 10 cents per lb.—

Unmanufactured tobacco.

#### SCHEDULE IV.

Tariff item.	Article.	Margin of preference.
22 (5) (b)	Drugs and medicines containing spirit—	
	(i) entered in such a manner as to indicate that the strength is not to be tested	Rs. 4 per Imperial gallon.
	(ii) not so entered	Rs. 3 per Imperial gallon of the strength of London proof.
25 (4)	Cement not otherwise specified	10 per cent.
Ex. 28	Chemicals, Drugs and Medicines, all sorts not otherwise specified (except hydrochloric, nitric, sulphuric, tartaric, and other acids, anhydrous ammonia, potassium bichromate and other potassium compounds, sodium bichromate, sodium cyanide and sodium carbonate)	10 per cent.
30	Paints, colours and painters' materials, all sorts not otherwise specified, including paints, solutions and compositions containing dangerous petroleum within the meaning of the Indian Petroleum Act, 1934	10 per cent.
30 (2)	Paints, colours and painters' materials, the following, namely :—	
	(a) Red lead, genuine dry, genuine moist and reduced moist.	
	(b) White lead, genuine dry.	
	(c) Zinc white, genuine dry.	
	(d) Paints, other sorts, coloured, moist	10 per cent.
49 (1)	Fents, being <i>bona fide</i> remnants of piecegoods or other fabrics	10 per cent.
Ex. 49 (4)	Woollen carpets, floor rugs, shawls and other manufactures of wool, not otherwise specified, including felt but excluding woollen waste and rags	10 per cent.

Tariff item.	Article.	Margin of Preference.
63 (14)	Iron or Steel hoops and strips . . . . .	10 per cent.
63 (24)	Iron or Steel barbed or stranded wire and wire rope. . . . .	10 per cent.
64	Copper, wrought, and manufactures of copper, all sorts, not otherwise specified . . . . .	10 per cent.
72 (5)	Domestic Refrigerators . . . . .	10 per cent.
Ex. 72 (6)	Sewing and knitting machines and parts thereof . . . . .	10 per cent.
Ex. 73	Electrical instruments, apparatus and appliances, not otherwise specified, excluding telegraphic and telephonic (except batteries, accumulators and electro-medical apparatus) . . . . .	10 per cent.
73 (1)	The following Electrical Instruments, Apparatus and Appliances, namely :—  Electrical Control Gear and Transmission Gear, namely, switches (excluding switch boards), fuses and current-breaking devices of all sorts and descriptions, designed for use in circuits of less than ten amperes and at a pressure not exceeding 250 volts ; and regulators for use with motors designed to consume less than 187 watts ; bare or insulated copper wires and cables, any one core of which, not being one specially designed as a pilot core, has a sectional area of less than one-eightieth part of a square inch, and wires and cables of other metals of not more than equivalent conductivity ; and line insulators, including also cleats, connectors, leading-in tubes and the like, of types and sizes such as are ordinarily used in connection with the transmission of power for other than industrial purposes, and the fittings thereof but excluding electrical earthenware and porcelain otherwise specified . . . . .	10 per cent.
73 (4)	Wireless Reception Instruments and Apparatus and component parts thereof, including all electric valves, amplifiers and loud speakers which are not specially designed for purposes other than wireless reception or are not original parts of and imported along with instruments or apparatus so designed . . . . .	10 per cent.
75 (1)	Motor cars including taxi cabs and articles (other than rubber tyres and tubes) adapted for use as parts and accessories thereof . . . . .	7½ per cent.
75 (2)	Motor cycles and motor scooters and articles (other than rubber tyres and tubes) adapted for use as parts and accessories thereof . . . . .	7½ per cent.
75 (3)	Motor omnibuses ; chassis of motor omnibuses, motor vans and motor lorries ; and parts of mechanically propelled vehicles and accessories not otherwise specified, excluding rubber tyres and tubes . . . . .	7½ per cent.
Ex. 75 (4)	Cycles (other than motor cycles) imported entire or in sections and parts and accessories thereof excluding rubber tyres and tubes . . . . .	10 per cent.
Ex. 77	Instruments, apparatus and appliances, other than electrical, all sorts not otherwise specified, including photographic, but excluding scientific, philosophical and surgical . . . . .	10 per cent.

## SCHEDULE V.

(a) Preferences at a rate of not less than 10 per cent. *ad valorem*--

- Asphalt.
- Soda ash, including calcined, natural soda and manufactured sesqui-carbonates.
- Gum arabic.
- Gum benjamin, ras and cowrie.
- Gum dammer.
- Dammer batu, unrefined.
- Rosin.
- Cutch.
- Gambier, all sorts.
- Coconut oil.
- Fresh vegetables.
- Vegetables, dried, salted or preserved.
- Fruit and vegetables, canned and bottled.
- Fruit juices.
- Sisal and aloe fibre.
- Ivory, unmanufactured.
- Sago (but not sago flour).
- Tapioca and tapioca flour.
- Artificial teeth.
- And so long as it is consistent with India's Tariff policy to impose customs duties on the commodities in question—
- Fresh fruits (other than coconuts).
- Dried, salted or preserved fruits.

(b) Preferences at a rate of 7½ per cent. *ad valorem*.

- Betelnuts.
- Unground spices (other than cardamoms).
- Cardamoms, cassia, cinnamon, cloves, nutmegs and pepper—ground.
- And, so far as preferences are granted to the United Kingdom, drugs and medicines and apparel of all kinds.

## (c) Preferences at specific rates—

- Bitters at the rate of 3-12 Rs. per gallon.
- Coffee at the rate of 1 anna per lb.
- Rum at the rate of 3-12 Rs. per proof gallon.
- Unmanufactured tobacco at the rate of 8 annas per lb.



## SCHEDULE VI.

- (a) Preferences at a rate of not less than 10 per cent. *ad valorem*—
- Citronella oil.
  - Cinnamon oil.
  - Cinnamon-leaf oil.
  - Coconuts, husked, unhusked and other kinds, copra or coconut kernel, coir fibre, coir yarn, coir mats and matting.
  - Fish, dry, unsalted.
  - Oil seeds (other than essential).
  - Vegetable oils (other than essential).
  - Plumbago.
- (b) Preference at a rate of 7½ per cent. *ad valorem*—
- Cardamoms, unground.
- (c) Preference at specific rate—
- Tea at the rate of 2 annas per lb.

## LETTER No. 1.

LETTER FROM THE INDIAN SIGNATORY ON THE SUBJECT OF ZINC.

*Dated the*

SIR,

With reference to Article 15 of the Trade Agreement signed this date, I have the honour to inform you that the Government of India, having taken note of the statements of His Majesty's Government in the United Kingdom in the course of the recent discussions (1) that it is essential to the national security that the production of the zinc smelting industry in the United Kingdom should be maintained at a satisfactory level; and (2) that His Majesty's Government in the United Kingdom will consult the Government of India before taking any decision to impose a customs duty on imports of zinc from India into the United Kingdom; agree that it will be open to His Majesty's Government in the United Kingdom, after consultation with the Government of India, and notwithstanding the provisions of Article 1 of the Trade Agreement, to impose a customs duty on imports of zinc produced or manufactured in India.

It is understood that no customs duty will be imposed on zinc from India which is not equally applicable to zinc from other oversea Empire sources.

I have, etc.

## LETTER No. 2.

LETTER FROM THE INDIAN SIGNATORY ON THE SUBJECT OF PIG IRON.

*Dated the*

SIR,

With reference to Article 15 of the Trade Agreement signed this day, I have the honour to inform you that the Government of India, having taken note of the statements of His Majesty's Government in the United Kingdom in the course of the recent discussions (1) that, bearing in mind the provisions of Article 6 of the Agreement supplementary to the Ottawa Trade Agreement concluded between the two Governments on the 9th January, 1935, His Majesty's Government in the United Kingdom desire to reserve the right to impose a customs duty on imports of pig iron from India if after the expiry on the 31st March, 1941, of the Iron and Steel Protection Act, 1934, duties are applied to articles of iron and steel imported into India substantially less favourable to the United Kingdom than those for which that Act provides; and (2) that His Majesty's Government in the United Kingdom will consult the Government of India before taking any decision to impose such a customs duty; agree that it will be open to His Majesty's Government in the United Kingdom, after consultation with the Government of India, and notwithstanding the provisions of Article 1 of the Trade Agreement, to impose after the 31st March, 1941, a customs duty on imports of pig iron produced or manufactured in India if duties are applied to articles of iron and steel imported into India substantially less favourable to the United Kingdom than those for which the above mentioned Act provides, without prejudice, however, to the provisions of Section 4 (1) of the Indian Tariff Act, 1934.

It is understood that no customs duty will be imposed on pig iron from India which is not equally applicable to pig iron from other oversea Empire sources.

I have, etc.

## LETTER No. 3.

LETTER FROM THE INDIAN SIGNATORY ON THE QUESTION OF THE EXTENSION TO OTHER COLONIAL DEPENDENCIES OF PREFERENCES PRIMARILY OF INTEREST TO CEYLON.

*Dated the*

SIR,

With reference to Article 13 of the Trade Agreement signed this day, I have the honour to inform you that the Government of India have taken note of the statement of His Majesty's Government in the United Kingdom in the course of the recent discussions that, in agreeing that the preferences included

in Schedule VI to the Agreement are principally of interest to Ceylon, they are nevertheless anxious that the claims of other Colonial dependencies to receive any of these preferences should be sympathetically considered by the Government of India if the proposed negotiations between that Government and the Government of Ceylon do not result in the extension of such preferences to those dependencies for the duration of the Agreement concluded this day. I am authorised to state that the Government of India will give sympathetic consideration to any requests which His Majesty's Government in the United Kingdom may make in regard to such preferences on behalf of Colonial dependencies other than Ceylon.

I have, etc.,

**MEMORANDUM**  
**ON THE**  
**TRADE AGREEMENT**  
**BETWEEN**  
**HIS MAJESTY'S GOVERNMENT**  
**IN THE**  
**UNITED KINGDOM**  
**AND**  
**THE GOVERNMENT OF INDIA**

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**1939**



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**PART I.**

**General Analysis.**

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## I.—NATURE AND SCOPE OF AGREEMENT.

The new Trade Agreement between the Government of India and His Majesty's Government in the United Kingdom replaces two Agreements which have hitherto been in force. The Agreement of the 20th August 1932, known as the Ottawa Trade Agreement, related to commodities on which preferences and other concessions were accorded by each contracting party to the other. A Supplementary Agreement was also entered into on the 9th January 1935 in which the Government of India gave formal expression to the general principles governing the treatment of United Kingdom goods competing with the products of a protected Indian industry. The question of setting up a Committee to examine the working of these Agreements came up for discussion in the Indian Legislative Assembly during the Budget Session of 1936. On the 30th March 1936, the Assembly adopted the following resolution:—

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

On the 13th May 1936, notice of denunciation of the Ottawa Agreement was given to His Majesty's Government in pursuance of the Assembly's recommendation. Pending the negotiation of a fresh Agreement, however, the Agreements then in force continued in operation, subject to termination at three months' notice by either side.

The negotiations carried on between the two Governments, with the assistance on the Indian side of unofficial advisers, have now been brought to a successful conclusion. It was not easy to satisfy the claims of all groups or to reconcile divergent interests, but an effort was made to obtain maximum concessions for India on terms which were reasonable and fair. The difficulties experienced in evolving an arrangement which embodies the greatest common measure of agreement without sacrificing any vital interest were enormous: it may be claimed, however, that the Agreement recently signed secures the object which has been constantly in view.

It is proposed in this report to analyse the provisions of the new Agreement on an objective basis and to assess their value from India's point of view. As a preliminary, however, to the detailed examination, it will be useful to summarize the main points of difference between this Agreement and the Agreements which have preceded it. It will be noted,



firstly, that the Supplementary Agreement of 1935 has not been renewed. Secondly, while the concessions granted to India by the United Kingdom remain almost unchanged, the general preferences granted by India to the United Kingdom have been considerably modified. As is pointed out later, the value of imports from the United Kingdom falling in the preferential category which was estimated at Rs. 18,75 lakhs in 1935-36 has now been reduced to an annual average of Rs. 7,68 lakhs. On the other hand, under the Cotton Article the United Kingdom has received a new concession by the lowering of duty on United Kingdom cotton piecegoods. This is an important departure from the old Agreement, but the concession is linked with the United Kingdom's offtake of Indian cotton and the benefit conferred by the new Agreement is thus mutual. Thirdly, in addition to the tariff concessions, India has secured certain material advantages. *e.g.*, the modification of the United Kingdom drawback orders. Indian interests were prejudicially affected by the grant of drawback in the United Kingdom on linseed and groundnuts used in the manufacture of certain classes of exported goods: under Article 6, however, His Majesty's Government have agreed to withdraw the concession from groundnut oil and to modify it in the case of linseed oil. Finally, although the Ottawa concessions have been preserved intact in relation to most of the Colonies, in the case of Ceylon provision has been made for the initiation of separate negotiations. This provision constitutes a striking departure from the Ottawa Agreement, and is based on a recognition of the fact that the mutual interests of the two countries, extending as they do far beyond the purely economic field, make it desirable that the relations between them should be regulated by a separate Agreement.

## II. CONCESSIONS TO INDIA.

For the purposes of this enquiry, the principal concessions embodied in the Agreement may be grouped as follows: (a) the general preferences and other concessions exchanged between the two signatories; (b) the reciprocal concessions under the Cotton Article; and (c) the preferences exchanged with the Colonial Empire. The three groups are closely inter-related, but it has been found convenient to deal with them separately. Section II and III of this report discuss the concessions in group (a); the concessions in group (b) are examined in Section IV, and the exchange of preferences with the Colonies in Section V. The assessment of the value of individual concessions has presented some difficulty as the statistical material available at present is not wholly adequate: firstly, the trade returns for 1937-38 which have been used in the course of this enquiry are still provisional; and secondly, the separation of Burma from India with effect from the 1st April 1937 has made it difficult to compare these statistics with the corresponding statistics for previous years. The difficulty has, however, been met by excluding from the post-separation figures the value and quantity of trade passing between Burma and India, and from the pre-separation figures the value and quantity of exports from and imports into Burma. The figures have thus been brought on a

basis which is uniform for both the periods, thereby facilitating a comparison of pre-separation with post-separation trade.

On the export side, the value of the preferences and other concessions which have been granted to India may be judged by the size of the trade affected. The principle which has constantly been kept in view is that as large as possible a proportion of India's exports to the United Kingdom should be brought within the scope of the Agreement. The total value of exports from British India (including the maritime States for certain preferred commodities, but excluding Burma) to all countries (again excluding Burma) and to the United Kingdom during the triennium-1935-36 to 1937-38 averaged Rs. 1,64,38 and Rs. 55,31 lakhs per annum, respectively. During the same period, the average annual value of exports to all countries and to the United Kingdom of commodities subject to a guaranteed preference under Articles 2 and 4 of the Agreement was Rs. 87,01 and Rs. 36,86 lakhs respectively, while commodities entitled under Article 1 to duty-free entry, but not to a guaranteed preference, accounted for a further Rs. 11,68 lakhs and Rs. 3,70 lakhs respectively. If to the above figures is added the value of exports of commodities on the free list under Article 7, the total average annual value of exports which fall within the scope of the concessions secured under the Agreement is increased to Rs. 1,17,04 and Rs. 44,89 lakhs respectively. In other words, on the basis of an average for three years, no less than 82 per cent. of India's total exports to the United Kingdom fall in the category of goods enjoying preference or free admission under the Agreement. These figures give some indication of the value of the Agreement to India's export trade, but the point which requires emphasis is that the concessions have been secured from a country which is today the leading consumer of imported raw materials and in which are centred the world's great commodity markets.

A brief outline of the concessions may now be given. As stated already, exports from India may be divided into three groups: (a) articles enjoying a guaranteed preference; (b) articles entitled to free admission but in respect of which there is no guarantee of preference; and (c) articles entitled to free admission, irrespective of origin. In the analysis below, (a) and (b) have been grouped together, but concessions under (c) have been examined separately. Each group may be further sub-divided into the following commodity groups: (i) Food, drink and tobacco, (ii) Raw materials and articles mainly unmanufactured, and (iii) Articles wholly or mainly manufactured. The tariff concessions granted by the United Kingdom under each group fall into two categories: (i) those of direct value to Indian exports of the specified commodity in that they are calculated to increase the relative share of India in the United Kingdom market, and (ii) those of indirect value as their object is to safeguard India's existing share of imports into the United Kingdom of the specified commodity, or to ensure that exports of some other commodity not eligible for the concession will be indirectly protected.

On the preferential list (Schedule I) the first group of commodities is that comprising Food, drink and tobacco. The principal items falling in this group are tea and coffee; oilseed cake; and tobacco unmanufactured. Rice, husked and unhusked, barley, pulses and certain minor

food-grains are included in this group, but with the exception of gram or chick pea the last three items do not enjoy a guaranteed preference. Spices, *viz.*, pepper, ginger, and cardamoms, also fall under this head. The importance of the group may be judged by the fact that during the three years ending 1937-38 the annual value of exports from India to all countries of articles in this group averaged Rs. 29,42 lakhs. The annual value of Indian exports to the United Kingdom during the same period averaged Rs. 21,02 lakhs. Exports of food-grains are of declining importance and the withdrawal of preference on wheat in the grain and the lowering of preference on rice not in the husk do not, therefore, affect India to any serious extent. Wheat exports from India are largely dependent on adventitious factors such as a favourable price parity or a crop failure in the principal supplying countries. Exports to the United Kingdom in the last two financial years attained a high level, but with the reimposition in December 1938 of a protective duty on wheat and wheat flour India has for the time being ceased to be a wheat exporting country: in present conditions, therefore, the loss of the wheat preference is of no practical significance to this country. Since the separation of Burma, the export trade in rice has lost much of its importance, and India's interest in the United Kingdom market is now confined to certain high grade qualities for which the reduced margin of preference is considered adequate. Exports of barley and pulse have greatly expanded and the preference on barley, though unguaranteed, has enabled India to increase her share of the United Kingdom trade. The new Agreement secures a guaranteed preference for gram or chick pea, while other food grains which are at present entitled to free admission will continue to enjoy the concession. As regards spices, exports to the United Kingdom represent a small proportion of India's total exports: the principal items, *viz.*, cardamoms and ginger, have recorded some improvement, but pepper has suffered a setback. The total trade with the United Kingdom has increased in value from Rs. 2.4 lakhs in 1935-36 to Rs. 3.1 lakhs in 1936-37 and Rs. 4.6 lakhs in 1937-38.

The principal items in this group are not food-grains, but beverages, *e.g.*, tea and coffee; food for animals, *e.g.*, oilseed cake; and tobacco unmanufactured. In terms of value, tea is by far the most important commodity in the group: exports in 1937-38 to all countries and to the United Kingdom represented a value of Rs. 24,06 and Rs. 21,32 lakhs respectively. The preference of 2*d.* per lb. on tea is of insurance value in that it preserves the United Kingdom market for Indian (and Empire) tea by making non-Empire competition difficult. The effects of preference have been obscured by the Tea Restriction Scheme which aims at restricting exports from the producing countries. Total exports from India have, however, risen in quantity from 313 million lbs. in 1935-36 to 334 million lbs. in 1937-38. The United Kingdom's share of India's total exports has varied between 85 and 89 per cent., while India's share of imports into the United Kingdom has remained relatively stable at 57 per cent. The coffee preference of 1*d.* per lb. has been of less benefit due to foreign competition: the value of exports to all countries in 1937-38 was only Rs. 53 lakhs, the quantity having declined from 215,951 cwts. in 1935-36 to 181,169 cwts. in 1937-38. During the same period, exports to the United Kingdom declined in quantity from 73,071 cwts. to 28,551

...wts., and in value from Rs. 38 to Rs. 13.5 lakhs. It should be noted, however, that the United Kingdom remains the second largest purchaser of Indian coffee and the proportionate share of India in the trade has suffered no serious deterioration: during the three years prior to the signing of the Agreement of 1932, India's share was 6.6 per cent.; in 1937, in spite of a heavy decline in shipments from India, the Indian share of imports into the United Kingdom remained relatively stable at 6 per cent. The Colonial share also has shown no marked expansion, largely as a result of the preference which ensures that competitive Colonial products will enjoy no advantage over Indian coffee in the United Kingdom market. Oilcake is an item of major importance in this group, the total value of exports from India (including the maritime States) to all countries and the United Kingdom in 1937-38 amounting to Rs. 2.69 lakhs and Rs. 1.54 lakhs respectively. The United Kingdom is India's principal market and the margin of preference guaranteed to Indian goods has led to a marked expansion of the trade. Total exports increased in quantity from 2,83,549 tons in 1935-36 to 3,11,790 tons in 1936-37 and 3,99,147 tons in 1937-38. The United Kingdom's intake rose from 1,91,072 tons in 1935-36 to 1,93,414 tons in 1936-37 and 2,20,377 tons in 1937-38. In 1932-33, *i.e.*, a year prior to the coming into force of the Ottawa Agreement, exports to the United Kingdom amounted to only 1,06,000 tons: within 5 years of the conclusion of the Agreement, the volume of exports has more than doubled. Of even greater value than the oilcake preference are the concessions secured in the case of unmanufactured tobacco. This important item has benefited enormously by the preference allowed under the Ottawa Agreement: under Article 4 of the new Agreement the preference is continued until the 19th August 1942, while under Article 5 His Majesty's Government undertake to co-operate in any measures necessary to facilitate the marketing of such tobacco in the United Kingdom. Total exports have risen both in quantity and value, the figures for 1937-38 being 41.7 million lbs. valued at Rs. 1.07 lakhs. The United Kingdom which is the largest single market for unmanufactured Indian tobacco has absorbed an increasing share of India's total exports, the quantity showing a rise from 11.7 million lbs. in 1935-36 to 18.2 million lbs. in 1936-37 and 21.1 million lbs. in 1937-38. The value of exports to the United Kingdom has also risen steadily from Rs. 45.3 lakhs in 1935-36 to Rs. 50.5 lakhs in 1936-37 and Rs. 75.1 lakhs in 1937-38. In the first 6 months of 1938-39, exports to the United Kingdom rose to the record total of 29.4 million lbs., valued at Rs. 1.25 lakhs. These figures should be compared with the total quantity of 9 million lbs., representing a value of Rs. 36.3 lakhs, which was exported from India (including Burma) to the United Kingdom in 1932-33. Striking though India's progress has been, there is room for further expansion in the trade and the concessions secured under the new Agreement are, therefore, of great potential value. The preference on manufactured tobacco, on the other hand, is of negligible importance as, for reasons of taste, the demand for Indian cigars in the United Kingdom is limited and it is doubtful whether even with a lower duty the trade would show any substantial improvement.

The second group in the preferential list consists of raw materials and articles mainly unmanufactured. This is an important group which includes such commodities as oilseeds and vegetable non-essential oils;

leather, dressed and undressed; and goatskins, raw; bones; paraffin wax; magnesium chloride and timber. Raw goatskins and bones are new items in the list. Total exports of articles falling in the group during the 3 years ending 1937-38 averaged Rs. 24,68 lakhs per annum in value. The United Kingdom's share of the trade during the same period was valued at Rs. 11,42 lakhs. These figures include exports of non-essential vegetable oilseeds from certain maritime States in Kathiawar. Oilseed exports to all countries and to the United Kingdom in 1937-38 were valued at Rs. 14,47 lakhs and Rs. 4,87 lakhs respectively. Groundnut is the principal item in this group, total exports in 1937-38 representing a value of Rs. 10,31 lakhs. India's largest single market for this commodity is not, however, the United Kingdom, but in normal years, either France, Germany, or the Netherlands. Direct exports to the United Kingdom rose in value from Rs. 1,26 lakhs in 1935-36 to Rs. 2,39 lakhs in 1936-37, but fell to Rs. 1,94 lakhs in 1937-38. There is, however, a considerable indirect trade with the United Kingdom in this commodity the figures for which are included in the statistics of imports into the United Kingdom. These statistics show that imports from India have steadily increased in quantity from 90,000 tons in 1935 to 110,000 tons in 1936 and 138,000 tons in 1937. In value also the imports have expanded from £1.3 million in 1935 to £1.5 million in 1936 and £2 million in 1937. In 1932, *i.e.*, before the Ottawa Agreement came into force, the total quantity imported from India was only 58,000 tons. There has been an almost continuous rise in imports from this country since preference was granted, although India's relative share of the trade has undergone a slight deterioration. This is largely explained by the fact that competition with certain West African Colonies which also enjoy preference is keen in this market, but the Agreement secures that the Colonial product shall not enjoy any tariff advantage over Indian seed. Moreover, the guaranteed preference on soya beans—a rival commodity—has indirectly widened the market for groundnut and has thereby enhanced the value of the preference. As regards linseed, for which India's largest market is the United Kingdom, some doubt has been expressed, firstly, whether the preference has been of direct benefit to India, and, secondly whether any advantage that may have accrued is not outweighed by the drawback concession whereby duty paid on linseed (or groundnuts) used in the manufacture of exported oils or other goods is refunded at the time of exportation. The Indian trade returns do not, however, support the view that the preference has been ineffective. Total exports of linseed were declining in the years preceding the conclusion of the Ottawa Agreement, the fall being greatest in the case of the United Kingdom. Thus, in 1932-33 India exported a total quantity of 72,200 tons of which the United Kingdom's share was only 14,300 tons. In 1933-34, *i.e.*, the year following the conclusion of the Ottawa Agreement, exports rose to 878,900 tons, the United Kingdom's share rising to 176,400 tons. The lead acquired by the United Kingdom as the principal consumer of Indian linseed has been fully maintained in subsequent years. During the period 1933-34 to 1935-36, total exports from India declined in quantity by 56.5 per cent., but the fall in the case of the United Kingdom was limited to 49 per cent.: in 1936-37, total exports rose by 79 per cent. and in the following year declined by 23 per cent., the corresponding figures for the United Kingdom being 142 per cent. and 20 per cent. Indian exports to the United Kingdom have now been restored to their pre-war dimensions and the United Kingdom's share in the total Indian trade has risen from the low level of 19.4 per cent. in 1932-33 to 54 per cent. in 1935-36, 73 per

cent. in 1936-37 and 77 per cent. in 1937-38. India's share of United Kingdom imports, on the other hand, has been somewhat unstable, the figures varying from 22 per cent. in 1935 to 81 per cent. in 1936 and 68 per cent. in 1937. It should be noted, however, that in the two years immediately preceding the conclusion of the old Agreement, India's share had fallen to 5 per cent. The variations in quantity during the last three years are explained by changes in the price parity and crop failures in the Argentine, which are important factors in determining the annual intake from India. It is a characteristic of the trade that when prices are falling stocks are held off the market by Indian exporters with the result that there is a sharp fall in exports to all countries. As regards drawback, which is said to have nullified the preference, it is pointed out in part II of this Report that only a small proportion of United Kingdom imports of linseed and groundnuts are affected by the concession. His Majesty's Government have, however, agreed to restrict the scope of the orders still further by withdrawing the concession from goods other than linseed oil. No drawback will in future be admissible in respect of groundnuts used in the manufacture of groundnut oil. An important concession has thus been secured which should lead to an expansion of imports from India.

Raw hides and skins which form an important item in India's export trade enjoy duty-free entry into the United Kingdom under Article 1 of the Agreement. In the case of goatskins, raw, the Agreement provides, in addition to this concession, a guaranteed margin of preference. The inclusion of this item in the preferential group is a valuable concession to India's export trade. Total exports of the commodity have risen in value from Rs. 2,78 lakhs in 1935-36 to Rs. 3,07 lakhs in 1937-38. The United Kingdom's share during the same period has increased from 4,358 tons to 4,834 tons in quantity and Rs. 71 lakhs to Rs. 96 lakhs in value. The United Kingdom is India's second largest market for goatskins, raw, the principal market being the U. S. A. India's proportionate share of imports into the United Kingdom has risen from 61 per cent. in 1935 to 69 per cent. in 1937. The preference is thus of substantial value to exporters of Indian raw goatskins. As regards leather, the position under the old Agreement was that while undressed leather was on the preferential list, dressed leather was entitled to duty-free entry into the United Kingdom, but not to any guaranteed preference. It will be convenient to deal with these two items together, although certain varieties of dressed leather should properly be classified as manufactured goods. Under the new Agreement, two important classes of dressed leather have been brought on the preferential list. This is a gain from the point of view of Indian exporters as it gives them a guaranteed advantage over traders of non-Empire countries in the United Kingdom market. The Indian statistics do not distinguish between leather dressed and undressed both of which are grouped together under the head "Hides and skins, tanned or dressed". Total exports under this head represented a value of Rs. 6,41 lakhs in 1937-38 of which the United Kingdom's share was as high as Rs. 5,99 lakhs. The United Kingdom is India's principal market and in recent years has tended to absorb an increasing proportion of India's exports. In the undressed group there is hardly any competition from foreign countries and the preference has resulted in a steady increase in imports under all heads. As regards dressed leather, imports from India into the United Kingdom are largely confined to chrome leather (principally box and willow calf and box sides) and reptile leather. Both these varieties now enjoy a guaranteed margin

of preference under the Agreement. The value of the concession may be judged by the fact that between 1934 and 1937, with the aid of an unguaranteed preference, exports of chrome leather from India to the United Kingdom increased from 4.5 million sq. ft. valued at £1,24,000 to 12.7 million sq. ft. valued at £4,38,000. India's share of United Kingdom imports also increased during the same period from 9 to over 28 per cent. and the proportionate share of Canada and Germany, the principal suppliers, recorded a decline. Chrome leather is thus another item which has derived enormous benefit from the concession: it is a distinct gain from India's point of view that the preference has been included in Schedule I to the Agreement.

The other items in this group of commodities are of minor importance, with the possible exception of vegetable oils and paraffin wax. Total exports of non-essential vegetable oils represented a value of Rs. 45 lakhs in 1937-38, the United Kingdom's share being Rs. 17 lakhs. Castor oil is the principal item in the group, followed by groundnut, linseed and rapeseed oil. Exports of castor and groundnut oil to the United Kingdom have remained fairly steady; exports of linseed oil have increased during the last three years; but exports of rapeseed oil have shown a declining tendency. The United Kingdom retains its position as the second largest market for Indian vegetable oils: there is scope, however, for expansion in this market and the preference is, therefore, of great potential value. As regards paraffin wax, the total value of exports from India was Rs. 51 lakhs in 1937-38: the United Kingdom's share has steadily expanded from Rs. 8.6 lakhs in 1935-36 to Rs. 19.6 lakhs in 1937-38. Among the minor products, bones are a new item, total exports of which during the past few years have shown a distinct tendency to rise. The United Kingdom's share has, however, remained stationary, but it is expected that with the aid of the preference now guaranteed the trade will improve. Magnesium chloride is produced in small quantities in Kathiawar and exports are largely confined to the United Kingdom. Timber exports are of negligible importance, the preference being mainly of interest to Burma. Some reference may also be made to zinc which is at present on the free list but enjoys no guaranteed preference. His Majesty's Government have reserved the right to levy duty on zinc of Empire origin in the interests of the domestic industry. India is not, however, seriously affected by this provision as exports of zinc from this country are small.

The third group of commodities on the preferential list consists of commodities wholly or mainly manufactured. The principal items are jute manufactures; cotton yarn and manufactures; coir yarn and matting; and woollen carpets and rugs. Pig iron would also fall in this group but for the fact that it enjoys no guaranteed preference. On the basis of value, this group is by far the most important of the three groups of preferred commodities. The average annual value of exports to all countries of articles in this group during the three years ending 1937-38 was Rs. 33.48 lakhs. The United Kingdom's share of the trade during the same period represented an average annual value of Rs. 4.42 lakhs. As already stated, dressed leather has been included in the group of semi-manufactures, but if the classification were altered, chrome leather alone would increase the value of exports to the United Kingdom under this head to Rs. 4.84 lakhs. The group derives much of its importance from jute manufactures which

accounted in 1937-38 for a total export value of Rs. 27,98 lakhs. Total exports of jute manufactures, including twist and yarn, have steadily expanded during the last few years. The United Kingdom which is the second largest market for manufactured jute goods of Indian origin has increased its share from Rs. 2,07 lakhs in 1935-36 to Rs. 2,72 lakhs in 1936-37 and Rs. 2,79 lakhs in 1937-38. The period was one of falling prices resulting from the failure to restrict Indian production and the rise in the quantum of exports from India was, therefore, much higher than is apparent from these figures. The increase in exports to the United Kingdom was particularly striking under the heads sacking gunny bags and hessian gunny cloth, but most other heads recorded an increase over the average for the previous three years. The preference secures the United Kingdom market for the Indian supplier as against foreign competitors, but the duty-free concession is of even greater value as it enables him to compete on equal terms with the British jute manufacturing industry.

The export trade in cotton yarn and manufactures is of growing importance and the United Kingdom's share, though relatively small, has followed an upward trend. Exports to the United Kingdom of unbleached cotton yarn of counts 11 to 40 have, in particular, shown a remarkable rise. Total exports of all varieties of cotton yarn have increased from 9.6 million lbs. in 1935-36 to 11.8 million lbs. in 1936-37 and 30 million lbs. in 1937-38; the corresponding figures for each year in the case of the United Kingdom are 182,000 lbs. 150,000 lbs. and 957,000 lbs. respectively. As regards cotton manufactures, the value of exports to all countries has risen from Rs. 2.45 lakhs in 1935-36 to Rs. 3.19 lakhs in 1936-37 and Rs. 4.34 lakhs in 1937-38. The United Kingdom's share has also increased from Rs. 13.3 lakhs in 1935-36 to Rs. 16.7 lakhs in 1936-37 and Rs. 20.8 lakhs in 1937-38. The margins of preference guaranteed under the Agreement are, therefore, of value to this growing trade. Coir yarn and matting exported from India in 1937-38 was valued at Rs. 1.87 lakhs of which the United Kingdom's share was Rs. 90 lakhs. In both branches, India's principal market is the United Kingdom, but while in the matting trade preference has resulted in the elimination of the foreign competitor who in the years previous to the conclusion of the Ottawa Agreement held an important share of the market, in the yarn trade competition is still encountered from Ceylon. There has been an increase in exports from India to the United Kingdom under both heads, but the rate of increase has been greater under matting: the latter is the more important branch of the trade and the guaranteed preference hitherto enjoyed has displaced to some extent imports of yarn by imports of the manufactured product. The preference also provides a guarantee that Colonial goods will enjoy no advantage which is not equally available to Indian goods. In the case of hand-made woollen carpets and rugs, the preference has not merely safeguarded Indian trade, but has brought about a remarkable improvement in India's relative position in the market. Total exports from India have steadily expanded from 9.3 million lbs. in quantity and Rs. 81 lakhs in value in 1935-36 to 11 million lbs. in quantity and Rs. 1.02 lakhs in value in 1937-38. The United Kingdom's intake during the same period has increased from 7 million lbs. in quantity and Rs. 60 lakhs in value to 8.3 million lbs. in quantity and Rs. 76 lakhs in value. This is another item which has benefited remarkably by the concessions secured under the old Agreement. India is now the principal supplier of hand-made carpets and rugs to the United Kingdom and has secured a long lead with the aid of the preference over China, Turkey and Iran.



Pig iron falls in the category of manufactured goods which are entitled to duty-free entry in the United Kingdom and also an unguaranteed margin of preference. Exports have risen with startling rapidity during the last few years, the total export value of Indian pig iron in 1937-38 being Rs. 2,58 lakhs. The United Kingdom is India's second largest market and has increased its intake from 65,763 tons in 1935-36 to 241,925 tons in 1937-38. India is the largest single supplier of pig iron to the United Kingdom and holds a monopoly of the trade in cheaper qualities. Exemption from duty combined with preference have greatly assisted this remarkable expansion, but His Majesty's Government have reserved the right to withdraw the concession after the 31st March 1941, if after the expiry of the Iron and Steel Protection Act, 1934, duties are applied to iron and steel goods imported into India which are substantially less favourable to the United Kingdom than those for which that Act provides. India cannot reasonably complain against this provision, since under Article 6 of the Supplementary Agreement of 1935 (which has now been abandoned) the concessions on either side were strictly reciprocal.

On the free list (Schedule II) are five important commodities in respect of which a guarantee is given under Article 7 of the Agreement that duty-free entry into the United Kingdom will be allowed, irrespective of origin. The value of this provision to India's export trade is discussed in Chapter IV of the Report of the Delegation which represented the Government of India at the Ottawa Conference. The reasons which led to the exclusion of these items from the preferential list were, firstly, that India holds a monopoly of the trade under four out of the five heads: a preference could not, therefore, be of direct value to her, while it might have the effect of raising Indian prices and thereby encouraging the use of synthetic substitutes; secondly, that in the one case where India holds no monopoly, *vis.*, the hemp trade, it is not easy to define competitive qualities of the foreign product so as to restrict preference to these qualities; and thirdly, that a preference on these commodities might lead to the levy of duty on consignments of Indian origin not imported direct from an Empire country. Broken rice was included in this list under the old Agreement: it has now been omitted, but this does not involve any serious loss to India as exports in the past have been mainly from Burma. The relative importance of the five items specified in Schedule II may be judged by the average annual value of exports during the three years ending 1937-38:

	Total exports.	Exports to the United Kingdom.
	Rs. (lakhs.)	Rs. (lakhs.)
Lea . . . . .	1,74	33
Jute, raw . . . . .	14,40	3,08
Myrobalams . . . . .	43	21
Mica . . . . .	1,09	51
Indian hemp . . . . .	68	19
Total . . . . .	18,34	4,32

Before concluding this section, it will be useful to summarize the value of the more important preferences secured by India. In the detailed

analysis made above, it is pointed out that while the preferences have benefited India's export trade generally, certain items have shown an unprecedented expansion. A list of these preferences and the value of exports under each head are given below:

*Value of exports from India.*

(V: = lakhs Rs.)

<i>Group I—</i>	1935-36.	1936-37.	1937-38.
1. Oilseed cake—			
U. K. . . . .	1,02	1,10	1,35
Total . . . . .	1,51	1,86	2,43
2. Tobacco unmanufactured—			
U. K. . . . .	45	51	75
Total . . . . .	86	86	1,07
<i>Group II—</i>			
3. Groundnut—			
U. K. . . . .	1,26	2,39	1,94
Total . . . . .	7,66	13,11	10,24
4. Linseed—			
U. K. . . . .	1,21	3,19	2,74
Total . . . . .	2,21	4,36	3,57
5. Goatskins, raw—			
U. K. . . . .	71	79	96
Total . . . . .	2,78	2,78	3,07
<i>Group III—</i>			
6. Jute manufactures—			
U. K. . . . .	2,07	2,72	2,79
Total . . . . .	23,49	27,95	27,96
7. Woollen carpets and rugs—			
U. K. . . . .	60	66	76
Total . . . . .	81	86	1,02
8. Chrome leather—			
U. K. . . . .	26	43	58
Total . . . . .	..	..	..
9. Cotton yarn and manufactures—			
U. K. . . . .	13	17	20
Total . . . . .	..	..	..
10. Coir yarn and mats and matting—			
U. K. . . . .	95	99	90
Total . . . . .	1,86	1,82	1,87
<b>Total value of exports to the U. K.</b>	<b>8,66</b>	<b>12,95</b>	<b>12,97</b>

### III. CONCESSIONS TO THE UNITED KINGDOM.

in return for the concessions secured for her export trade, India has made certain concessions to the United Kingdom. The lowering of duty on United Kingdom cotton piecegoods is reserved for discussion in a later section: as regards the general preferences enumerated in Schedule IV, it will be useful to outline the basic principles of the preferential scheme before an attempt is made to assess the value of individual concessions.

The conditions precedent to the grant of preferences are, firstly, that any serious risk of injury to India's trade with other countries should be avoided; secondly, that no important domestic interest should be sacrificed, and, thirdly, that the preferential scheme should be consistent with the principles of India's tariff policy. The last point requires some further explanation: as is pointed out in Chapter II of the Report of the Indian Delegation to the Ottawa Conference, the Indian import tariff is primarily a revenue tariff which imposes a uniform rate of duties on all commodities, subject however, first, to the levy of a higher duty on particular articles, *e.g.*, luxury goods; second, to exemption from duty or admission at low rates of other articles where the national interests justify such concessions; and finally, to the imposition of protective duties in accordance with the principles of discriminating protection. As in 1932, when the Ottawa preferences were adopted, it was recognized that the field within which the grant of such concessions could ordinarily be considered was limited to goods which are subject to the ordinary or the higher rate. Goods liable to low rates of duty; or goods entitled to duty-free entry in the national interest, have been deliberately excluded from the scope of the preferences. As regards goods which are subject to protective duties, the same principle has been followed, a special exception being made under the Cotton Article in the case of cotton goods. Within the field indicated, in considering the amount of each preference, due regard has been had to the importance of the Customs head as a source of central revenues and the desirability of keeping the ordinary rate of duty within moderate limits. Revenue interests have been further safeguarded by providing that the concession shall take the form of a guaranteed margin of preference, full freedom being retained by the Government of India to raise or lower the two rates of duty.

The analysis of the preferences specified in Schedule IV will be brief as India is mainly interested in seeing that they are in accord with the principles set out above. In assessing their value, the following figures should be considered: total imports into British India (excluding Burma) from all countries (again excluding Burma) and from the United Kingdom during the triennium 1935-36 to 1937-38 were of an average value of Rs. 1,37,25 and Rs. 47,78 lakhs per annum, respectively. During the same period the average annual value of imports from all countries and from the United Kingdom of commodities subject to preference under the Agreement was Rs. 16,54 and Rs. 7,68 lakhs respectively. According to an earlier estimate, the value of imports from the United Kingdom which are entitled to preference was placed at over Rs. 8,00 lakhs: this figure, however, included imports into Burma and was apparently based on total imports from the United Kingdom as distinct from imports entitled to preferential assessment. It is now clear that only 16 per cent.

of India's total imports from the United Kingdom fall in the category of goods subject to preference, as compared with the very high proportion, *viz.*, 82 per cent., of exports to the United Kingdom which is covered by the concessions granted to India. Under the old Agreement, the number of preferential items in the Indian import tariff was 106 and imports from the United Kingdom of goods falling in these categories were valued in 1935-36 at approximately Rs. 18.75 lakhs: the number has now been reduced to 20, of which 19 are old items and only one is new.

Turning to individual items, it will be seen, firstly, that the preferences are confined to certain classes of goods which fall in the category of goods wholly or mainly manufactured. Goods in other categories, *e.g.*, food, drink and tobacco and raw materials or semi-manufactures, which were previously entitled to preference have now been omitted from the schedule. This is a gain from India's point of view as competition between Indian producers and foreign manufacturers is probably more keen in the last two categories than in the category of manufactured goods. The majority of the items on which preference has been accorded relate to specialised products which are not at present manufactured in India: as regards other items, *e.g.*, woollen carpets and rugs, drugs and medicines, etc., imports from the United Kingdom are confined to certain special grades where competition with the products of Indian industry appears to be negligible. Secondly, it should be noted that in no case, with the possible exception of iron or steel barbed or stranded wire and wire rope, has preference had a markedly adverse effect on foreign imports. In most cases, imports from the United Kingdom have increased, but this tendency is shared by corresponding imports from foreign countries whose relative position in the Indian market has improved. Thus, imports of motor cars from the United Kingdom have risen in value from Rs. 1.20 lakhs in 1935-36 to Rs. 1.36 lakhs in 1937-38: the corresponding figures for foreign imports are Rs. 1.53 and Rs. 2.05 lakhs. The increase in the case of United Kingdom imports was only 13.5 per cent., as against an increase of 84 per cent. in the case of foreign imports. Similarly, imports of chemicals, drugs and medicines, not otherwise specified, which is the item next in importance, have increased in value in the case of the United Kingdom from Rs. 1.33 to 1.62 lakhs: foreign imports, however, have also recorded a rise during the same period from Rs. 1.43 to 1.83 lakhs. In other words, while United Kingdom imports rose by 21.8 per cent. in value, imports from other countries during the same period increased by nearly 28 per cent. Under electrical instruments, imports from the United Kingdom increased from Rs. 1.19 to Rs. 1.32 lakhs, *i.e.*, by 10.8 per cent: the corresponding rise in the case of other countries was from Rs. 75 to Rs. 93 lakhs, *i.e.*, an increase of 24 per cent. Finally, as regards cycles and parts of cycles, imports from the United Kingdom rose from Rs. 79 to Rs. 88 lakhs, *i.e.*, by 11.4 per cent., while imports from other countries increased in value from Rs. 26 to Rs. 31 lakhs, *i.e.*, by 19 per cent. These figures show that India's trade with other countries is in no way endangered by the preferences. Thirdly, under certain important heads, a reduction has been made in the number of preferred commodities. Thus, under the head chemicals, drugs and medicines, several acids and chemical products have been removed from the scope of preference: similarly batteries, accumulators and electro-medical apparatus and scientific, philosophical

and surgical instruments have been omitted from the relative preferential heads. The exclusion of these items is designed to safeguard the interests of the Indian consumer.

Another point which requires to be emphasized is that the Agreement does not bind the Government of India to keep the duties at their present level. This point has been briefly referred to in a previous paragraph, but its revenue implications deserve close study. The Agreement guarantees a margin of preference on each commodity specified in the Schedule, but leaves the Government of India free to alter the rates in the interests of revenue or of Indian industry. Moreover, by fixing a reasonably low margin, it avoids the danger of a total exclusion of foreign goods to the detriment of the consumer: a higher margin would inevitably have led to a rise in prices by giving the United Kingdom a practical monopoly of the Indian market. Finally, it should be noted that the reduction in the number of preferential items amounts, in effect, to a lowering of the tariff barrier against foreign countries and any increase in imports resulting from this concession is bound in due course to benefit India's export trade.

#### IV. COTTON ARTICLE.

A previous section of this report lays stress on the importance of the reciprocal concessions under the Cotton Article. These provisions are not quite consistent with the old Agreement which followed the principle that a protected industry is outside the scope of a preferential scheme. It was clear, however, at an early stage of the negotiations that a limited agreement which left out of account the vexed question of United Kingdom textiles would not satisfy the needs of the situation. The surrender of preferences by the United Kingdom on general imports was made on the understanding that a tariff reduction would be allowed on United Kingdom cotton piecegoods: on the Indian side, there was anxiety to secure a stable market within the Empire for India's surplus production of cotton. Throughout the negotiations, efforts on both sides were directed to seeing that the concessions were limited to what could reasonably be demanded by the United Kingdom and could safely be granted by India without impairing protection: at the same time India required some guarantee, in the interests of her agricultural population, that the United Kingdom would increase her purchases of Indian cotton. The method adopted was to prescribe a sliding scale of duties on cotton piecegoods of United Kingdom origin which is linked on the one hand with raw cotton exports from India to the United Kingdom and on the other with imports of cotton piecegoods from the United Kingdom into India. By extending the scope of the Agreement, it was hoped to provide an equitable solution of the textile problem which in the past has exercised a disturbing influence on the economic relations between the two countries.

Before examining the provisions of this Article, it will be useful to give a brief outline of the trade in raw cotton and in cotton piecegoods between India and the United Kingdom. Raw cotton is entitled to duty-free entry in the United Kingdom, irrespective of origin. It was not

found possible under the old Agreement to accord a preference to Empire cotton, but under Article 8 of that Agreement, His Majesty's Government promised to co-operate in any practicable scheme that might be agreed between the interests concerned for promoting, whether by research, propaganda or improved marketing, the greater use of Indian cotton in the United Kingdom. A special Committee was set up in Lancashire in fulfilment of this undertaking and the result of its work, aided by the improving quality of Indian supplies, may be seen in the progressive increase in exports from India. Thus, while in the 2 years ending 1932-33, i.e., immediately prior to the conclusion of the Agreement, exports of Indian raw cotton to the United Kingdom had touched the low level of 167,000 bales per annum, during the currency of the Agreement, the figures registered a steady upward trend. In 1933-34, exports amounted to 342,000 bales; in 1934-35 to 347,000 bales; in 1935-36 to 456,000 bales; and in 1936-37 to the record total of 610,000 bales. The actual consumption of Indian cotton in United Kingdom mills also rose from 126,000 bales in 1932-33 to 234,000 bales in 1933-34, 342,000 bales in 1934-35, 386,000 bales in 1935-36 and 428,000 bales in 1936-37. It is important to note that the increase was not confined to cottons of superior staple, but was also shared by the medium staples, e.g., ordinary Punjab and Sind American cottons, of which India has a large exportable surplus. The United Kingdom trade returns show that imports from India of cottons of 7/8" staple and under rose from 206,000 bales in 1935 to 308,000 bales in 1936 and 345,000 bales in 1937. According to another estimate, viz., the classified export returns compiled by the Indian Central Cotton Committee, the United Kingdom's takings of short and fair staple Indian cotton increased from 219,000 bales in 1935-36 to 271,000 bales in 1936-37; during the same period, her intake of medium staple Indian cotton rose from 209,000 to 313,000 bales. In 1937-38, total exports from India to the United Kingdom declined to 395,000 bales: this was due to obvious reasons, e.g., the uncertainties resulting from the prolongation of the trade negotiations; a decline of interest in Indian raw cotton due to the fall in exports of United Kingdom piecegoods; a record American crop containing a large quantity of relatively short staple cotton; and a less favourable export parity for Indian cotton. It will be observed, however, that while the United Kingdom's takings in 1937-38 declined by only 16 per cent., compared with the average for the previous three years, exports to Japan which is the principal consumer of Indian cotton declined by approximately 35 per cent. These figures indicate the urgent necessity from India's point of view of securing for this product an expanding market in the United Kingdom.

Turning to India's imports of United Kingdom cotton piecegoods, it will be seen that the decline during the last few years has coincided with a rapid increase in Indian production. In the last pre-war year United Kingdom exports to India approximated to 3,000 million yards and Indian mill production stood at 1,105 million yards. By the time of the last pre-slump year of 1928-29, United Kingdom shipments had reached a position of post-war equilibrium at 1,442 million yards while Indian mill production stood at 1,893 million yards. In the next 5 years, imports from the United Kingdom declined with startling rapidity, under the cumulative influence of Japanese competition, the Indian boycott movement and the continuous rise in Indian production. In 1933-34 United Kingdom exports amounted to 384 million yards while Indian mill

production had increased to 2,945 million yards. In the following year, due mainly to the imposition of a quota on Japanese imports, there was a slight improvement in the United Kingdom's share to 515 million yards: the Indian mill output, however, also increased to 3,397 million yards. Thereafter, imports from the United Kingdom have fallen steadily, while mill production in India has continued to expand. It should be noted, firstly, that the reduction of duty in 1936 on United Kingdom cotton piecegoods, excluding prints from 25 to 20 per cent. *ad valorem* has failed to arrest the downward trend; secondly, that since 1935-36, Japanese imports, which are in any case subject to a quantitative restriction, have also shewn a tendency to decline; and thirdly, that the Indian mills have absorbed the major portion of the demand released by the fall in imports from both Japan and the United Kingdom. The figures below speak for themselves:—

*Imports from the United Kingdom into India (excluding Burma).*

	(Q : million yards.)			
	1934-35.	1935-36.	1936-37.	1937-38.
Grey (unbleached) . . . . .	102.4	85.1	53.3	24.0
White (bleached) . . . . .	218.0	177.0	146.7	128.7
Dyed and coloured goods . . . . .	108.8	81.3	62.6	66.1
Printed goods . . . . .	85.7	59.9	45.9	47.9
<b>Total</b> . . . . .	<b>514.9</b>	<b>403.3</b>	<b>306.5</b>	<b>266.7</b>

*Indian mill production.*

	(Q : million yards.)			
	1934-35.	1935-36.	1936-37.	1937-38.
Grey and bleached piecegoods . . . . .	2,642	2,773	2,762	3,191
Coloured piecegoods . . . . .	756	798	810	894
<b>Total</b> . . . . .	<b>3,398</b>	<b>3,571</b>	<b>3,572</b>	<b>4,084</b>

The trade developments outlined above provide a background to the detailed analysis of the concessions exchanged under the Cotton Article. As stated already, the object in view was to devise a scheme which would meet the demand for a lowering of duty on British piecegoods without involving injury to Indian interests, and would at the same time secure an expanding market for Indian cotton in the United Kingdom. The immediate concession to the United Kingdom is a reduction of duty on imports from that country which fall for assessment under items 48(1) and 48(9) of the Indian Customs Tariff: the new rates, known as the "basic rates", are 17½ per cent. *ad valorem* on printed goods; 15 per cent. *ad valorem* or 2 annas 7½ pies per lb., whichever is higher, on grey goods; and 15 per cent. *ad valorem* on all others. If, however, in any cotton piecegoods year, United Kingdom imports do not exceed 850 million yards the duties charged after the end of that year and until the end of any cotton piecegoods year in which such imports exceed 425 million yards are to be reduced still further by 2½ per cent. *ad valorem* with a proportionate reduction in the specific duty on grey goods. On the other hand, if in any cotton piecegoods year, United Kingdom imports

exceed 500 million yards, the rates of duty in the following cotton piecegoods year may be increased above the basic rates to such extent as may be deemed necessary for the purpose of restricting imports of such goods during the year to the "maximum yardage figure" for the preceding cotton piecegoods year: the enhanced duties are, however, to be reduced to the basic rates after the end of any such year in which total imports from the United Kingdom have not exceeded 425 million yards.

The concessions to India are embodied in the provisions relating to the calculation of the maximum yardage figure. This expression means, in relation to any cotton piecegoods year, a maximum of 500 million yards, or for a year corresponding to a cotton year in which there is a "deficiency" in United Kingdom purchases of Indian cotton, 500 million yards reduced by the appropriate figure. The word "deficiency" is defined as the amount by which imports of Indian cotton into the United Kingdom fall short of the following quantities:—

	bales.
for the cotton year ending 31st December 1939 . . . . .	500,000
for the cotton year ending 31st December 1940 . . . . .	550,000
for every subsequent cotton year . . . . .	600,000

For the purpose of determining the appropriate rates of duty to be charged on United Kingdom cotton piecegoods under this Article, total imports from the United Kingdom of such goods in any cotton piecegoods year corresponding to a cotton year in which there is a deficiency will be deemed to have been increased by 25 million yards for every 50,000 bales (or less) of the deficiency: it is specifically provided, however, that the deficiency must not exceed 100,000 bales in the cotton year ending 31st December 1939 and 150,000 bales in any subsequent cotton year.

Certain penalties are attached to a fall in imports of Indian cotton into the United Kingdom below the minimum quantities prescribed. The Article provides that if imports fall below 400,000 bales in the cotton years ending 31st December 1939 or 31st December 1940, and below 450,000 bales in any subsequent cotton year, the basic duties charged on imports of United Kingdom cotton piecegoods may be increased. There is also a reward for an increase in the consumption of Indian cotton in the United Kingdom. Thus, if in any cotton year the United Kingdom offtake exceeds 750,000 bales, the duty charged on United Kingdom printed cotton piecegoods will be reduced in the following cotton piecegoods year to a level not exceeding the duty on other United Kingdom cotton piecegoods. Further, in relation to that cotton piecegoods year, any excess up to a maximum of 25 million yards, in imports of United Kingdom cotton prints over the previous year's imports, will not be counted in calculating imports of United Kingdom cotton piecegoods with reference to the medium and maximum yardage figure; and so long as the reduction of duty on cotton prints, continues to be earned the increase in yardage figures will remain in force, but will not be further increased.

The advantages derived by India from these provisions and the safeguards embodied in the Article may now be briefly discussed. It will be noted, firstly, that the limits prescribed in the case of imports of United Kingdom cotton piecegoods bears some relation to recent import



figures. The minimum yardage figure is 350 million yards; the medium, 425 million yards; and the maximum, 500 million yards. During the six years ending 1937-38, imports of United Kingdom cotton piecegoods into India have fluctuated between a maximum of 542 million yards (1932-33) and a minimum of 267 million yards (1937-38). The average annual figure is 408 million yards, *i.e.*, slightly less than the medium figure under the Article. Although no quantitative restriction has been imposed on imports of United Kingdom cotton piecegoods, the reduction in duty has been made conditional on imports keeping below certain well-defined limits. Secondly, an additional safeguard has been provided by the linking of imports of United Kingdom cotton piecegoods with exports of Indian cotton to the United Kingdom. The basic rates of duty may be increased if raw cotton exports fall below certain minima: moreover, in determining the appropriate rates of duty to be charged in any cotton piecegoods year the amount of Indian cotton purchased by the United Kingdom in the corresponding cotton year must be taken into consideration. Thirdly, the scale of raw cotton exports prescribed under this Article takes full account of the recent increase in United Kingdom purchases. In the 8 years ending 1937-38, exports to the United Kingdom attained an average of 487,000 bales per annum. Under the Agreement, the concession of reduced duty is liable to be withdrawn if in the first two cotton years exports amount to less than 400,000 bales, or if in any subsequent cotton year the total quantity of exports is less than 450,000 bales. The scale of raw cotton exports which regulates the duty chargeable on United Kingdom cotton piecegoods has been fixed at a much higher level and every inducement has been placed in the way of United Kingdom importers to increase their purchases to a figure exceeding 750,000 bales. These provisions are calculated to improve the demand for Indian raw cotton in the United Kingdom and are therefore of great potential value to India's cotton growers.

#### V. CEYLON AND THE COLONIES.

The provisions relating to the Colonial Empire, including the protectorates and mandated territories, are set out in Articles 8 and 11 to 13 of the Agreement. As regards Ceylon, the provisions of the old Agreement are to be continued without any substantial modification pending the negotiation of a fresh Agreement: it is unnecessary, therefore, to comment on these provisions. The remaining colonies, protectorates and mandated territories fall into two groups: (a) those which are precluded by international obligation from granting preferences, *e.g.*, Kenya, Uganda, Tanganyika, Zanzibar, Nyasaland and part of Northern Rhodesia, and (b) those which are not subject to any such restriction. In the latter group are Colonies, such as Hong Kong and the Straits Settlements, with a large entrepôt trade which renders the adoption of a preferential tariff peculiarly difficult. Where preference has been granted in such cases, *e.g.*, by British Malaya on cotton-piecegoods, groundnuts, etc., the Agreement contains a reservation that the preference will continue only so long as it is consistent with the policy of the Government concerned to levy duty on the specified commodity. A similar condition has been imposed in the case of certain preferences granted by India to the Colonies.

The principal features of the Agreement in relation to the Colonies are, firstly, that an undertaking is given that the Colonial Governments will, subject to certain exceptions, accord to India, in addition to the scheduled preferences, any preference which for the time being is accorded to any other part of the Empire: secondly, that India has given a reciprocal undertaking that, in addition to the scheduled preferences, any preference for the time being accorded to any other part of the Empire (excepting Burma) will be extended to a specified colony, protectorate or mandated territory if His Majesty's Government so request; thirdly, that India is empowered to withdraw a preference from a colony or protectorate which, not being debarred from granting a preference, accords no preference to India; and, fourthly, that India has agreed to give most-favoured-nation treatment to goods imported from any part of the Colonial Empire. The specific preferences accorded to India by Ceylon (on a provisional basis) and by British Malaya are detailed in Schedule III to the Agreement: Schedules V and VI specify the preferences accorded by India to Ceylon (on a provisional basis) and to all other colonies, protectorates and mandated territories.

The principles of the Agreement in relation to the Colonies are discussed at length in Chapter V of the Report of the Indian Delegation to the Ottawa Conference. The arguments adduced in support of the arrangements which were entered into in 1932 are equally valid at the present day. The schedules of preference remain substantially unchanged: from part (1) of Schedule III which relates to Ceylon, coriander seed and coffee have been excluded, but as already stated, this part of the Agreement will form the subject of further negotiations; from part (2) five items have been omitted, as exports from India to the Colonies concerned under these heads are negligible. Unmanufactured tobacco is a new item in part (2) of this schedule. As regards Schedule V, three new items, *viz.*, artificial teeth, tapioca flour and spices, ground, have been added to the list: preference has, however, been withdrawn from four old items, *viz.*, beeswax, dry salted fish, canned fish and vanilla beans. Schedule VI which contains a list of preferences granted by India to Ceylon and the Colonies on a provisional basis remains unchanged.

The difficulties involved in assessing the value of the preferences exchanged between India and the Colonies are explained in the Report of the Ottawa Delegation. The general results of the working of the Agreement which has hitherto been in force are, however, reflected in the British Indian foreign trade statistics. Exports from India to the Colonial Empire (including Ceylon) of goods which enjoy preference have steadily risen in value from Rs. 1,15 lakhs in 1933-34 to Rs. 1,46 lakhs in 1934-35, Rs. 2,10 lakhs in 1935-36 and Rs. 2,45 lakhs in 1936-37. Imports into India from the Colonial Empire (including Ceylon) of goods entitled to preference remained stationary in 1933-34 and 1934-35 at Rs. 1,41 lakhs, but increased thereafter from Rs. 1,57 lakhs in 1935-36 to Rs. 1,85 lakhs in 1936-37. If Ceylon is excluded, the balance of trade in the preferred commodities still remains favourable to India, although the total value of the trade shows a marked decline. Thus, while exports to the Colonies, other than Ceylon, of articles enjoying preference rose in value from Rs. 38 lakhs in 1933-34 to Rs. 57.8 lakhs in 1934-35 and Rs. 81.6 lakhs in 1936-37, thereafter falling to Rs. 67.8 lakhs in 1937-38, imports of similar goods from the Colonies, other than Ceylon, remained

relatively stable at a much lower figure: the value of imports was Rs. 44 lakhs in 1933-34, Rs. 43 lakhs in 1934-35, Rs. 39 lakhs in 1935-36 and Rs. 43 lakhs in 1937-38. These figures show that the Colonial preferences have been of outstanding value to India's trade.

On the export side, cotton yarn and piecegoods are the principal items and in all parts of the Empire where India enjoys a preference on these commodities she has greatly extended her share of the trade. In Ceylon the value of imports from India under these heads has increased from Rs. 36.4 lakhs (1935-36) to Rs. 89 lakhs (1936-37); in the Federated Malay States from Rs. 3.4 lakhs (1933-34) to Rs. 5.5 lakhs (1936-37); in Mauritius from Rs. 87,000 (1933-34) to Rs. 7.8 lakhs (1936-37); in Sierra Leone from Rs. 96,000 (1933-34) to Rs. 4 lakhs (1936-37). Other items which have recorded a gain in the more important Colonies are groundnuts and groundnut oil, jute manufactures, tea, tobacco and drugs. On the import side, the principal items are spices, ground and unground, non-essential oilseeds, betelnuts, coconut oil and unmanufactured ivory. Oilseed imports have shewn a tendency to rise, but there has been a decline in imports under several other heads. Betelnut imports from the Straits Settlements have not been able to qualify for the concession in view of the difficulty of proving origin. Among the new items, spices ground and tapioca flour are the only ones of substantial importance: separate figures for these items are not available but the trade under these heads is probably small and the concession, therefore, involves no appreciable sacrifice.

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**PART II.**

**Detailed Analysis.**

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In Part I of the Report an attempt has been made to assess the importance of the new Agreement to India's export and import trade. The concessions exchanged between the two signatories have been briefly outlined, but it may be helpful in reaching a correct understanding of the provisions of the Agreement if the principal concessions are analysed in detail. As stated already, the articles principally affected on the export side are jute manufactures, linseed, groundnuts, oilseed cake, tobacco unmanufactured, woollen carpets and rugs, cotton manufactures cotton yarn, chrome leather and coir yarn and mats and matting. The importance of these items may be judged by the fact that in 1937-38 exports under these heads accounted for a value of Rs. 54,02 lakhs, of which the United Kingdom's share was Rs. 12,28 lakhs. On the import side, selection is more difficult and it will be necessary to examine, as briefly as possible, each of the 20 preferential items. The Indian export figures cited below exclude imports into and exports from Burma, but the United Kingdom import figures which have been taken from the Annual Accounts relating to the Trade and Navigation of the United Kingdom include imports from Burma under the head India.

## I. EXPORTS.

### (i) *Jute manufactures.*

Margin of preference: 15 per cent. *ad valorem* on cordage, cables, ropes and twines; 20 per cent. *ad valorem* on tissues not made up (not including rags) and sacks and bags. Free entry for Indian goods.

Exports to the United Kingdom fall mainly under the heads sacking and hessian gunny bags and cloth. The relevant trade figures for the last three years are given below:—

#### EXPORTS FROM INDIA.

##### *Bags.*

(Q : 000 No. V : 000 Rs.)

1935-36 .	United Kingdom .	Q. 51,283	V. 1,12,21	Total .	Q. 458,900	V. 11,01,46
1936-37 .	Do. .	Q. 70,289	V. 1,34,39	Do. .	Q. 567,422	V. 12,09,42
1937-38 .	Do. .	Q. 61,722	V. 1,14,01	Do. .	Q. 561,378	V. 12,12,26

##### *Cloth.*

(Q : 000 yds. V : 000 Rs.)

1935-36 .	United Kingdom .	Q. 85,729	V. 89,48	Total .	Q. 1,218,316	V. 12,23,73
1936-37 .	Do. .	Q. 132,998	V. 1,13,58	Do. .	Q. 1,707,906	V. 15,47,45
1937-38 .	Do. .	Q. 157,032	V. 1,59,86	Do. .	Q. 1,601,906	V. 15,34,15

## IMPORTS INTO THE UNITED KINGDOM.

## Sacks, etc.

(Q : 000 cwt. V : 000 £.)

1935	India	Q.	715	V.	1,016	Total	Q.	738	V.	1,043
1936	Do.	Q.	999	V.	1,351	Do.	Q.	1,070	V.	1,402
1937	Do.	Q.	1,017	V.	1,265	Do.	Q.	1,124	V.	1,336

## Piecegoods.

(Q : 000 sq. yds. V : 000 £.)

1935	India	Q.	71,464	V.	625	Total	Q.	71,544	V.	627
1936	Do.	Q.	1,41,885	V.	1,139	Do.	Q.	1,42,931	V.	1,146
1937	Do.	Q.	1,77,189	V.	1,423	Do.	Q.	1,78,225	V.	1,432

Total exports under both heads rose to record heights in 1936-37, but in 1937-38 there was a slight decline in both quantity and value. The United Kingdom's share, however, continued to expand under the head hessian gunny cloth and although under other heads there was a fall in exports, the quantum for 1937-38 remained well above the average for previous years. India retained her monopoly of the United Kingdom market and her share of the trade under both sacks and piecegoods showed a marked increase during the period under review. It should be noted that there is an important jute manufacturing industry in the United Kingdom with its centre at Dundee and the remarkable expansion in imports from India has been achieved in the face of domestic competition. The growth of India's trade with the United Kingdom in manufactured jute goods is partly explained by the fall in prices which occurred during the period as a result of failure to restrict production in India, and partly by the rise in demand for jute manufactures; but no explanation of this phenomenal growth is complete which does not take into account the effect of the concession of duty-free entry which India has enjoyed under the old Agreement. The preference is not merely of value in relation to imports from non-Empire countries, but it also enables India to compete on equal terms with a national industry in the important United Kingdom market.

## (ii) Linseed.

Margin of preference: 10 per cent. *ad valorem*; free entry for Indian product.

In the oilseed trade, linseed exports from India are second in importance to exports of groundnuts, but so far as trade with the United Kingdom is concerned the position of the two commodities is reversed. The largest single market for Indian linseed is the United Kingdom, other markets consuming only small quantities. Argentine is India's principal competitor in the United Kingdom. The relevant trade statistics are given below:—

## EXPORTS FROM INDIA.

(Q : 000 tons. V : 000 Rs.)

1935-36	United Kingdom	Q.	90	V.	1,20,68	Total	Q.	165	V.	2,20,62
1936-37	Do.	Q.	218	V.	3,18,66	Do.	Q.	296	V.	4,36,44
1937-38	Do.	Q.	175	V.	2,73,95	Do.	Q.	227	V.	3,56,80

## IMPORTS INTO THE UNITED KINGDOM.

(Q : 000 tons. V : 000 £.)

1935	India	Q.	58	V.	665	Argentina	Q.	195	V.	1,794
1936	Do.	Q.	222	V.	2,862	Do.	Q.	47	V.	468
1937	Do.	Q.	193	V.	2,779	Do.	Q.	91	V.	1,055

The effect of the preference is to some extent obscured by certain features peculiar to the trade. Indian linseed is generally of better quality than competing products of foreign origin and fetches a higher price in the world markets. Argentine production is, however, much larger than Indian production and any large variation in the Argentine output directly affects the extent of the demand for supplies from other sources. The United Kingdom's offtake of Indian linseed is thus dependent on two factors: (a) the price parity between Indian and Argentine linseed, and (b) crop output in the Argentine. It is usual, however, for Indian suppliers to hold back supplies when prices are falling as a result of a good or abundant Argentine crop. As linseed can be stored for some years without damage, the immediate marketing of the crop is not necessary; but the Indian practice inevitably results in a weakening of demand for supplies from India when imports from the Argentine are on the increase. The tendency is illustrated by recent trade statistics. Although the Indian linseed crop which was available for marketing in 1937-38 showed an increase of 9 per cent. over the previous year's output, exports from India during the year to all countries including the United Kingdom registered a steep decline. The period was one of falling prices due to a rise in world supplies, and exports from India were, therefore, curtailed in anticipation of an improvement in the price position with a slackening in the selling pressure from the Argentine.

In the years immediately preceding the conclusion of the Ottawa Agreement, exports of Indian linseed to the United Kingdom had fallen to a maximum of 14,000 tons. India's share of imports into the United Kingdom had also fallen to 3 per cent. During the first year of the Agreement exports to the United Kingdom rose to 176,000 tons and India's proportionate share in this market increased to 53 per cent. There have been large variations in the United Kingdom's intake during the last five years, but these are adequately explained by the peculiar characteristics of the Indian trade. Exports to the United Kingdom have, however, remained well above the abnormally low levels of the pre-Agreement years and the proportionate share enjoyed by India in the United Kingdom trade between 1935-36 and 1937-38 has fluctuated between 25 and 83 per cent. The preference has thus been of assistance to India in recovering her position in this important market.

Complaints have been made by Indian exporters that the drawback orders in force in the United Kingdom have to some extent nullified the effect of the preference. These orders provide for the refund of duty paid on foreign linseed used in the manufacture of various classes of exported goods. It should be noted, however, that between 1934 and 1936, the use of linseed in the United Kingdom in the manufacture of goods for domestic consumption averaged 201,000 tons per annum, or 84 per cent. of total imports. India's share of this quantity, on which no drawback was admissible, reached the high level of 70 per cent. If the

drawback provisions were as great a handicap as they are made out to be it is hardly likely that exports from India would have shewn a steady rise. It cannot, therefore, reasonably be claimed that drawback has made the preference wholly ineffective, but the complaint of Indian exporters is justified to the extent that in respect of a small proportion of the United Kingdom trade the drawback procedure has placed the Argentine supplier in a position of equality with his Indian competitor. An important concession has, however, been secured under Article 6 of the Agreement which contains an undertaking on the part of His Majesty's Government to withdraw the concession from goods other than linseed oil, unmixed. It is estimated that almost one-half of the trade at present eligible for the concession will be affected and the value of the preference will thus be greatly enhanced from the point of view of Indian exporters.

(iii) *Groundnuts.*

Margin of preference: 10 per cent. *ad valorem*: free entry for Indian product.

India is the world's principal producer of groundnuts which constitute the largest single item in her oilseed trade. The United Kingdom is an important market for the Indian seed, but her intake is normally less than that of France, Germany or the Netherlands. Competition is encountered in the United Kingdom market from British West Africa which also enjoys the preference, while the demand for substitute seeds, *e.g.*, soya beans and cotton seed, appears to be well-established in this market. The trade figures show how the preference has worked during the triennium 1935-36 to 1937-38. Exports from the maritime States have been included in these figures:—

## EXPORTS FROM INDIA.

		(Q : 000 tons. V : Rs. in lakhs.)			
1935-36	United Kingdom	Q.	79	V. 1,26.4	Total . Q. 474 V. 7,66.0
1936-37	Do.	Q.	146	V. 2,38.8	Do. . Q. 791 V. 13,11.2
1937-38	Do.	Q.	127	V. 1,94.2	Do. . Q. 711 V. 10,31.2

## IMPORTS INTO THE UNITED KINGDOM.

		(Q : 000 tons. V : 000 £.)			
		(a) <i>Groundnuts.</i>			
1935	India	Q.	90	V. 1,276	British West Africa. Q. 43 V. 510
1936	Do.	Q.	110	V. 1,479	Do. Q. 48 V. 628
1937	Do.	Q.	138	V. 2,057	Do. Q. 96 V. 1,412

(b) *Cotton seed.*

(No imports from India).

1935	Q.	654	V.	3,717
1936	Q.	601	V.	3,643
1937	Q.	672	V.	4,642

(c) *Soya beans.*

(No imports from India).

1935	Q.	159	V.	1,048
1936	Q.	82	V.	635
1937	Q.	99	V.	849



Total exports in 1936-37 touched a record level, but the trade experienced a set-back in the following year. It will be noted, however, that the fall in direct exports was less steep in the case of the United Kingdom than in the case of certain other countries. Thus, exports to the United Kingdom fell in value by only 18 per cent., as against a fall of approximately 35 per cent. in the case of France, 28 per cent. in the case of Germany, and 22 per cent. in the case of all countries other than the United Kingdom. The export figures, however, include a considerable number of "for orders" consignments a large proportion of which ultimately find their way to the United Kingdom and are registered there against British India. In 1937-38, the value of such consignments was as high as Rs. 1,38 lakhs out of a total value of Rs. 10,31 lakhs for the entire export trade. It is difficult, therefore, to draw any correct conclusions from the figures relating to direct exports and the examination is more suitably based on the United Kingdom import statistics.

In 1932, i.e., before the Ottawa Agreement came into force, imports of groundnut into the United Kingdom amounted to 97,000 tons, of which India's share was approximately 60 per cent. and of non-Empire countries 11 per cent. In 1933 India's share fell to 53 per cent., but in the following year it rose to 64 per cent: during the next three years, however, India's relative position in the United Kingdom market has shown some deterioration. As against this, it should be noted, firstly, that the preference has resulted in the elimination of non-Empire competition; secondly, that imports into the United Kingdom have continued to increase throughout the period; and thirdly, that in spite of a gradual improvement in the Colonial share, total exports from India to the United Kingdom have steadily expanded. The preference is of value to Indian exporters as it secures for groundnut of Indian origin the same concessions as are enjoyed by the Colonial product.

Certain other advantages have been obtained under the Agreement which are likely to benefit India's export trade. Firstly, soya beans which are used in the United Kingdom as a substitute for groundnuts have been brought on the preferential list. There was a demand from Indian interests for a guaranteed preference on cotton seed also, but the proposal was not pursued as it was considered unlikely that such a concession would promote the substitution of Indian groundnut for foreign cotton seed. Secondly, His Majesty's Government have given an undertaking to withdraw the concession (to which serious objection has been taken by Indian interests) of payment of drawback on groundnuts used in the manufacture of exported groundnut oil. These provisions have greatly increased the value of the preference accorded to Indian groundnut.

#### (iv) Oilseed cake.

Margin of preference: 10 per cent. *ad valorem*; free entry for Indian product.

The principal classes of oilseed cake exported from India are (a) groundnut cake, (b) linseed cake, (c) rapeseed cake, (d) cotton cake and (e) cocoon cake. The United Kingdom is India's largest single market, especially for linseed, groundnut and cotton cake. Among foreign markets, Germany, the Netherlands and Belgium are next in importance to the

United Kingdom. The trade statistics for the triennium 1935-36 to 1937-38 are as follows:—

EXPORTS FROM INDIA.

(Q : 000 tons. V : 000 Rs.)

*Groundnut cake.*

1935-36	United Kingdom.	Q.	115	V.	69,87	Total	Q.	167	V.	1,02,46
1936-37	Do.	Q.	132	V.	94,98	Do.	Q.	214	V.	1,49,60
1937-38	Do.	Q.	163	V.	1,15,89	Do.	Q.	294	V.	2,01,21

*Linseed cake.*

1935-36	United Kingdom.	Q.	69	V.	42,48	Total	Q.	72	V.	43,94
1936-37	Do.	Q.	47	V.	32,28	Do.	Q.	50	V.	34,51
1937-38	Do.	Q.	46	V.	31,42	Do.	Q.	47	V.	32,41

IMPORTS INTO THE UNITED KINGDOM.

(Q : 000 tons. V : 000 £.)

*Groundnut cake.*

1935	India	Q.	178	V.	1,006	Total	Q.	191	V.	1,077
1936	Do.	Q.	173	V.	1,067	Do.	Q.	181	V.	1,112
1937	Do.	Q.	248	V.	1,819	Do.	Q.	256	V.	1,880

*Linseed cake.*

1935	India	Q.	59	V.	391	Total	Q.	126	V.	771
1936	Do.	Q.	56	V.	360	Do.	Q.	80	V.	506
1937	Do.	Q.	48	V.	385	Do.	Q.	75	V.	590

India has a practical monopoly of the market in the United Kingdom for groundnut cake: in the last few years, non-Empire competition in this branch of the trade has been all but eliminated. The Indian export figures do not tally exactly with the United Kingdom import returns since the latter include imports from Burma as well as re-exports from Continental ports, while the former are confined to direct exports from India, including certain maritime States. Both sets of figures, however, show that imports into the United Kingdom from British India and the States have been rapidly expanding. In the two years previous to the conclusion of the Ottawa Agreement, exports to the United Kingdom had fallen to 55,000 tons: in 1937-38, direct exports from British India and the States amounted to 163,000 tons. As regards linseed cake, although exports have declined, the relative position of India in this market has greatly improved since 1935. India has not only retained her position as the leading supplier of linseed cake to the United Kingdom, but her share of the trade has also increased from 46.3 per cent. in 1935 to 64 per cent. in 1937. It should be noted, however, that the demand for linseed cake shows signs of declining in the United Kingdom, while the demand for cotton and groundnut cake is increasing. As India's principal competitors in the United Kingdom are foreign countries, e.g., Egypt, the Argentine and the United States of America, the preference is of considerable value to this country.

(v) *Tobacco unmanufactured.*

Margin of preference: 2s. 0½d. to 2s. 3¼d. per lb. Duty of 7s. 5½d. to 8s. 3¼d. per lb. on Indian tobacco and of 9s. 6d. to 10s. 6¼d. per lb. on foreign tobacco.

In normal years, India produces about a quarter of the world's total production of tobacco, but the greater part of the crop is consumed in the country. There is, however, an increasing export trade in certain special types, e.g., flue-cured Virginia tobacco, for which the United Kingdom is India's largest single market. The existing preference was secured for 10 years under the Ottawa Agreement and is to continue till the 19th August 1942. Some doubt has been expressed as to whether the preference has been of value to India and proposals have been made for a substantial increase in the existing margin. A higher margin would no doubt have enhanced the value of this preference, but in the absence of evidence that the existing margin has proved inadequate, it was considered unreasonable to press for an increase. The Indian export figures given below do not support the assumption that the preference has been valueless, but on the contrary provide irrefutable evidence that India has derived enormous benefit from the concession:—

*Exports from India.*

(Q : 000 lbs. V : 000 Rs.)

1935-36	United Kingdom.	Q. 11,673	V. 45,28	Total	Q. 27,750	V. 86,20
1936-37	Do.	Q. 13,233	V. 50,45	Do.	Q. 28,003	V. 86,14
1937-38	Do.	Q. 21,127	V. 75,06	Do.	Q. 41,695	V. 1,07,06
6 months (1938).	Do.	Q. 29,400	V. 1,24,97	Do.	Q. 41,700	V. 1,48,38

*Imports into the United Kingdom.**Tobacco, unmanufactured, stripped.*

(Q : 000 lbs. V : 000 £.)

1935	India	Q. 8,861	V. 322	Other Empire countries.	Q. 4,863	V. 210	Foreign countries.	Q. 28,248	V. 2,664
1936	Do.	Q. 12,599	V. 399	Do.	Q. 6,438	V. 279	Do.	Q. 29,110	V. 2,446
1937	Do.	Q. 18,100	V. 723	Do.	Q. 8,672	V. 375	Do.	Q. 34,366	V. 2,954

Exports from India to the United Kingdom have rapidly increased during the last few years. In 1932-33, India exported a little over 9 million lbs. to the United Kingdom: in the first year of the Agreement exports shot up to over 13 million lbs., but during the next two years there was a slight decline in both quantity and value. Since 1936-37 exports have again been rising and a record level has been attained during the first half of the financial year 1938-39. It has been suggested that the increase in exports is due to a rising demand in the United Kingdom, but that the preference has not been of material help in improving India's relative position in the market. This view is not borne out by the figures

cited: it will be seen that between 1935 and 1937, imports of stripped tobacco from India into the United Kingdom rose by 104 per cent., as against a rise of 78 per cent. in the case of other Empire countries and or only 21 per cent. in the case of foreign countries. India's share of the trade in this commodity rose from 21.4 per cent. in 1935 to 29.5 per cent. in 1937. If unstripped tobacco is included, the proportionate share held by India in the total trade shows a rise from 3.5 per cent. in 1935 to 6.6 per cent. in 1937. The United Kingdom import figures for 1938 are not yet available, but the enormous increase in exports from India are bound to be reflected in a further improvement in India's relative share. The United Kingdom's share of exports from India has risen during this period from 42.8 per cent. in 1935-36 to 46.4 per cent. in 1936-37, 50 per cent. in 1937-38 and 69 per cent. in the first six months of 1938-39. These figures give a clear indication of the benefit derived by India from the preference.

The increase in exports is, however, largely confined to stripped tobacco, while exports to the United Kingdom of unstripped tobacco have undergone a slight decline. India is not at present a leading exporter of unstripped tobacco, but the statistics show that even in this line the preference has been of some value to her. The consumption of unstripped tobacco in the United Kingdom registered a decline in 1937: the share of the United States, which is the principal supplier, declined from 185 million lbs. in 1936 to 170 million lbs. in 1937; India's share, on the other hand, remained practically stationary during this period at 1.1 million lbs. Indian interests have suggested that an attempt should be made to arrive at an understanding or arrangement with British producers with a view to secure a progressive increase in exports of Indian tobacco to the United Kingdom. His Majesty's Government have responded to this demand by giving an undertaking under Article 5 of the Agreement that they will co-operate in any further measures that may appear necessary and practicable in order to facilitate the marketing of Indian unmanufactured tobacco in the United Kingdom. This is an important provision of the Agreement which adds considerably to the value of the tobacco preference. There is a large demand in the United Kingdom for all varieties of unmanufactured tobacco, while Indian production of Virginia tobacco for which that country offers a ready market has rapidly expanded during the last few years. The problem of improving the quality of the tobacco and of instituting better marketing arrangements is also receiving increasing attention. Tobacco has been included in the schedule to the Agricultural Produce (Grading and Marketing) Act. A tobacco association has been formed at Guntur and the sale of cured leaf on prescribed grades has been started. The co-operative scheme of experiments on flue-curing in the provinces and States and research on tobacco at the Guntur sub-station have made considerable progress. These measures taken in India, combined with the co-operation offered by His Majesty's Government, are likely to result in a further improvement in India's share of the United Kingdom trade.

(vi) *Woollen carpets and rugs.*

Margin of preference: 4s. 6d. per square yard on carpets, hand-made knotted; 20 per cent. *ad valorem* on other kinds. Free entry for Indian products.

The United Kingdom is India's largest market for hand-made woollen carpets and rugs. India's principal competitors in the market are Turkey, Iran and China: imports from Belgium into the United Kingdom are largely confined to machine-made carpets which do not compete directly with Indian manufactures. The relevant trade statistics are given below:

*Exports from India.*

(Q : 000 lbs. V : 000 Rs.)

Year	Country	Q.	V.	Total	Q.	V.
1935-36	United Kingdom.	7,034	60,32		9,347	80,65
1936-37	Do.	7,487	65,60	Do.	8,897	85,66
1937-38	Do.	8,373	76,20	Do.	11,061	1,01,70

*Imports into the United Kingdom.*

(Q : 000 sq. yds. V : 000 £.)

Year	India.	Belgium.	Turkey, Iran and China.
1935	Q. 1,658 V. 523	Q. 1,563 V. 237	Q. 551 V. 461
1936	Q. 1,597 V. 554	Q. 2,105 V. 353	Q. 634 V. 475
1937	Q. 1,803 V. 785	Q. 2,895 V. 475	Q. 769 V. 744

In 1932-33, *i.e.*, a year prior to the conclusion of the Ottawa Agreement, exports to the United Kingdom amounted to 4.2 million lbs. in quantity and Rs. 44.5 lakhs in value. In the next two years, as a result of the Agreement, exports rose rapidly, but in 1935-36, there was a marked decline in both quantity and value. The setback was, however, of a temporary nature and exports during 1936-37 and 1937-38 have again shewn a tendency to rise. India's relative position in the United Kingdom market for hand-made carpets has also steadily improved. In 1932, India supplied a little over 1 million square yards to the United Kingdom, as against 1.4 million square yards imported from non-Empire countries producing hand-made carpets. Within three years, India had increased her share to 1.6 million square yards, while the share of Turkey, Iran and China had declined to about  $\frac{1}{2}$  million. In the next three years India increased her share by a further 14 per cent. but during this period the share of other non-Empire countries producing hand-made carpets improved by about 37 per cent. India has, however, maintained her lead as the principal supplier of hand-made carpets to the United Kingdom and her share of the trade in all varieties of carpets and rugs is second only to that of Belgium. The preference has thus proved of considerable value to Indian exporters of hand-made carpets and rugs.

(vii) *Cotton manufactures.*

(viii) *Cotton yarn.*

Margin of preference: 10 per cent. *ad valorem* on cotton yarns, unbleached, up to No. 40 count; 20 per cent. *ad valorem* on cotton manufactures. Free entry for Indian products.

It will be convenient to deal with these two items together. Although the United Kingdom's share of the trade under both these heads is

negligible, considerable value is attached to the preference by Indian interests since it benefits an important manufacturing industry. The figures below show the trend of trade in certain selected lines in which exports to the United Kingdom have greatly increased in recent years. As the United Kingdom's share represents only a small proportion of total exports, it is not necessary to examine the figures relating to other countries.

*Exports from India.*

*Yarn up to 40's.*

(Q : 000 lbs. V : 000 Rs.)

1935-36	. . . . .	United Kingdom	. . . . .	Q.	182	V.	1,01
1936-37	. . . . .	Do.	. . . . .	Q.	150	V.	53
1937-38	. . . . .	Do.	. . . . .	Q.	957	V.	[4,91

*Handkerchiefs and shawls in the piece.*

(Q : 000 No. V : 000 Rs.)

1935-36	. . . . .	United Kingdom	. . . . .	Q.	355	V.	12,24
1936-37	. . . . .	Do.	. . . . .	Q.	481	V.	15,58
1937-38	. . . . .	Do.	. . . . .	Q.	488	V.	17,86

*Coloured piecegoods.*

(Q : 000 yds. V : 000 Rs.)

1935-36	. . . . .	United Kingdom	. . . . .	Q.	164	V.	49
1936-37	. . . . .	Do.	. . . . .	Q.	136	V.	44
1937-38	. . . . .	Do.	. . . . .	Q.	555	V.	2,10

*All cotton manufactures, including yarn.*

(V : 000 Rs.)

1935-36	. . . . .	United Kingdom	. . . . .	V.	13,30
1936-37	. . . . .	Do.	. . . . .	V.	16,70
1937-38	. . . . .	Do.	. . . . .	V.	20,30

*Imports into the United Kingdom.*

*All cotton manufactures, including yarn.*

(V : 000 £.)

1935	. . . . .	India	. . . . .	V.	45	Total	. . . . .	V.	2,382
1936	. . . . .	Do.	. . . . .	V.	110	Do.	. . . . .	V.	2,834
1937	. . . . .	Do.	. . . . .	V.	132	Do.	. . . . .	V.	3,428

Exports have increased under all the principal heads and India's share of imports into the United Kingdom has also improved from 1.5 to 8.8 per cent. The preference has been of marked benefit to the trade, but its real significance lies mainly in the fact that it applies to the

product of a manufacturing industry and has enabled India to extend her sales of certain varieties of cotton manufactures in a country which is the world's principal producer of textile goods.

(ix) *Chrome leather.*

Margin of preference: 15 per cent. *ad valorem* on leather dressed, *vis.*, box and willow calf, box and willow sides, and other chrome tanned calf, kip and hide leather, but not patent leather; also on certain varieties of reptile leather. Free entry for Indian product.

This is a new item to which a guaranteed preference has been extended under Article 2 of the Agreement. Under the old Agreement dressed leather of Empire origin was entitled to free admission, but there was no guarantee of preference. The duty on foreign goods had, however, been raised to 30 per cent. *ad valorem* in the interests of the British industry. The preference so obtained has proved of great value not only to British, but also to Indian tanners and has led to a remarkable increase in exports of chrome leather from India to the United Kingdom. The figures below give some indication of the trend of trade:

*Exports from India.*

(V : 000 Rs.)

1934-35	.	.	.	United Kingdom	.	.	.	V.	16,06
1935-36	.	.	.	Do.	.	.	.	V.	26,30
1936-37	.	.	.	Do.	.	.	.	V.	43,41
1937-38	.	.	.	Do.	.	.	.	V.	58,39

*Imports into the United Kingdom.*

*Chrome calf upper leather.*

(Q : 000 sq. ft. V : 000 £.)

1934	.	India	.	Q.	533	V.	18	Total	.	Q.	35,964	V.	14,59
1935	.	Do.	.	Q.	1,076	V.	30	Do.	.	Q.	50,446	V.	20,74
1936	.	Do.	.	Q.	1,868	V.	59	Do.	.	Q.	36,049	V.	16,42
1937	.	Do.	.	Q.	4,237	V.	1,53	Do.	.	Q.	23,246	V.	11,52

*Other chrome upper leather.*

(Q : 000 sq. ft. V : 000 £.)

1934	.	India	.	Q.	4,041	V.	1,06	Total	.	Q.	13,226	V.	4,34
1935	.	Do.	.	Q.	6,517	V.	1,68	Do.	.	Q.	16,587	V.	4,89
1936	.	Do.	.	Q.	9,315	V.	2,68	Do.	.	Q.	24,595	V.	8,20
1937	.	Do.	.	Q.	8,443	V.	2,86	Do.	.	Q.	21,420	V.	8,22

The benefit which has accrued to India's export trade from this preference is clear from the above figures. The value of exports to the United Kingdom has increased by over 350 per cent. within four years. India's share of the United Kingdom trade has also shown a remarkable expansion. In 1934 total exports from India amounted to 4.5 million square feet, or 9 per cent. of imports into the United Kingdom. By 1937, India's share of the trade had increased to 12.7 million square feet, or

over 28 per cent. of the United Kingdom imports. Between 1935 and 1937 imports of boxed willow calf from Germany into the United Kingdom declined from 28,787 cwt. to 6,201 cwt; imports from Canada which also enjoys the preference rose from 6,444 cwt. in 1935 to 10,145 cwt. in 1936, but fell to 5,989 cwt. in 1937. India's gain was, therefore, at the expense not only of a foreign but also of an Empire country.

(x) *Coir yarn and mats and matting.*

Margin of preference: 10 per cent. *ad valorem* on coir yarn; 20 per cent. *ad valorem* on coir mats and matting. Free entry for Indian goods.

The United Kingdom is India's largest market for coir manufactures of all descriptions. India holds a practical monopoly of the trade in coir mats and matting, but encounters some competition from Ceylon in certain branches of the yarn trade. There is a considerable trade in these articles from Travancore and the figures for that State have to be included in the British Indian returns to arrive at the total exports from India.

*Exports from India.*

(Q : 000 cwts. V : 000 Rs.)

1935-36	United Kingdom.	Q.	468	V.	95,07	Total	Q.	1,211	V.	1,85,93
1936-37	Do.	Q.	502	V.	99,04	Do.	Q.	1,154	V.	1,81,98
1937-38	Do.	Q.	439	V.	90,10	Do.	Q.	1,266	V.	1,87,40

*Imports into the United Kingdom.*

*Coir mats and matting.*

(V : 000 £.)

1935	India	V.	541	Total	V.	548
1936	Do.	V.	605	Do.	V.	612
1937	Do.	V.	632	Do.	V.	641

(Separate figures of imports of coir yarn from India are not available).

Prior to the grant of preference Belgium enjoyed a substantial share of the trade in mats and matting. During the last few years, with the aid of the preference, foreign competition has been totally eliminated and India has become the sole supplier of coir manufactures to the United Kingdom. In the yarn trade, however, Ceylon is an important competitor, but India supplies the bulk of the imports: foreign competition has disappeared as completely from this branch of the trade as from all others. The preference ensures that the Colonial product will enjoy no tariff advantage over the Indian and is therefore of great potential value to Indian exporters.

## II. IMPORTS.

The reduced value of the general preferences accorded to the United Kingdom under the Agreement has been briefly referred to in Part I of the Report. It has been pointed out that the total value of imports from the United Kingdom of commodities subject to preference under Article 9



of the Agreement is approximately Rs. 7,68 lakhs. In 1935-36, imports from the United Kingdom of commodities subject to preference under the old Agreement were valued at approximately Rs. 18,75 lakhs. If the figures are adjusted to exclude Burma imports, the value of preferences withdrawn from the United Kingdom is reduced to approximately Rs. 10 crores. The number of tariff items on the preferential list has been reduced from 106 to only 20, of which 19 are old items and one, *viz.*, motor cycles, is new. In Schedule F to the old Agreement the preferences were grouped under 163 sub-heads according to their specification in the Sea-borne Trade Returns. The number has now been reduced to 43, including the new sub-head relating to motor cycles. From Schedule G, all items subject to preference, except cotton fents, have now been omitted: items liable to differential duty, however, *e.g.*, art silk or silk manufactures, remain untouched. The heads under which the new preferences are grouped are (1) building materials, (2) chemical and chemical preparations, (3) drugs and medicines, (4) instruments, etc., and parts thereof, (5) liquors, including denatured and perfumed spirits, (6) machinery and millwork, (7) meta's and ores, (8) paints and painters' material, (9) wool manufactures, (10) vehicles and (11) cotton manufactures. Preferences under other heads, of which some, *e.g.*, liquors, paper and paste-board, provisions, toilet requisites, hardware and rubber manufactures, are of considerable importance, have not been continued. Moreover, even under the heads which have been retained, the scope of preference has been greatly restricted. Thus under metals and ores, only five sub-heads relating to copper and two to iron and steel are included in the new Schedule: in the old Schedule there were 18 sub-heads falling under this one major head alone. Under instruments, etc., only 11 sub-heads have been retained out of a total of 21 included in the old Schedule: under wool, 4 sub-heads have been excluded and only 3 have been retained, while under building materials only 1 out of 5 sub-heads has been included in the new Schedule of preferences. Finally, certain drastic modifications have been made in the new preferential tariff items. Under chemicals, drugs and medicines (tariff item 28), preference has been withdrawn from certain acids, anhydrous ammonia, potassium bichromate and other potassium compounds, sodium bichromate, sodium cyanide and sodium carbonate. These items together accounted for a total trade of the value of Rs. 92 lakhs in 1937-38. Under electrical instruments, apparatus and appliances, other sorts (tariff item 73), preference has not been accorded to batteries, accumulators and electro-medical apparatus: the value of the trade in these items in 1937-38 amounted to nearly Rs. 89 lakhs. Under instruments other than electrical (tariff item 77) preference has been withdrawn from surgical, philosophical and scientific instruments which in 1937-38 accounted for imports of the value of Rs. 32 lakhs.

In terms of value, it is clear that these preferences are less substantial than those accorded to the United Kingdom under the Ottawa Agreement. A brief analysis of the relative importance of each concession may now be attempted: the preferences have been grouped under 10 trade heads and it will be convenient to follow the same classification in examining the value of individual concessions. The largest single head is vehicles which covers 4 tariff items and 6 trade sub-heads. Goods falling in these categories are not manufactured

in India and no domestic industry is affected by the concession; nor has the preference had an adverse effect on trade with other countries which has continuously expanded. Under motor cars, imports from the United Kingdom increased in value from Rs. 1,20 lakhs in 1935-36 to Rs. 1,21 lakhs in 1936-37 and Rs. 1,36 lakhs in 1937-38; imports from other countries declined from Rs. 1,53 lakhs in 1935-36 to Rs. 1,41 lakhs in 1936-37, but rose in the following year to Rs. 2,05 lakhs. The United Kingdom's share of the trade has, however, fallen from 52 per cent. in the 3 years ending 1935-36 to 40 per cent. in 1937-38. Under motor omnibuses, chassis, and parts of mechanically propelled vehicles, imports from the United Kingdom remained stationary at Rs. 45 lakhs in 1935-36 and 1936-37, but increased to Rs. 76 lakhs in 1937-38; imports from other countries, however, rose steadily from Rs. 1,05 lakhs in 1935-36 to Rs. 1,19 lakhs in 1936-37 and Rs. 1,90 lakhs in 1937-38. The United Kingdom's share of the trade in 1937-38 was 29 per cent., as against 22 per cent. under motor omnibuses and 42 per cent. under parts in the 3 years ending 1935-36. Similarly, under cycles and parts of cycles, while imports from the United Kingdom have shown a gradual rise from Rs. 79 lakhs in 1935-36 to Rs. 88 lakhs in 1937-38, imports from other countries have also increased steadily from Rs. 26 to Rs. 31 lakhs. Separate figures are not available under this head showing variations in the proportionate share of India's total imports held by the United Kingdom.

As stated already, under chemicals and chemical preparations (excluding chemical manures and medicines) certain important exceptions have been made from the preferential list which are likely to benefit the Indian consumer. As regards the remaining items falling under this head, there has been a definite increase in imports from all countries, in spite of the preference enjoyed by the United Kingdom. Thus, imports from the United Kingdom fell from Rs. 1,33 lakhs in 1935-36 to Rs. 1,27 lakhs in 1936-37, but rose to Rs. 1,62 lakhs in 1937-38. Imports from other countries declined from Rs. 1,43 lakhs in 1935-36 to Rs. 1,40 lakhs in 1936-37 but increased to Rs. 1,83 lakhs in 1937-38. In the 3 years ending 1935-36, the United Kingdom's share of imports of all classes of chemicals and chemical preparations falling under this head (including the items now omitted) was 56 per cent.; in 1937-38 her share under the restricted head had fallen to a little over 49 per cent. The same tendency is noticeable under the two allied heads, *viz.*, drugs and medicines and spirit present in drugs, medicines and chemicals. Total imports from the United Kingdom under these heads remained stationary at Rs. 15 lakhs in 1935-36 and 1936-37, but rose to Rs. 15.5 lakhs in the following year; imports from other countries declined slightly from Rs. 20 lakhs in 1935-36 to Rs. 19.5 lakhs in 1936-37, thereafter rising to Rs. 22 lakhs. Separate figures under these heads are not available showing changes in the proportionate share of the total trade falling to the United Kingdom.

A wide range of goods is included under the head electrical instruments, apparatus and appliances, but the items omitted from this head are important. These omissions which have been made in the interests of the consumer have greatly restricted the scope of the preference. Total imports of goods liable to preferential assessment under tariff items 73 and 73.(1) have shown a distinct tendency to expand; imports from the United Kingdom fell from Rs. 1,19 lakhs in 1935-36 to Rs. 1,16 lakhs

in 1936-37, but rose in the following year to Rs. 1,32 lakhs; imports from foreign countries, on the other hand, increased from Rs. 75 lakhs in 1935-36 to Rs. 77 lakhs in 1936-37 and Rs. 93 lakhs in 1937-38. Wireless reception instruments, etc., which are assessable under tariff item 73 (4) have also recorded a steady increase: imports from the United Kingdom rose from Rs. 4 lakhs in 1935-36 to Rs. 9 lakhs in 1937-38, the corresponding figures for other countries being Rs. 18 and Rs. 24 lakhs. As regards instruments, apparatus and appliances, other than electrical, it has already been pointed out that three important items have been omitted from the new preferential head. Imports of goods falling under the restricted head (tariff item 77) have not shewn any marked expansion, but this tendency is shared by all sources of supply. Thus, while imports from the United Kingdom declined from Rs. 33 lakhs in 1935-36 to Rs. 32 lakhs in 1936-37, rising in the following year to Rs. 39 lakhs, imports from other countries fell from Rs. 33 to Rs. 27 lakhs in the first two years, rising in 1937-38 to Rs. 33 lakhs. Variations in the United Kingdom's relative share of imports under these heads are not readily ascertainable.

In the metals and ores group, the number of preferential items has been reduced to three, viz., (a) iron or steel hoops and strips [tariff item 63 (14)]; (b) iron or steel barbed or stranded wire and wire rope [tariff item 63 (24)]; and (c) copper, wrought, and manufactures of copper, not otherwise specified (tariff item 64). Under (a), imports from the United Kingdom have increased in value from Rs. 20 lakhs in 1935-36 to Rs. 38 lakhs in 1937-38, and imports from other countries have also increased from Rs. 36 to Rs. 47 lakhs. The United Kingdom's share of India's total imports has risen from 40 per cent. in the 3 years ending 1935-36 to 44 per cent. in 1937-38. Under (b), United Kingdom imports have increased in value from Rs. 12 lakhs in 1935-36 to Rs. 24 lakhs in 1937-38, while foreign imports have declined steadily from Rs. 17 to Rs. 12 lakhs. The United Kingdom's share of the trade was only 19 per cent. in the 3 years ending 1935-36, but it has now increased to over 66 per cent. As regards (c), while imports from the United Kingdom fell from Rs. 31 lakhs in 1935-36 to Rs. 22 lakhs in 1936-37, thereafter rising to Rs. 45 lakhs, imports from other countries declined from Rs. 55 lakhs to Rs. 32 lakhs in the first two years, but rose to Rs. 41 lakhs in 1937-38. The United Kingdom's relative share has improved from 40 per cent. in the 3 years ending 1935-36 to over 50 per cent. in 1937-38.

Paints, colours and painters' materials which are subject to preference fall under two tariff items, viz., items 30 and 30 (2). Imports into India consist mainly of enamels, prepared; red lead; white lead; zinc white; and paints, other sorts. Competition with the products of Indian industry is negligible as imports from the United Kingdom are largely confined to high-grade specialities. Total imports from the United Kingdom under both these heads have increased in value from Rs. 47 lakhs in 1935-36 to Rs. 50 lakhs in 1937-38, while imports from other countries during the same period have also increased from Rs. 31 to Rs. 33 lakhs. The United Kingdom's share of the trade has, however, declined from 65 per cent. in the 3 years ending 1935-36 to 60 per cent. in 1937-38. Under tariff item 72 (6), the only class of goods which remains subject to preference is sewing and knitting machines, including parts thereof. Imports from the United Kingdom have shewn a slight increase from Rs. 44 lakhs in 1935-36

to Rs. 48 lakhs in 1937-38, but foreign imports have recorded a marked expansion from Rs. 21 to Rs. 33 lakhs. The United Kingdom's relative share of the trade has fallen from 73 per cent. in the 3 years ending 1935-36 to a little over 58 per cent. in 1937-38.

The principal classes of goods falling under tariff item 49 (4) are woollen carpets, floor rugs and shawls. Blankets and rugs of foreign (mainly Japanese) origin compete directly with Indian products, but preference has not been extended to such goods. Woollen carpets, floor rugs and shawls are manufactured in India, but imports from the United Kingdom are mainly confined to certain non-competitive grades. Total imports from the United Kingdom have been almost stationary during the last 3 years, the value being only Rs. 3 lakhs. Imports from foreign countries, on the other hand, have increased from Rs. 21 lakhs in 1935-36 to Rs. 30 lakhs in 1937-38. In the 3 years ending 1935-36, the United Kingdom's share of the trade in carpets and floor rugs was 72 per cent. and in shawls only 1 per cent. : in 1937-38, the total share of the United Kingdom under all heads was 9 per cent. The fent trade is subject to special conditions owing to the restrictions imposed on Japanese imports. United Kingdom imports have increased in value from Rs. 10 lakhs in 1935-36 to Rs. 16 lakhs in 1937-38 and the United Kingdom's share of total imports has tended to increase with the fall in Japanese imports. As regards the remaining items on the preferential list, *viz.*, domestic refrigerators and cement, not otherwise specified, imports under these heads are of negligible value. The United Kingdom's share of the trade in refrigerators has shewn a declining tendency, but in the case of cement, not otherwise specified, it has registered a slight increase.

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**PART III.**

**Appendices.**

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## APPENDIX I.

TRADE AGREEMENT BETWEEN HIS MAJESTY'S GOVERNMENT  
IN THE UNITED KINGDOM AND THE GOVERNMENT OF INDIA,  
1939.

His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland and the Government of India, having resolved, so far as the relations between them are concerned, to replace by the present Agreement the Agreement concluded between them at Ottawa on 20th August, 1932, have agreed upon the following provisions :—

*Article 1.*

His Majesty's Government in the United Kingdom undertake that goods grown, produced or manufactured in India and consigned from any part of the British Empire which are now free of duty shall continue to enjoy entry free of customs duty into the United Kingdom.

*Article 2.*

His Majesty's Government in the United Kingdom undertake in respect of the goods the growth, produce or manufacture of India enumerated in Schedule I to this Agreement that the difference between the rates of the duties of customs on such goods on importation into the United Kingdom when consigned from any part of the British Empire and the rates upon similar goods the growth, produce or manufacture of any foreign country shall not be less than the rates set out in that schedule.

*Article 3.*

His Majesty's Government in the United Kingdom undertake that, in the event of any greater preference than the preference accorded by this Agreement being accorded in respect of goods of the kinds specified in Schedule I the growth, produce or manufacture of any other part of the British Empire, such greater preference will be extended to similar goods grown, produced or manufactured in India and consigned from any part of the British Empire.

*Article 4.*

His Majesty's Government in the United Kingdom undertake to maintain, until the 19th August, 1942, for tobacco grown, produced or manufactured in India and consigned from any part of the British Empire the existing margin of preference over foreign tobacco, so long, however, as the duty on foreign unmanufactured tobacco does not fall below 2s. 0½d. per pound, in which event the margin of preference shall be equivalent to the full duty.

*Article 5.*

His Majesty's Government in the United Kingdom recognise the importance attached by the Government of India to the development of the use of unmanufactured Indian tobacco by tobacco manufacturers in the United Kingdom, and undertake that they will co-operate in any further measures that may appear necessary and practicable in order to facilitate the marketing of such tobacco in the United Kingdom.

*Article 6.*

(1) His Majesty's Government in the United Kingdom undertake that on and after the 15th August, 1939, drawback of duty shall not be allowed in the case of goods other than linseed oil, unmixed, manufactured in the United Kingdom and exported or shipped as stores therefrom in respect of linseed used in the manufacture of such goods. For the purposes of this Article "linseed oil" includes linseed oil refined or heat-treated or both refined and heat-treated, and "unmixed" means not mixed with any substances other than driers.

(2) His Majesty's Government in the United Kingdom undertake that on and after the 15th August, 1939, drawback shall not be allowed in the case of groundnut oil (hydrogenated or not) manufactured in the United Kingdom and exported or shipped as stores therefrom in respect of ground-nuts used in the manufacture of such oil.

*Article 7.*

His Majesty's Government in the United Kingdom undertake that the goods specified in Schedule II to this Agreement, of whatever origin and from whatever place arriving, shall be admitted into the United Kingdom free of customs duty.

*Article 8.*

The Governments of the non-self-governing colonies, the Protectorates and Protected States will accord to India any preference which may for the time being be accorded to any other part of the British Empire, and the Governments of the Colonies and Protected States shown in Schedule III to this Agreement will accord to India preferences on the commodities and at the rates shown therein.

Provided that the operation of the first paragraph of this Article shall not extend to any preferences accorded by Northern Rhodesia to the Union of South Africa, Southern Rhodesia and the High Commission Territories in South Africa.

Provided also that in the case of Ceylon the first paragraph of this Article shall apply only so far as is consistent with the terms of Article 13 of this Agreement.

*Article 9.*

The Government of India undertake, in respect of goods the growth, produce or manufacture of the United Kingdom of the kinds specified in Schedule IV to this Agreement, which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties, that the difference between the rates of customs duties on such goods on importation into India and the rates upon similar goods the growth, produce or manufacture of any foreign country shall not be less than the margins set out in that schedule.

*Article 10.*

1. In this Article —

The expression "cotton year" means a year beginning on the 1st January.

The expression "cotton piece goods year" means a year beginning on the 1st April.

A cotton piece goods year and the cotton year in which that cotton piece goods year begins are referred to as "corresponding"; and the expression "the following cotton piece goods year" means in relation to a cotton year the cotton piece goods year beginning on the 1st April next after the end of that cotton year.

The word "yard" means a linear yard.

The word "bale" means the weight of lint cotton contained in the standard Indian bale of gross weight 400 lb. and nett weight 392 lb.

The expression "United Kingdom cotton piece goods" means fabrics manufactured in the United Kingdom of the kinds which, at the date of the signature of this Agreement, were assessable to duty on import into British India under item 48 (3) or item 48 (9) of the First Schedule to the Indian Tariff Act, 1934, at the rates applicable to fabrics of British manufacture.

The expression "Indian raw cotton" means raw cotton grown in India.

2. His Majesty's Government in the United Kingdom undertake that they will continue to use all possible efforts in co-operation with commercial interests to stimulate the consumption of Indian cotton in all possible ways, including technical research, commercial investigation, market liaison and industrial propaganda. They have taken note that it is the desire of cotton growers in India that as much as possible of their production of short and fair staple varieties of cotton should be absorbed in the United Kingdom. They have also taken note, and invite the Government of India to take note, that the Lancashire Indian Cotton Committee, set up by His Majesty's Government in the United Kingdom to stimulate the consumption of Indian cotton, have expressed their sympathy with that desire and their intention to take all practicable steps to assist in its fulfilment. It is recognised that the fulfilment of the foregoing objectives largely depends on the continued pursuit by all interests concerned in India of the policy of improving the quality and staple of Indian cotton exported to the United Kingdom by all practicable means.

3. From the entry into force of this Agreement the customs duties charged on imports into India of United Kingdom cotton piece goods shall not, save as provided in paragraphs 5 and 7, exceed the following rates, hereinafter referred to as the basic rates, namely:—

(a) Printed goods . . . . .	17½ per cent <i>ad valorem</i> .
(b) Grey goods . . . . .	15 per cent. <i>ad valorem</i> or 2 s. 7½ pies per lb. whichever is higher.
(c) Other goods . . . . .	15 per cent. <i>ad valorem</i> .

4. If in any cotton piece goods year the total quantity of United Kingdom cotton piece goods imported into India does not exceed 350 million yards the duties charged on imports of such goods into India after the end of that year and until the end of any cotton piece goods year in which the total quantity of such goods imported into India exceeds 425 million yards shall not exceed the basic rates reduced by 2½ per cent. *ad valorem*, and a proportionate reduction shall apply to the alternative specific duty on United Kingdom grey cotton piece goods.

5. If in any cotton piece goods year the total quantity of United Kingdom cotton piece goods imported into India exceeds 500 million yards, the duties charged on imports of such goods into India in the following cotton piece goods year may be increased above the basic rates to such rates as may be deemed necessary for the purpose of restricting imports of such goods during the year to the "maximum yardage figure" for the preceding cotton piece good year.



but shall be reduced to the basic rates (or, where the provisions of paragraph 4 are applicable, in accordance with those provisions) after the end of any cotton piece goods year in which the total quantity of such imports into India has not exceeded 425 million yards.

The expression "maximum yardage figure" for any cotton piece goods year means 500 million yards, or, for a year corresponding to a cotton year in which there is a deficiency, as defined in paragraph 6, 500 million yards reduced by the appropriate figure in accordance with the provisions of paragraph 6.

6. For the purpose of determining the appropriate rates of duty to be charged on United Kingdom cotton piece goods under this Article, the quantity of United Kingdom cotton piece goods actually imported into India in any cotton piece goods year corresponding to a cotton year in which there is a deficiency shall be deemed to have been increased by 25 million yards for every 50,000 bales of the deficiency or for any part thereof, provided that the deficiency does not exceed 100,000 bales in the cotton year ending 31st December, 1939, and 150,000 bales in any subsequent cotton year.

The word "deficiency" means the amount by which imports of Indian raw cotton into the United Kingdom fall below the following quantities :—

	Bales.
For the cotton year ending 31st December, 1939 . . . . .	500,000
For the cotton year ending 31st December, 1940 . . . . .	550,000
For every subsequent cotton year . . . . .	600,000

7. Notwithstanding anything contained in the preceding paragraphs if the imports of Indian raw cotton into the United Kingdom fall below 400,000 bales in the cotton year ending 31st December, 1939, or in the cotton year ending 31st December, 1940, and 450,000 bales in any other cotton year, the duties charged on imports of United Kingdom cotton piece goods into India in the following cotton piece goods year may be increased above the basic rates to such extent as the Government of India may, after consultation with His Majesty's Government in the United Kingdom, determine.

8. (1) If in any cotton year the quantity of Indian raw cotton imported into the United Kingdom exceeds 750,000 bales, the rate of duty charged on United Kingdom printed cotton piece goods imported into India in the following cotton piece goods year shall not exceed the duty charged in that year on other United Kingdom cotton piece goods imported into India.

(2) If in any cotton piece goods year in which a reduction in duty on the United Kingdom printed cotton piece goods takes effect under the provisions of this paragraph, or in any following cotton piece goods year in which the same reduction remains in force, the quantity of United Kingdom printed cotton piece goods imported into India is in excess of the quantity of such goods so imported in the cotton piece goods year immediately preceding that in which the said reduction first took effect, such excess up to a quantity of 25 million yards shall not be taken into account for the purposes of determining whether or not the figure of 425 million yards specified in paragraph 4 of this Article or the figure of 500 million yards specified in paragraph 5 of this Article has been exceeded.

9. For the purpose of calculating imports in any cotton year or cotton piece goods year under this Article there shall be deducted the amount of re-exports from the United Kingdom of Indian raw cotton in that year and

the amount of re-exports from India of United Kingdom cotton piece goods in that year.

10. Any alteration of the duties charged on United Kingdom cotton piece goods imported into India which falls due to be made under the provisions of this Article shall come into effect not later than the 17th April of the cotton piece goods year to which it relates, and the relative provisions of this Article shall be deemed to have been duly fulfilled if such alteration takes effect on or before that date.

*Article 11.*

The Government of India undertake to accord to the non-self-governing Colonies, the Protectorates and Protected States and the Mandated Territories of Tanganyika, the Cameroons under British Mandate and Togoland under British Mandate preferences on the commodities which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties and at the rates shown in Schedule V to this Agreement, and also any preferences for the time being accorded to any part of the British Empire other than Burma if His Majesty's Government in the United Kingdom so request.

Provided that the Government of India shall not be bound to accord any preference to Ceylon except as provided in Article 13 of this Agreement.

Provided further that the Government of India shall not be bound to continue to accord any preferences to any Colony, Protectorate or Protected State which, not being precluded by international obligations or in the case of Nigeria by the declared policy of His Majesty's Government in the United Kingdom from according preferences, either (i) accords to India no preferences or (ii) accords to some other part of the British Empire (in the case of Northern Rhodesia, excepting the Union of South Africa, Southern Rhodesia and the High Commission Territories in South Africa) preferences not accorded to India.

*Article 12.*

The Government of India undertake to accord to goods the growth, produce or manufacture of any of the non-self-governing Colonies, the Protectorates and Protected States and the Mandated Territories of Tanganyika, the Cameroons under British Mandate, Togoland under British Mandate and Palestine, treatment not less favourable than that accorded to similar goods the growth, produce or manufacture of any foreign country.

*Article 13.*

1. The Government of India will, as soon as may be after the conclusion of this Agreement, enter into negotiations with the Government of Ceylon regarding the trade relations between India and Ceylon.

2. The Government of Ceylon will continue in force during the interim period the preferences at present accorded to India as set out in Schedule III to this Agreement, and the Government of India will continue to accord during the interim period

- (a) to Ceylon the preferences to be accorded under Article 11; and
- (b) to Ceylon and to the Colonies, Protectorates, Protected States and Mandated Territories to which preferences are to be accorded under Article 11; preferences at the rates shown in Schedule VI

to this Agreement on the commodities named in that Schedule which comply with the laws and statutory regulations for the time being in force defining Empire goods for the purpose of customs duties.

3. In this Article the expression "the interim period" means a period ending on the date on which any Agreement between the Government of India and the Government of Ceylon resulting from the negotiations heretofore mentioned comes into effect or a period of six months from the date on which the present Agreement comes into effect, whichever is the shorter. Provided that if it appears likely that the said negotiations will be protracted beyond the said period of six months, His Majesty's Government in the United Kingdom and the Government of India shall consider in consultation whether the interim period should be extended.

*Article 14.*

His Majesty's Government in the United Kingdom undertake to extend to India any tariff preferences which are, or may be, accorded to Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa, Eire, Newfoundland, Southern Rhodesia or Burma and the Government of India undertake to extend to the United Kingdom any tariff preferences which are or may be accorded to Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa, Eire, Newfoundland or Southern Rhodesia.

*Article 15.*

In the event of circumstances arising which, in the judgment of His Majesty's Government in the United Kingdom or of the Government of India, as the case may be, necessitate a variation in the terms of this Agreement, the proposal to vary its terms shall be the subject of consultation between the two Governments.

*Article 16.*

This Agreement shall come into force on a date to be mutually agreed between the two Governments. On the coming into force of the present Agreement, the Agreement concluded between His Majesty's Government in the United Kingdom and the Government of India at Ottawa on the 20th August, 1932, shall cease to have effect between the United Kingdom and India. Pending the coming into force of the present Agreement, the two Governments will apply its provisions as far as may be possible. The present Agreement shall continue in force until the 31st March, 1942. Unless six months before the 31st March, 1942, notice of termination shall have been given by either Government to the other, the Agreement shall remain in force until the expiry of six months from the date on which a notice of termination is given.

Done in duplicate at.....  
this.....day of.....1939.

Signed on behalf of His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland .....

Signed on behalf of the Government of India.  
.....

## SCHEDULE I.

(a) Preferences at a rate of 10 per cent. *ad valorem* :—

Bones.

Castor seed.

Coir yarn.

Cotton yarns, unbleached, up to No. 40 count.

Goatskins, raw, dried, salted or pickled, but not further treated, of varieties supplied by India to the United Kingdom.

Gram or chick pea.

Ground-nuts.

Hardwoods, hewn or sawn, the following :—

*Indian hardwoods.*

*Tectona grandis* (teak).

*Dipterocarpus* species (gurjun).

*Terminalia crenulata* (also known as *Terminalia tomentosa*) (laurel).

*Terminalia bialata* (silver greywood).

*Dalbergia latifolia* (rosewood or Bombay blackwood).

*Diospyros* species (ebony, including Andaman marblewood).

*Pterocarpus dalbergioides* (Andaman padauk).

*Chloroxylon swietenia* (satinwood).

*Canarium euphyllum* (white dhup).

*Santalum album* (sandalwood).

*Albizia lebbek* (kokko).

*Similar foreign hardwoods.*

*Tectona grandis* (teak).

*Chlorophora excelsa* (iroko or "African teak").

*Hopea*, *Shorea*, *Parashorea* and *Pentacme* species (yakal, bangkirai and lauan).

*Dipterocarpus* species (apitong, bagac, keruing, yang and dau).

*Dryobalanops* species (kapur, kamfer or Borneo camphorwood).

*Terminalia crenulata* (also known as *Terminalia tomentosa*) (laurel).

*Terminalia superba* (frake, limba, limbo or noyer du Mayombe).

*Dalbergia nigra* (Brazilian rosewood).

*Diospyros* species (ebony).

*Pterocarpus* species (padauk).

*Zanthoxylum flavum* (satinwood).

*Canarium* species.

*Santalum* species (sandalwood).

Leather, undressed-hides, other than sole leather.

Leather, undressed-skins.

Linseed.  
 Magnesite.  
 Oil-seed cake and meal.  
 Paraffin wax.  
 Sandalwood oil.  
 Soya beans.  
 Spices, the following—

Pepper, ginger and cardamoms.

(b) Preferences at a rate of 15 per cent. *ad valorem*—

Castor oil, linseed oil, coconut oil, ground-nut oil, rape oil and sesamum oil.

Granite setts and curbs.¶

Leather dressed :—

(i) Box and willow calf, box and willow sides, and other chrome-tanned calf, kip and hide leather, but not patent leather or machinery belting.

(ii) Reptile leather of the following descriptions :—

Snake, lizard, crocodile and alligator skins, not shaped or subjected to any process other than dressing or dressing and colouring.

Manufactures wholly of jute, the following :—

Cordage, cables, ropes and twine (including polished, starched or glazed singles, and all multiples).

(c) Preferences at a rate of 20 per cent. *ad valorem*—

Coir mats and matting.

Manufactures wholly of cotton, the following :—

(i) Tissues and like materials.

(ii) Household goods and similar articles for non-domestic use.

(iii) Blankets, shawls, coverlets and travelling rugs.

(iv) Handkerchiefs.

Manufactures wholly of jute, the following :—

(i) Tissues not made up (not including rags).

(ii) Sacks and bags of a shape similar to sacks.

(d) Preference at a specific rate of 1s. per cwt.—

Magnesium chloride.

(e) Preference at a specific rate of 9s. 4d. per cwt.—

Coffee.

(f) Preference at a specific rate of 2d. per lb.—

Tea.

## (g) Preferences at a specific rate of 2/3d. per lb.—

Rice, husked, including cargo rice and cleaned rice whole, but not including broken rice.

Rice in the husk.

## (h) Preferences at the undermentioned rates—

Carpets, carpeting and floor rugs, wholly or partly of wool, and not containing any silk or artificial silk :—

(i) hand made, knotted . . . . 4s. 6d. per sq. yd. exclusive of fringes.

(ii) Other kinds . . . . . 20 per cent. *ad valorem*.

## SCHEDULE II.

Shellac, seed lac, stick lac and other varieties of these lacs.

Jute, raw.

Myrabolams.

Mica slabs and splittings.

Hemp of the variety *crotalaria juncea*, not further dressed after scutching or decorticating; tow of such variety of hemp.

## SCHEDULE III.

## (1) Ceylon—

(a) At a rate of not less than 5 per cent. *ad valorem*—

Cotton piece goods.

Fruit, dried or otherwise preserved without sugar (except canned fruit and currants, dates and raisins).

Tanks and drums of iron and steel, black painted or galvanised.

(b) At a rate of not less than 10 per cent. *ad valorem*—

Cotton yarn.

Fruit fresh, dried or otherwise preserved, except currants and except those fruits to which a preference of not less 5 per cent. *ad valorem* applies under Section (1) (a) of this Schedule.

Iron and steel, including machinery other than oil pressing and refining, but excluding the following :—

Tea chest fittings.

Sheets and circles declared to be imported for the purpose of manufacturing drums for the export of Ceylon produce.

Plain plates and sheets, flat or corrugated, not fabricated.

Expanded metal and other materials for reinforcement, not fabricated.

Rolled angles, bulbs, channels, shapes and sections, H iron, girders, tees, beams, joists, pillars and rails, not fabricated.

Bars, rods and slabs including blister, jumper and tool steel, not fabricated.

Staples and wire nails.  
 Unwrought metal (including pig-iron).  
 Tanks and drums, black painted or galvanised.  
 Vegetables preserved or tinned, but not dried.  
 Pig lead, except lead sheets, tea lead or foil.  
 Teak and other hardwoods (excluding manufactures thereof).  
 Perfumery, cosmetics, powder and toilet preparations (except perfumed spirits).  
 Apparel of woollen, silk and artificial silk and mixed material.  
 Boots and shoes (other than canvas, rubber-soled).  
 Woollen carpets and rugs.

(c) At specific rates—

Vegetables fresh or dried (including fresh chillies but excluding onions, potatoes and garlic)	At the rate of 1 rupee per cwt.
Beans . . . . .	At the rate of 50 cents per cwt.
Tea . . . . .	At the rate of 12½ cents per lb.
Beedies . . . . .	At the rate of 50 cents per lb. gross weight.
Cigars . . . . .	At the rate of 75 cents per lb.
Snuff . . . . .	At the rate of 50 cents per lb.
Hooka and beedy tobacco . . . . .	At the rate of 30 cents per lb.
Cigarettes . . . . .	At the rates per lb. specified below as against cigarettes manufactured in foreign countries.

(i) Manufactured in the British Empire from Empire-grown tobacco—

- (a) Sold wholesale at not more than Rs. 11 per lb. nett . . . . . Rs. 2.  
 (b) Sold wholesale at more than Rs. 11 per lb. nett . . . . . Re. 1.

(ii) Manufactured in the British Empire from foreign tobacco—

- (a) Sold wholesale at not more than Rs. 11 per lb. nett . . . . . Rs. 1/50.  
 (b) Sold wholesale at more than Rs. 11 per lb. nett . . . . . 50 cents.

(iii) Manufactured in the British Empire from Empire-grown and foreign tobacco at rates intermediate between (i) and (ii) above according to the certified proportion of Empire and foreign leaf content.

Other manufactured tobacco at the rate of 75 cents per lb.

(2) The Governments of Malaya other than the Straits Settlements—

(a) At a rate of not less than 10 per cent. *ad valorem*—

Ground-nuts.  
 Cotton piece goods.

And, so long as it is consistent with the tariff policies of the Governments to impose a customs duty on the commodity in question—

Perfumery.

(b) At 2 cents per lb.—

So long as it is consistent with the tariff policies of the Governments to impose customs duties on the commodities in question—

Ground-nut oil (Kachang oil).

Gingelly oil.

(3) The Governments of Malaya including the Straits Settlements—

At 10 cents per lb.—

Unmanufactured tobacco.

#### SCHEDULE IV.

Tariff item.	Article.	Margin of preference.
22 (5) (b)	Drugs and medicines containing spirit—	
	(i) entered in such a manner as to indicate that the strength is not to be tested . . . . .	Rs. 4 per Imperial gallon.
	(ii) not so entered . . . . .	Rs. 3 per Imperial gallon of the strength of London proof.
25 (4)	Cement not otherwise specified . . . . .	10 per cent.
Ex. 28	Chemicals, Drugs and Medicines, all sorts not otherwise specified (except hydrochloric, nitric, sulphuric, tartaric, and other acids, anhydrous ammoniac, potassium bichromate and other potassium compounds, sodium bichromate, sodium cyanide and sodium carbonate) . . . . .	10 per cent.
30	Paints, colours and painters' materials, all sorts not otherwise specified, including paints, solutions and compositions containing dangerous petroleum within the meaning of the Indian Petroleum Act, 1934 . . . . .	10 per cent.
30 (2)	Paints, colours and painters' materials, the following, namely :—	
	(a) Red lead, genuine dry, genuine moist and reduced moist.	
	(b) White lead, genuine dry.	
	(c) Zinc white, genuine dry.	
	(d) Paints, other sorts, coloured, moist . . . . .	10 per cent.
49 (1)	Fents, being <i>bona fide</i> remnants of piecegoods or other fabrics . . . . .	10 per cent.
Ex. 49 (4)	Woollen carpets, floor rugs, shawls and other manufactures of wool, not otherwise specified, including felt but excluding woollen waste and rags . . . . .	10 per cent.



Tariff item.	Article.	Margin of Preference.
63 (14)	Iron or Steel hoops and strips . . . . .	10 per cent.
63 (24)	Iron or Steel barbed or stranded wire and wire rope. . . . .	10 per cent.
64	Copper, wrought, and manufactures of copper, all sorts, not otherwise specified . . . . .	10 per cent.
72 (5)	Domestic Refrigerators . . . . .	10 per cent.
Ex. 72 (6)	Sewing and knitting machines and parts thereof . . . . .	10 per cent.
Ex. 73	Electrical instruments, apparatus and appliances, not otherwise specified, excluding telegraphic and telephonic (except batteries, accumulators and electro-medical apparatus) . . . . .	10 per cent.
73 (1)	The following Electrical Instruments, Apparatus and Appliances, namely :—  Electrical Control Gear and Transmission Gear, namely, switches (excluding switch boards), fuses and current-breaking devices of all sorts and descriptions, designed for use in circuits of less than ten amperes and at a pressure not exceeding 250 volts; and regulators for use with motors designed to consume less than 187 watts; bare or insulated copper wires and cables, any one core of which, not being one specially designed as a pilot core, has a sectional area of less than one-eightieth part of a square inch, and wires and cables of other metals of not more than equivalent conductivity; and line insulators, including also cleats, connectors, leading-in tubes and the like, of types and sizes such as are ordinarily used in connection with the transmission of power for other than industrial purposes, and the fittings thereof but excluding electrical earthenware and porcelain otherwise specified . . . . .	10 per cent.
73 (4)	Wireless Reception Instruments and Apparatus and component parts thereof, including all electric valves, amplifiers and loud speakers which are not specially designed for purposes other than wireless reception or are not original parts of and imported along with instruments or apparatus so designed . . . . .	10 per cent.
75 (1)	Motor cars including taxi cabs and articles (other than rubber tyres and tubes) adapted for use as parts and accessories thereof . . . . .	7½ per cent.
75 (2)	Motor cycles and motor scooters and articles (other than rubber tyres and tubes) adapted for use as parts and accessories thereof . . . . .	7½ per cent.
75 (3)	Motor omnibuses; chassis of motor omnibuses, motor vans and motor lorries; and parts of mechanically propelled vehicles and accessories not otherwise specified, excluding rubber tyres and tubes . . . . .	7½ per cent.
Ex. 75 (4)	Cycles (other than motor cycles) imported entire or in sections and parts and accessories thereof excluding rubber tyres and tubes . . . . .	10 per cent.
Ex. 77	Instruments, apparatus and appliances, other than electrical, all sorts not otherwise specified, including photographic, but excluding scientific, philosophical and surgical . . . . .	10 per cent.

## SCHEDULE V.

(a) Preferences at a rate of not less than 10 per cent. *ad valorem*—

- Asphalt.
  - Soda ash, including calcined, natural soda and manufactured sesqui-carbonates.
  - Gum arabic.
  - Gum benjamin, ras and cowrie.
  - Gum dammer.
  - Dammer batu, unrefined.
  - Rosin.
  - Cutch.
  - Gambier, all sorts.
  - Coconut oil.
  - Fresh vegetables.
  - Vegetables, dried, salted or preserved.
  - Fruit and vegetables, canned and bottled.
  - Fruit juices.
  - Sisal and aloe fibre.
  - Ivory, unmanufactured.
  - Sago (but not sago flour).
  - Tapioca and tapioca flour.
  - Artificial teeth.
- And so long as it is consistent with India's Tariff policy to impose customs duties on the commodities in question—
- Fresh fruits (other than coconuts).
  - Dried, salted or preserved fruits.

(b) Preferences at a rate of 7½ per cent. *ad valorem*.

- Betelnuts.
  - Unground spices (other than cardamoms).
  - Cardamoms, cassia, cinnamon, cloves, nutmegs and pepper—ground.
- And, so far as preferences are granted to the United Kingdom, drugs and medicines and apparel of all kinds.

## (c) Preferences at specific rates—

- Bitters at the rate of 3-12 Rs. per gallon.
- Coffee at the rate of 1 anna per lb.
- Rum at the rate of 3-12 Rs. per proof gallon.
- Unmanufactured tobacco at the rate of 8 annas per lb.

## SCHEDULE VI.

- (a) Preferences at a rate of not less than 10 per cent. *ad valorem*—
- Citronella oil.
  - Cinnamon oil.
  - Cinnamon-leaf oil.
  - Coconuts, husked, unhusked and other kinds, copra or coconut kernel, coir fibre, coir yarn, coir mats and matting.
  - Fish, dry, unsalted.
  - Oil seeds (other than essential).
  - Vegetable oils (other than essential).
  - Plumbago.
- (b) Preference at a rate of 7½ per cent. *ad valorem*—
- Cardamoms, unground.
- (c) Preference at specific rate—
- Tea at the rate of 2 annas per lb.

## LETTER No. 1.

LETTER FROM THE INDIAN SIGNATORY ON THE SUBJECT OF ZINC.

*Dated the*

SIR,

With reference to Article 15 of the Trade Agreement signed this date, I have the honour to inform you that the Government of India, having taken note of the statements of His Majesty's Government in the United Kingdom in the course of the recent discussions (1) that it is essential to the national security that the production of the zinc smelting industry in the United Kingdom should be maintained at a satisfactory level; and (2) that His Majesty's Government in the United Kingdom will consult the Government of India before taking any decision to impose a customs duty on imports of zinc from India into the United Kingdom; agree that it will be open to His Majesty's Government in the United Kingdom, after consultation with the Government of India, and notwithstanding the provisions of Article 1 of the Trade Agreement, to impose a customs duty on imports of zinc produced or manufactured in India.

It is understood that no customs duty will be imposed on zinc from India which is not equally applicable to zinc from other oversea Empire sources.

I have, etc.

## LETTER No. 2.

LETTER FROM THE INDIAN SIGNATORY ON THE SUBJECT OF PIG IRON.

*Dated the*

SIR, L

With reference to Article 15 of the Trade Agreement signed this day, I have the honour to inform you that the Government of India, having taken note of the statements of His Majesty's Government in the United Kingdom in the course of the recent discussions (1) that, bearing in mind the provisions of Article 6 of the Agreement supplementary to the Ottawa Trade Agreement concluded between the two Governments on the 9th January, 1935, His Majesty's Government in the United Kingdom desire to reserve the right to impose a customs duty on imports of pig iron from India if after the expiry on the 31st March, 1941, of the Iron and Steel Protection Act, 1934, duties are applied to articles of iron and steel imported into India substantially less favourable to the United Kingdom than those for which that Act provides; and (2) that His Majesty's Government in the United Kingdom will consult the Government of India before taking any decision to impose such a customs duty; agree that it will be open to His Majesty's Government in the United Kingdom, after consultation with the Government of India, and notwithstanding the provisions of Article 1 of the Trade Agreement, to impose after the 31st March, 1941, a customs duty on imports of pig iron produced or manufactured in India if duties are applied to articles of iron and steel imported into India substantially less favourable to the United Kingdom than those for which the above mentioned Act provides, without prejudice, however, to the provisions of Section 4 (1) of the Indian Tariff Act, 1934.

It is understood that no customs duty will be imposed on pig iron from India which is not equally applicable to pig iron from other oversea Empire sources.

I have, etc.

## LETTER No. 3.

LETTER FROM THE INDIAN SIGNATORY ON THE QUESTION OF THE EXTENSION TO OTHER COLONIAL DEPENDENCIES OF PREFERENCES PRIMARILY OF INTEREST TO CEYLON.

*Dated the*

SIR,

With reference to Article 13 of the Trade Agreement signed this day, I have the honour to inform you that the Government of India have taken note of the statement of His Majesty's Government in the United Kingdom in the course of the recent discussions that, in agreeing that the preferences included

in Schedule VI to the Agreement are principally of interest to Ceylon, they are nevertheless anxious that the claims of other Colonial dependencies to receive any of these preferences should be sympathetically considered by the Government of India if the proposed negotiations between that Government and the Government of Ceylon do not result in the extension of such preferences to those dependencies for the duration of the Agreement concluded this day. I am authorised to state that the Government of India will give sympathetic consideration to any requests which His Majesty's Government in the United Kingdom may make in regard to such preferences on behalf of Colonial dependencies other than Ceylon.

I have, etc.,



## APPENDIX II

TABLE I.

*Exports from India of articles enjoying preference.*

(Value in Rs. lakhs.)

	Exports from Br. India excluding Burma.				Exports from Br. India including Burma.	
	1935-36	1936-37.	1937-38.	Six months ending September 1938.*	1935-36.	1936-37.

*(Scheduled Articles—vide Statement I.)*

To all countries	75,24.7	90,92.8	94,86.8	48,88.1	87,81.0	1,03,87.5
To U. K.	32,35.3	37,21.2	41,03.0	20,28.6	34,44.9	39,51.1
To other countries	42,89.4	53,71.6	53,83.8	28,59.5	53,36.1	64,36.4

*(Unscheduled Articles—vide Statement II.)*

To all countries	9,21.1	11,98.4	13,86.7	9,27.9	12,27.4	17,90.2
To U. K.	2,15.2	4,19.6	4,77.6	2,36.5	4,36.2	8,59.2
To other countries	7,05.9	7,78.8	9,09.1	6,91.4	7,91.2	9,31.0

TABLE II (a).

*Exports from India of articles not enjoying preference.*

To all countries	58,29.1	74,31.5	64,41.7	22,61.4	62,62.5	76,55.0
To U. K.	11,29.6	17,08.0	15,84.8	5,01.1	12,69.1	16,49.0
To other countries	46,99.5	57,23.5	48,56.9	17,60.3	49,93.4	60,06.0

TABLE II(b).†

*Exports from India of articles specified in Schedule II to the Agreement—Vide Statement III.*

To all countries	17,05.0	18,97.8	18,90.8	6,52.2	17,05.0	19,01.0
To U. K.	3,97.1	4,80.0	4,20.6	1,26.6	3,97.1	4,80.0
To other countries	13,07.9	14,17.8	14,70.2	5,25.6	13,07.9	14,21.0

\* Includes exports from Br. India to Burma.

† These figures are included in Table II (a).

## STATEMENT I.

(Articles specified in Schedule I to the Agreement.)

Value.

(Value in Rs. lakhs.)

Articles.	Exports from Br. India excluding Burma.				Exports from Br. India including Burma.	
	1935-36.	1936-37.	1937-38.	Six months ending September 1938.*	1935-36.	1936-37.
Rice not in the husk—						
To all countries	2,16.6	2,67.7	2,57.4	1,57.6	10,86.8	11,48.4
To U. K.	5.0	6.1	4.0	1.6	33.2	35.8
Rice in the husk—						
To all countries	2.6	0.5	0.5	0.9	8.7	4.5
To U. K.	—	—	—	Not available.	—	—
Grams—						
To all countries	6.8	20.8	22.7	12.8	7.9	22.2
To U. K.	0.1	—	1.8	Not available.	0.1	—
Soyabeans—						
To all countries	0.1	—	1.1	1.2	19.7	30.2
To U. K.	—	—	—	Not available.	2.3	3.0
Castor oil—						
To all countries	21.5	22.9	24.0	8.7	21.5	22.9
To U. K.	15.0	15.7	14.4	5.6	15.0	15.7
Coconut oil—						
To all countries	0.4	0.2	0.4	0.5	0.4	0.2
To U. K.	0.2	0.1	0.1	—	0.2	0.1
Groundnut oil—						
To all countries	3.9	5.6	11.6	25.4	3.9	5.7
To U. K.	2.3	1.5	1.9	0.4	2.3	1.6
Rapeseed oil—						
To all countries	3.4	3.9	2.0	2.6	3.4	3.9
To U. K.	0.3	0.1	0.1	0.1	0.3	0.1
Sesamum oil—						
To all countries	2.5	5.1	3.9	1.5	2.5	5.1
To U. K.	—	0.1	—	—	—	0.1
Linseed oil—						
To all countries	1.3	2.3	4.4	1.9	1.3	2.3
To U. K.	—	—	0.4	Not available.	—	—
Linseed—						
To all countries	2,20.6	4,56.4	3,56.8	2,61.7	2,20.6	4,36.4
To U. K.	1,20.7	3,18.7	2,74.0	1,52.8	1,20.7	3,18.7

\* Includes exports from Br. India to Burma.

## STATEMENT I—contd.

(Value in Rs. lakhs.)

Articles.	Exports from Br. India excluding Burma.				Exports from Br. India including Burma.	
	1935-36.	1936-37.	1937-38.	Six months ending September 1938.*	1935-36.	1936-37.
Magnesium Chloride—						
To all countries . . . . .	0.6	1.0	0.5	0.2	0.6	1.0
To U. K. . . . .	0.4	0.6	0.2	Not available.	0.4	0.6
Coffee—						
To all countries . . . . .	1,02.1	83.7	52.6	18.0	1,02.2	83.7
To U. K. . . . .	37.9	17.7	13.5	2.7	38.0	17.7
Tea—						
To all countries . . . . .	19,82.0	20,03.3	24,06.3	12,20.4	19,82.4	20,03.8
To U. K. . . . .	17,74.7	17,15.3	21,31.5	10,94.9	17,75.1	17,15.9
Coir yarn, mats and matings†—						
To all countries . . . . .	1,85.8	1,81.9	1,87.4	89.2	1,85.9	1,82.0
To U. K. . . . .	95.0	99.0	90.2	44.7	95.1	99.0
Cotton yarn—						
To all countries . . . . .	46.9	58.6	1,52.7	93.0	46.9	58.6
To U. K. . . . .	0.7	0.5	5.7	1.0	0.7	0.5
Cotton Manufactures (excluding twist and yarn)—						
To all countries . . . . .	2,45.7	3,19.7	4,34.9	2,60.3	2,46.4	3,20.7
To U. K. . . . .	13.3	16.7	20.3	3.3	13.5	16.9
Goat skins, raw—						
To all countries . . . . .	2,78.3	2,78.0	3,07.3	1,19.3	2,78.3	2,78.1
To U. K. . . . .	71.1	78.6	95.5	19.8	71.1	78.7
Hides, tanned—						
To all countries . . . . .	2,28.8	3,17.5	3,20.7	1,18.9	2,29.1	3,17.6
To U. K. . . . .	2,21.5	3,06.4	3,08.3	1,13.6	2,21.5	3,06.4
Skins, tanned—						
To all countries . . . . .	2,91.1	3,56.5	3,20.6	1,90.7	2,91.1	3,56.5
To U. K. . . . .	2,61.9	3,21.5	2,90.7	1,11.1	2,61.9	3,21.5
Chrome leather (a)—						
To all countries . . . . .		Not available.				
To U. K. . . . .	26.3	43.4	58.4		Not available.	
Jute Manufactures—						
To all countries . . . . .	23,48.8	27,94.8	27,95.8	13,01.6	23,48.9	27,94.8
To U. K. . . . .	2,07.1	2,72.3	2,79.1	1,22.9	2,07.1	2,72.3
Oilseed Cake‡—						
To all countries . . . . .	1,64.9	2,06.2	2,68.9	1,36.6	1,96.1	2,47.4
To U. K. . . . .	1,12.6	1,28.7	1,53.8	67.0	1,43.0	1,66.7

\* Includes exports from Br. India to Burma.

† Includes exports from Travancore.

‡ Includes exports of groundnutcake from Kathiawar.

§ (a) These figures are compiled from special returns and are also included under hides and skins, tanned.



## STATEMENT I—concl'd.

(Value in Rs. lakhs.)

Articles.	Exports from Br. India excluding Burma.				Exports from Br. India including Burma.	
	1935-36.	1936-37.	1937-38.	Six months ending September 1938.*	1935-36.	1936-37.
Paraffin wax—						
To all countries . . . . .	15.2	12.6	51.3	12.2	2,27.9	1,96.0
To U. K. . . . .	8.6	11.1	19.6	9.3	82.1	71.7
Spices †—						
To all countries . . . . .	55.4	54.3	73.9	31.4	56.1	58.1
To U. K. . . . .	2.4	3.1	4.6	1.2	2.4	3.1
Teak and other hardwoods—						
To all countries . . . . .	3.0	2.9	3.7	3.6	1,12.9	1,47.8
To U. K. . . . .	0.5	0.5	0.3	—	77.4	97.6
Woolen carpets and rugs—						
To all countries . . . . .	80.6	85.6	1,01.7	39.5	80.6	85.6
To U. K. . . . .	60.8	65.6	76.2	30.7	60.3	65.6
Tobacco, unmanufactured— ‡						
To all countries . . . . .	86.2	86.2	1,07.0	1,48.4	88.0	87.8
To U. K. . . . .	45.3	50.5	75.1	1,25.0	45.3	50.6
Tobacco, manufactured—						
To all countries . . . . .	3.9	4.3	6.5	34.9	4.5	4.7
To U. K. . . . .	0.1	0.1	1.5	—	0.6	0.4
Castor seed †—						
To all countries . . . . .	86.8	66.2	66.5	8.8	86.8	66.2
To U. K. . . . .	32.2	30.2	19.5	2.0	32.2	30.2
Magnesite—						
To all countries . . . . .	4.2	4.9	9.3	1.9	4.2	4.9
To U. K. . . . .	3.1	3.5	6.6	1.6	3.1	3.5
Sandalwood oil—						
To all countries . . . . .	11.1	14.1	13.9	5.6	11.1	14.1
To U. K. . . . .	7.1	8.2	10.4	5.0	7.1	8.2
Granite setts & kerbs.						
To all countries . . . . .	2.1	2.5	1.9	1.0	2.1	2.5
To U. K. . . . .	2.1	2.5	1.9	1.0	2.1	2.5
Groundnuts †—						
To all countries . . . . .	7,66.0	13,11.1	10,23.8	6,11.1	7,66.0	13,11.2
To U. K. . . . .	1,26.4	2,38.8	1,94.2	1,09.9	1,26.4	2,38.8
Bones—						
To all countries (a)	32.2	46.4	43.8	14.3	32.2	46.4
(b)	23.8	35.1	52.0	12.4	24.0	36.2
To U. K. . . . . (a)	0.8	1.6	1.1	—	0.8	1.6
(b)	6.6	5.9	6.5	1.4	6.6	6.0
<b>Total of Statement I—</b>						
To all countries . . . . .	75,24.7	80,92.8	94,86.8	48,88.1	87,81.0	1,03,87.5
To U. K. . . . .	32,35.3	37,21.2	41,03.0	20,28.6	34,44.9	39,51.1

\* Includes exports from Br. India to Burma.

† Includes exports from Travancore.

‡ Includes exports from Kathiawar.

(a) Figures for 'Bones for manufacturing purposes'.

(b) Figures for 'Bones for manurial purposes' (including Bone-meal).

## STATEMENT II.

(Unscheduled Articles.)

(Value in Rs. lakhs.)

Articles.	Exports from Br. India excluding Burma.			Exports from Br. India including Burma.		
	1935-36.	1936-37.	1937-38.	Six months ending September 1938.*	1935-36.	1936-37.
<b>Barley—</b>						
To all countries . . . . .	2.1	6.4	28.2	7.2	2.1	6.4
To U. K. . . . .	2.0	3.1	18.6	5.7	2.0	3.1
<b>Pulses other than grams and soyabeans—</b>						
To all countries . . . . .	58.6	58.7	66.2	44.6	88.6	45.2
To U. K. . . . .	14.6	18.3	15.5	14.7	18.9	14.3
<b>Miscellaneous food grains (except wheat, pulse, barley, maize, etc.)—</b>						
To all countries . . . . .	32.7	43.1	58.4	63.5	41.4	47.8
To U. K. . . . .	0.5	1.0	2.5	0.4	0.5	1.0
<b>Pig Iron—</b>						
To all countries . . . . .	1,24.4	1,29.0	2,59.7	97.2	1,24.4	1,29.0
To U. K. . . . .	15.0	39.8	1,02.3	28.9	15.0	39.8
<b>Others—</b>						
To all countries . . . . .	7,03.3	8,61.2	9,74.2	7,15.4	9,70.9	15,61.8
To U. K. . . . .	1,83.1	3,57.4	3,38.7	1,86.8	3,99.8	8,01.0
<b>Total of Statement II—</b>						
To all countries . . . . .	9,21.1	11,98.4	13,86.7	9,27.9	12,27.4	17,90.2
To U. K. . . . .	2,15.2	4,19.6	4,77.6	2,36.5	4,36.2	8,59.2
<b>Grand Total of Statements I and II—</b>						
To all countries . . . . .	84,45.8	1,02,91.2	1,08,73.5	58,16.0	1,00,08.4	1,21,77.7
To U. K. . . . .	34,50.5	41,40.8	45,80.6	22,65.1	38,81.1	48,10.3

\*Includes exports from Br. India to Burma

## STATEMENT III.

(Articles specified in Schedule II to the Agreement.)

(Value in Rs. lakhs.)

Articles.	Exports from Br. India excluding Burma.				Exports from Br. India including Burma.	
	1935-36.	1936-37.	1937-38.	Six months ending September 1938.*	1935-36.	1936-37.
<b>Leo—</b>						
To all countries . . .	1,43.7	2,20.2	1,51.4	44.8	1,43.7	2,23.4
To U. K. . . . .	22.4	47.5	30.2	8.8	22.4	47.5
<b>Jute, raw—</b>						
To all countries . . .	13,70.8	14,77.1	14,72.2	5,05.0	13,70.8	14,77.1
To U. K. . . . .	2,96.2	3,48.1	2,80.6	81.6	2,96.2	3,48.1
<b>Myrobalans—</b>						
To all countries . . .	46.7	37.1	44.3	16.2	46.7	37.1
To U. K. . . . .	22.8	18.8	19.6	7.7	22.8	18.8
<b>Mice—</b>						
To all countries . . .	83.5	94.1	1,48.4	49.3	83.5	94.1
To U. K. . . . .	38.5	44.4	70.0	19.3	38.5	44.4
<b>Hemp—</b>						
To all countries . . .	60.3	69.3	74.5	36.9	60.3	69.3
To U. K. . . . .	17.2	21.2	20.2	9.2	17.2	21.2
<b>Total of Statement III—</b>						
To all countries . . .	17,05.0	18,97.8	18,90.8	6,52.2	17,05.0	18,01.0
To U. K. . . . .	3,97.1	4,80.0	4,20.6	1,26.6	3,97.1	4,80.0

\*Includes exports from Br. India to Burma.

TABLE III.

*Imports into Br. India of articles enjoying preference.**Vide Statement IV.*

(Value in Rs. lakhs.)

	Imports into Br. India excluding Burma.				Imports into Br. India including Burma.	
	1935-36.	1936-37.	1937-38.	Six months ending September 1938.	1935-36.	1936-37.
From all countries . . . . .	15,40.6	15,13.8	19,07.3	6,48.1	16,26.6	15,96.0
From U. K. . . . .	7,18.5	6,98.6	8,87.1	3,14.5	7,75.3	7,50.7
From other countries . . . . .	8,22.1	8,15.2	10,20.2	3,33.6	8,51.3	8,45.3

TABLE IV.

*Imports into Br. India of articles not enjoying preference.*

From all countries . . . . .	1,08,14.6	99,25.5	1,54,71.5	64,15.8	1,18,15.7	1,09,28.1
From U. K. . . . .	40,26.2	36,94.5	43,09.2	19,35.1	44,43.4	40,56.1
From other countries . . . . .	67,88.4	62,31.0	1,11,62.3	44,80.7	73,72.3	68,72.0

## STATEMENT IV.

(Articles specified in Schedule IV to the Agreement.)

(Value in Rs. lakhs.)

Tariff Item.	Articles.	From	Imports into Br. India, excluding Burma.				Imports into Br. India including Burma.	
			1935-36.	1936-37.	1937-38.	6 months ending September 1938.	1935-36.	1936-37.
22 (5) (b).	Drugs and medicines containing spirit.	U. K.	15.0	15.0	15.5	7.1	16.5	16.5
		Other countries	20.2	19.5	21.8	9.2	21.8	21.6
		Total	35.2	34.5	37.3	16.3	38.3	38.0
26 (4)	Cement n. o. s.	U. K.	1.9	1.8	3.0	1.5	2.1	2.1
		Other countries	1.1	1.0	1.7	0.4	1.1	1.0
		Total	3.0	2.8	4.7	1.9	3.2	3.1
Ex. 28	Chemicals, drugs and medicines, all sorts n. o. s.	U. K.	1,38.0	1,27.2	1,61.7	69.5	1,42.8	1,36.4
		Other countries	1,43.8	1,40.1	1,83.2	71.3	1,50.2	1,47.2
		Total	2,76.3	2,67.3	3,44.9	1,40.8	2,93.0	2,83.6
30	Paints, colours and painters' materials, all sorts, n. o. s.	U. K.	39.8	36.0	40.1	15.5	43.3	39.3
		Other countries	22.1	23.0	24.8	10.3	28.3	24.1
		Total	61.9	59.0	64.9	25.6	66.6	62.4
30 (2)	Paints, colours and painters' materials, as specified.	U. K.	6.5	6.9	9.7	5.0	7.5	8.8
		Other countries	9.3	7.8	8.6	3.2	9.7	8.1
		Total	15.8	14.7	18.3	8.2	17.2	16.9
49 (1)	Fents	U. K.	9.5	12.1	16.0	4.9	9.5	12.1
		Other countries	61.5	86.0	27.3	9.5	61.5	86.0
		Total	71.0	98.1	43.3	14.4	71.0	98.1
Ex. 49 (4).	Woollen carpets, floor rugs, etc.	U. K.	2.7	2.6	3.0	1.0	4.2	3.1
		Other countries	20.7	17.1	29.6	13.3	22.5	18.2
		Total	23.4	19.7	32.5	14.3	26.7	21.3
68(16)	Iron or Steel—Hoops and Strips.	U. K.	19.7	21.9	38.0	9.7	20.3	22.3
		Other countries	36.0	30.4	47.3	6.8	36.3	30.7
		Total	55.7	52.3	85.3	16.5	57.1	53.5
68(24)	Iron or Steel—Barbed or stranded wire and wire rope.	U. K.	12.3	15.3	24.1	11.1	14.3	18.9
		Other countries	18.7	12.9	11.9	3.9	18.2	14.2
		Total	29.0	28.7	36.0	15.0	33.0	33.1
64	Copper, wrought, and manufactures of copper, all sorts, n. o. s.	U. K.	31.3	22.0	44.7	7.7	31.4	22.1
		Other countries	54.9	32.0	41.4	7.6	55.1	32.2
		Total	86.2	54.0	86.1	15.3	86.5	54.3
72 (5)	Domestic refrigerators.	U. K.	0.4	0.1	0.3	0.1	0.4	0.1
		Other countries	6.4	11.4	10.9	5.6	7.0	12.3
		Total	6.8	11.5	11.2	5.7	7.4	12.4

## STATEMENT IV—contd.

(Value in Rs. lakhs.)

Tariff item.	Articles.	From	Imports into Br. India excluding Burma.				Imports into Br. India including Burma.	
			1935-36.	1936-37.	1937-38.	6 months ending September 1938.	1935-36.	1936-37.
Ex. 72 (9).	Sewing and knitting machines, including parts thereof.	U. K. . . . .	44.2	33.0	48.2	15.0	53.7	39.2
		Other countries	21.0	21.1	33.8	11.1	21.8	21.8
		Total . . . . .	65.2	54.1	82.0	26.1	74.5	61.0
Ex. 73 & 73 (1).	Electrical instruments, apparatus and appliances.	U. K. . . . .	1,19.3	1,15.8	1,31.7	61.9	1,24.3	1,20.3
		Other countries	74.6	77.4	93.2	42.1	78.5	81.0
		Total . . . . .	1,93.9	1,93.2	2,24.9	1,04.0	2,02.8	2,01.3
73 (4)	Wireless reception instruments and apparatus and component parts thereof.	U. K. . . . .	3.8	7.9	9.4	2.9	3.9	8.4
		Other countries	17.5	21.3	23.6	6.8	18.1	22.2
		Total . . . . .	21.3	29.2	33.0	9.7	22.0	30.6
75 (1)	Motor Cars including Taxi Cabs and parts thereof.	U. K. . . . .	1,19.5	1,20.7	1,36.2	39.8	1,32.5	1,33.8
		Other countries	1,53.2	1,41.2	2,04.9	61.1	1,57.1	1,46.2
		Total . . . . .	2,72.7	2,61.9	3,41.1	1,00.9	2,89.6	2,80.0
75 (2)	Motor Cycles and motor scooters and parts thereof.	U. K. . . . .	2.7	2.4	2.6	0.8	2.8	2.4
		Other countries	0.5	1.1	2.1	1.1	0.5	1.1
		Total . . . . .	3.2	3.5	4.7	1.9	3.3	3.5
75 (3)	Parts of mechanically propelled vehicles, not otherwise specified; motor omnibuses; and chassis of motor omnibuses, motor vans and motor lorries.	U. K. . . . .	45.2	45.0	75.7	16.0	48.6	46.7
		Other countries	1,05.1	1,18.8	1,90.3	46.7	1,07.5	1,21.3
		Total . . . . .	1,50.3	1,63.8	2,66.0	62.7	1,56.1	1,68.0
Ex. 76 (4).	Cycles and parts thereof.	U. K. . . . .	78.7	80.1	88.0	26.3	82.8	84.0
		Other countries	26.5	20.4	30.6	5.5	20.9	23.4
		Total . . . . .	1,04.2	1,00.5	1,18.6	31.8	1,03.7	1,12.4
Ex. 77	Instruments, apparatus and appliances, other than electrical, all sorts n. o. s., including photographic but excluding scientific, philosophical and surgical.	U. K. . . . .	33.0	32.3	39.2	16.7	34.9	34.7
		Other countries	32.5	26.7	33.3	16.8	33.7	27.8
		Total . . . . .	65.5	59.0	72.5	33.5	68.6	62.5
TOTAL	U. K. . . . . Other countries All countries	U. K. . . . .	7,18.5	6,98.6	8,87.1	3,14.5	7,75.3	7,50.7
		Other countries	8,22.1	8,15.2	10,20.2	3,33.6	8,51.8	8,45.3
		All countries	15,40.6	15,13.8	19,07.3	6,48.1	16,27.1	15,96.0



## INDO-BRITISH TRADE NEGOTIATIONS.

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Report by the Committee of Un-official Advisers,  
appointed in connection with the negotiation of  
a new Trade Agreement between India and the  
United Kingdom in replacement of that concluded  
at Ottawa—10th October 1936.

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## Report by the Committee of Un-official Advisers, dated the 10th October 1936.

The Indian Legislative Assembly passed the following resolution on 30th March, 1936:—

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

Accordingly we were appointed by the Government of India to advise them regarding the possibility of entering into a bilateral trade treaty with the United Kingdom, and we have now the honour to make our observations as under:—

2. We have carefully considered the terms of the trade agreement entered into at Ottawa which will terminate as a result of the present notice. In the same connection, we have studied carefully the terms of the Indo-British Agreement dated the 9th January 1935 which is supplementary to the Ottawa Trade Agreement. The first deals with commodities of export and import on which preference is mutually accorded by Indian and the United Kingdom. The second relates to certain conditions entered into between the two Governments to operate during the continuance of the main agreement.

3. Dealing first with the supplementary agreement, we regret to say that we are unable to see any reason which would justify the inclusion, in a trade agreement relating to preferences, of matters which primarily concern the tariff policy of the Government of India, and, which will restrict the power of India in exercise of her fiscal autonomy to vary her tariff arrangements in accordance with the requirements of the country from time to time. There is a large body of opinion which does not think it right to bind India by an agreement with the United Kingdom to definite undertakings in regard to her tariff policy even though the agreement may be terminable at short notice. There is a further body of opinion which holds that the present tariff policy needs revision in the direction of securing more generous and expeditious assistance for industries. There are various other reasons which we have taken into account and which we set forth below which lead us to the conclusion that in any future agreement any articles containing the substance of the supplementary agreement would not command the support of public opinion in India.

4. While, as a matter of agreement, we may concede differential margins of protection in favour of the United Kingdom in cases where such a course is justified by Indian interests, we do not think India should bind herself, in a trade agreement of the nature contemplated, not to revise her policy during the currency of the agreement. It is intelligible that, during the currency of an agreement, the Tariff Board may have to deal with the case of an industry which necessitates the imposition of duties on articles imported from the United Kingdom; and it is not unlikely that on the basis of comparative costs, in the United Kingdom and other countries, or for other reasons, the Tariff Board may think fit to recommend in the interests of the development of an indigenous Indian industry, either a higher or equal rate of duty on imports from the United Kingdom. It is necessary, further, not to overlook the possibility of our Tariff Board recommending a measure of protection without reference to the question of prices. Our view, therefore, is that as a matter of mutual arrangement, differential duties may not only be tolerated, but accepted, but so far as policy is concerned, it cannot be rigid in this respect, and can only be based on the ultimate advantage accruing to India at large. We are also of the opinion that whether the United Kingdom receives preference directly, by way of preferential duties, or, indirectly, by way of differential duties, the latter also should be taken into account in balancing the respective benefits of any agreement to each country.

5. Article 4 confers a right on the United Kingdom to ask for an enquiry into the conditions of protected industries with a view to the revision of the duties in her favour. This introduces an element of uncertainty based on conditions—either temporary or otherwise—prevailing in a country other than India, which might seriously detract from the value of the protection granted to an Indian industry. This might also have the effect, to some extent, of rendering the protection ineffective in developing the industry to such a stage of efficiency as to enable it, at the end of the period of protection, to hold its own against foreign competition. This obviously cannot be in the interests of Indian industry.

6. The terms of Article 5 do not impose any definite reciprocal obligations between the two countries and therefore we see no reason why these terms should find any place in the proposed pact between the United Kingdom and India. We consider that the time has come for a form of definite arrangement, and in our report we indicate the lines of agreement which might take the place of this clause.

7. For the above reasons, none of the clauses of the existing Supplementary Agreement should be included in the new trade agreement with the United Kingdom.

In the foregoing paragraphs, we set out fully the considerations which have weighed with us in recommending the omission of the clauses contained in the Supplementary Agreement from a fresh trade treaty with the United Kingdom. We find that the inclusion of such clauses has led to considerable dissatisfaction on all sides and their omission will not be regretted by any of the parties concerned. Our views have already been stated in detail above, and we notice that the Committee of the Association of British Chambers of Commerce, in their representation to His Majesty's Government in the United Kingdom dated 4th March, 1936, have remarked that "viewing the results as a whole, few concrete advantages for the United Kingdom manufacturers have flowed in practice from the attempts to operate the Tariff Board clauses of the Ottawa Agreements".

8. Regarding the terms of the main Agreement, we note that that Agreement is between India, on the one hand and the United Kingdom and her non-self-Governing Colonies, on the other. The difference in the volume and value of trade between India and the United Kingdom, on the one side, and between India and the non-self-Governing Colonies, on the other, is so great that we strongly favour separate Agreements, between India and the United Kingdom by itself, on the one side, and between India and non-self-Governing Colonies, on the other, if this be at all feasible.

9. In the course of our examination of the benefit to India under the main agreement, we have come to the conclusion that the advantage to India as a result of the preferences available has not been as great as was anticipated. We further feel that since the Ottawa Agreement was made, certain arrangements have been entered into by the United Kingdom with foreign countries which directly or indirectly have adversely affected the value of preferences given to India and the effect of such agreements will require the constant and most careful attention of the Government of India in the future.

10. We wish to call attention to the system of drawbacks prevailing in the United Kingdom, and, its bearing on the effectiveness of the preferences granted to India. We have examined the provisions of the Import Duties Act regarding the allowance of drawbacks and find that drawbacks at substantial rates are allowed under the Act on several articles on which preference is granted to India. Among the most important of these articles are linseed and linseed oil, tobacco, coffee, woollen carpets, soya bean oil and leather.\* It is impossible, on the published information, to assess the extent to which India's trade is affected by these drawbacks. But it is reasonable to assume that since the United Kingdom's imports of raw materials are largely used for the manufacture of goods for export, and, since she has also an extensive entrepôt trade, the total value of the preferences granted by her on these articles must be considerably less than the trade returns indicate. It is true that a system of drawbacks is in force also in India. But imports into India from the United Kingdom consist mainly of manufactured goods which are almost invariably intended for final consumption in the country. Further the re-exports of India form only a very small proportion of her total import trade. The preferences granted to the United Kingdom by India are, therefore, hardly, if at all, affected by the drawbacks allowed under the Indian Sea Customs Act. We consider that in any scheme of preferences which may be drawn up under a future agreement, this question should be carefully examined.

11. We have carefully analysed the representations made by various bodies and the Provincial Governments, and have also examined all the papers and figures and facts placed at our disposal. We have also had the advantage of consultations with the Offg. Vice-Chairman, the Agricultural Expert, and the Agricultural Marketing Expert of the Imperial Council of Agricultural Research, and, with the Secretary and Additional Secretary of the Commerce Department. We have particularly examined the position of India's export trade with the United Kingdom and with non-Empire countries, and specially those items

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\*We have no precise information regarding the allowance of a drawback on pig iron but if it exists, it will require careful consideration.

which receive preference in the United Kingdom. We have been impressed, in the course of our examination of the items of export, that necessary details as to why certain of India's raw materials have not made the same progress as raw materials of other Empire countries in the United Kingdom market, are not available with the Government of India, and to that extent, the recommendations which we put forward in this Report may need modification in the light of more information which we may get hereafter.

12. We feel that a trade pact between the United Kingdom and India would be desirable in the interests of both countries if due regard is paid to their respective interests. We realise that on account of many ties, our trade has a natural tendency to flow towards the United Kingdom, and a trade pact between the two countries could, therefore, be attained with comparatively less effort than with other countries. In the present disturbed political condition of Europe and in view of the desire of most of those countries to become economically self-contained, particularly in respect of manufactured articles, as well as the desire of such countries to expand their export trade, it is equally necessary to examine the desirability of concluding trade pacts with other countries. This becomes all the more necessary when we bear in mind the almost universal resort to systems of quota, tariff restrictions, compensation trade and clearing arrangements. We recognise that trade conditions in the world may not be normal for some time to come. As this aspect of the question has not specifically been referred to us, we have not dealt with it; nevertheless we feel obliged to refer to this as it has a definite bearing on a trade agreement with the United Kingdom.

13. While we favour a trade pact between the United Kingdom and India, we feel that the special limitations peculiar to India should be clearly recognised by the United Kingdom. In order that there be no misunderstanding on this point, we enumerate some of the considerations which, in our opinion, should guide the conclusion of such a trade pact:—

(i) Balance of gains and sacrifices of each country.

This should be based not merely on an arithmetical estimate of the value but also upon the character of the trade of each country.

(ii) The position of India as a debtor country which requires a continued favourable balance of trade.

(iii) The necessity of avoiding any agreement which might hinder the expansion of India's trade with other countries, or, provoke retaliation.

(iv) The importance of avoiding any agreement which might impair the existence and development of Indian industries.

(v) The effect of such a pact on the revenues of India.

14. *Consideration (i).*—We have suggested that the balance of gains and sacrifices of each country should not be the only consideration governing a trade pact. In the official reports on the working of the Ottawa Agreement in India, the balance of advantages arising from the Agreement is estimated on a simple arithmetical computation of the preference on each article in relation to the total value or quantity of the

trade involved. We consider this in many respects a misleading method of assessing the balance of gains and losses. In our opinion, a correct estimate of the relative advantages derived by the two countries from a scheme of preference should take into account not merely the quantity and value of the trade involved, but, also the character and the general conditions of the trade of each country. The question is one of great difficulty and will require further consideration. Meanwhile, we may generally indicate our view that the fact that India is primarily a producer of raw materials and the United Kingdom of manufactured goods is a factor of cardinal importance in this connection.

Whereas the United Kingdom's comparatively high costs of manufacture render preferences to her exports of manufactured goods into India of the greatest value to the United Kingdom, the interests of India as a country which is normally obliged to sell her raw materials and foodstuffs cheap in the world market lie in the widest and most unrestricted flow of international trade and in the abolition of customs duties. Her policy, therefore, should be to seek most-favoured-nation treatment, and, only to seek preferences lest preferences are imposed against her. From this point of view, the value of the preferences given to Great Britain must be estimated upon a higher relative level than the preferences given by the United Kingdom to India.

There is another point which has to be borne in mind. In the United Kingdom market in most of the articles in which India is interested as an exporter, either she has to meet serious competition from other Empire countries or she herself supplies a substantial portion of the United Kingdom's requirements, in some cases the percentage of such portion being as high as 80 per cent. to 90 per cent. In the former case, the scope for expansion of India's trade is limited, and in the latter, the United Kingdom has to make but a very small sacrifice in granting preferences inasmuch as only a small portion of her imports are taxed.

15. *Consideration\* (ii).*—In concluding a pact between India and the United Kingdom, a most important factor to bear in mind is India's external liabilities to the United Kingdom. Unless there is a total balance of trade with all countries in favour of India, her financial stability will be seriously impaired. During the last few years, the adverse balance of trade was met mainly by remittance of bullion, and at a most optimistic calculation, it would not be right to expect this to continue. We may reasonably urge that the United Kingdom is, and, must be, concerned in maintaining the financial stability of India and that in view of the diminution which has occurred in India's exports to other countries, it is to the interest of the United Kingdom to make every effort to find an increased outlet for India's produce in her market. At the same time, we would stress the importance of framing the terms of the trade pact with the United Kingdom in such a way that our exports to other countries, which have shown a serious decline in recent years, may also be expanded.

16. *Consideration\* (iii).*—We give below a statement showing India's—

- (a) exports,
- (b) imports, and
- (c) balance of trade in merchandise as regards the principal countries trading with her.

Statement showing the average value of Indian exports to, and the average value of imports into India from, certain principal countries during the three fiscal years 1933-34, 1934-35 and 1935-36.

Principal countries.	Exports to Rs. (000).	Imports from Rs. (000).	Balance (2)	Percentage share of each territory in Total exports.	Percentage share of each territory in Total imports.
<b>British Empire—</b>					
United Kingdom . . . . .	48,31.09	51,16.42	-2,85.33	31.6	40.2
Aden and Dependencies . . . . .	66.74	44.54	+22.20	0.4	0.3
Ceylon . . . . .	6,46.53	1,35.71	+5,10.82	4.2	1.1
Straits Settlements . . . . .	3,38.27	3,15.15	+23.12	2.2	2.5
Hongkong . . . . .	71.54	41.94	+29.60	0.5	0.3
Union of South Africa . . . . .	1,39.79	27.58	+1,21.21	0.9	0.2
Kenya . . . . .	38.71	2,75.48	-2,36.77	0.3	2.2
Canada . . . . .	1,74.37	84.36	+93.01	1.2	0.7
Australia . . . . .	2,85.37	1,06.17	+1,79.20	1.9	0.8
<b>Total British Empire</b>	<b>70,08.19</b>	<b>62,85.00</b>	<b>+7,24.19</b>	<b>45.9*</b>	<b>49.4</b>
<b>Foreign countries—</b>					
Germany . . . . .	8,56.50	10,44.89	-1,88.39	5.6	8.2
Netherlands . . . . .	3,43.52	1,48.67	+1,94.85	2.2	1.2
Belgium . . . . .	4,71.89	2,41.91	+2,29.48	3.1	1.9
France . . . . .	6,48.01	1,44.42	+5,01.59	4.2	1.1
Spain . . . . .	1,58.19	22.35	+1,29.84	1.0	0.2
Switzerland . . . . .	1.60	1,27.85	-1,26.25	0.01	1.0
Italy . . . . .	4,94.67	2,64.41	+2,30.26	3.2	2.1
Arabia . . . . .	78.44	28.11	+50.23	0.5	0.2
Iran . . . . .	45.19	1,98.10	-1,50.91	0.3	1.5
Java and Borneo (Dutch). . . . .	49.41	2,32.54	-1,83.13	0.3	1.8
Siam . . . . .	99.52	1,06.58	-7.06	0.7	0.8
China . . . . .	2,98.01	2,04.62	+93.39	2.0	1.6
Japan . . . . .	19,69.00	19,66.23	+2.77	12.9	15.4
Egypt . . . . .	1,21.03	1,29.37	-8.34	0.8	1.0
U. S. A. . . . .	14,34.58	8,17.70	+6,16.88	9.4	6.4
<b>Total Foreign Countries</b>	<b>81,53.34</b>	<b>64,49.65</b>	<b>+17,03.69</b>	<b>53.4*</b>	<b>50.6</b>
<b>Grand Total</b>	<b>1,52,62,40*</b>	<b>1,27,34,65</b>	<b>+25,47,75</b>	<b>100.0</b>	<b>100.0</b>

N.B.—The figures for 1935-36, which have been taken into account are liable to revision.

\*Inclusive of the value of 'Cargoes for Orders' in 1935-36 (Rs. 3,59,61,000) which could not be distributed between the British Empire and Foreign countries owing to lack of information about their final destination. This has also resulted in the discrepancy in the percentage figures shown against British and Foreign Countries in Column (5) which do not come up to 100.

(2) In those balances plus (+) indicates favourable balance and minus (-) adverse balance.

17. It is clear from the above table that India has, and, has to have, considerable trade with other countries than the United Kingdom, and notwithstanding the difficulties indicated in paragraph 12, we cannot ignore the desirability of expansion of our trade with those countries. While recommending the terms of a pact between India and the United Kingdom, we think it imperative to bear in mind that no avoidable obstacles are placed in the way of expansion of our trade with non-Empire countries.

18. *Consideration (iv)*.—The principal object of a pact with the United Kingdom would be to find an expanding market for India's agricultural produce but it must not be overlooked that India has accepted a policy of industrialisation as an integral part of her economic policy. We have dealt with this in our examination of the Supplementary Agreement, in paragraphs 3 to 6 above.

19. *Consideration (v)*.—We hardly think it necessary to deal with this matter at any length. Since customs duties form the most important source of revenue of the Government of India, the necessity of safeguarding it under any scheme of preference is obvious.

20. We have refrained from examining the "Import" section of India's trade at this stage, as we consider that we should first know what preferences the United Kingdom would require under a new Agreement with India. We desire to consider this section of our trade with the United Kingdom after we have received proposals from them. After examining this part, we shall naturally have to assess, as far as possible, in the light of what we say in paragraphs 13 to 19 above, the respective benefits to India and the United Kingdom under the proposals made by each party. We have also carefully examined the advantages which are derived by the United Kingdom from the differential duties in respect of steel and cotton and we are of opinion that the advantages so derived go far to outweigh the benefits to India which may result from the preferences which we have proposed for her products in the United Kingdom market.

21. We have stated our view that a trade agreement should be concluded between India and the United Kingdom, and, in this connection, we record our recognition that goodwill is not a negligible factor in the present relations of India and England. If a trade pact can be voluntarily concluded in which the interests of both countries are protected, it might be made a foundation of better understanding and afford a basis for readjustment of larger issues.

22. We set out in the Annexure our findings and recommendations regarding preferences on Indian products in the United Kingdom market. We also attach an Index to the Report as well as to the Annexure itself.

23. The Committee wish to place on record their very sincere thanks to Dr. John Matthai, Director-General of Commercial Intelligence and Statistics, whose services were placed at our disposal by the Commerce Department, for the great assistance that he so ungrudgingly gave us in our work. His experience as President of the Indian Tariff Board proved of particular value to us, and without his continued help and co-operation it would not have been possible for the Committee to present this preliminary report with such expedition.

(Sd.) PURSHOTAMDAS THAKURDAS.

G. D. BIRLA.

P. SUBBAROYAN.

E. C. BENTHALL.

LIAQUAT ALI KHAN.

KASTURBHAI LALBHAI.

DATAR SINGH.

SIMLA,

Dated the 10th October 1936.

## Annexure.

## TEA.

*Present Preferences.*

Duty on tea from Empire countries . . . . .	4d. per lb.
Duty on tea from non-Empire countries . . . . .	6d. per lb.
Margin of preference . . . . .	2d. per lb.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all foreign countries.	
	lbs. (000)	£ (000)	lbs. (000)	£ (000)	lbs. (000)	£ (000)	lbs. (000)	£ (000)
Average for 3 years ending								
1929-30 . . . . .	365,950	21,274	307,769	18,247	25,011	1,297	33,170	1,730
In 1930-31 . . . . .	356,239	17,669	298,869	14,959	24,676	1,185	32,694	1,525
In 1931-32 . . . . .	341,518	14,578	291,109	12,696	24,221	920	26,008	962
In 1932-33 . . . . .	378,837	12,865	330,661	11,088	25,419	956	22,757	821
In 1933-34 . . . . .	317,816	14,884	276,262	13,173	27,050	1,107	14,504	604
In 1934-35 . . . . .	324,833	15,099	288,518	13,610	22,441	916	13,874	573
In 1935-36 . . . . .	312,591	14,865	275,527	13,309	23,837	959	13,227	597
Average for 3 years ending								
1935-36 . . . . .	318,413	14,949	280,102	13,364	24,443	994	13,868	592

According to the United Kingdom Trade Accounts the imports of tea into the United Kingdom were as follows:—

*Imports of tea into the United Kingdom.*

	Total.	India.	Lbs. (000)	
			Empire countries.	Foreign countries.
1929. . . . .	559,168	306,735	462,623	96,545
1930. . . . .	541,038	290,183	445,045	95,993
1931. . . . .	535,446	276,963	438,640	96,606
1932. . . . .	565,962	311,964 (55%)	486,781 (86%)	79,181 (14%)
1933. . . . .	505,032	279,974 (55%)	432,235 (86%)	72,797 (14%)
1934. . . . .	509,747	277,277 (54%)	439,604 (86%)	70,143 (14%)
1935. . . . .	475,652	216,077 (57%)	421,315 (89%)	54,337 (11%)

N.B.— Figures in brackets represent percentages of total.



The figures of exports from India have shown a small general decrease, including a decrease to the United Kingdom. If a comparison is taken between the three years ending 1929-30 and 1935-36, the percentage of exports from India taken by the United Kingdom shows a small increase. The percentage of average imports taken by the United Kingdom shows that India is supplying 3 per cent. less than formerly, which percentage has been taken up by Ceylon. Immediately after the Ottawa Pact, the Tea Export Restriction Scheme came into existence according to which each of the main tea-producing countries was granted an export quota. It is the logical result of such a scheme that, provided the level of consumption has been correctly estimated, no producing country can expand its exports in any one market without a corresponding reduction elsewhere. This is borne out by the figures of export to the other countries which simultaneously registered a decrease. We, therefore, agree with the view expressed by the Director-General of Commercial Intelligence and Statistics, in his Report on tea for the year 1934-35—

"The benefit of preference in extending the export market as well as in increasing production could not operate". (*Vide* page 41 of 1935 Report).

This view finds further confirmation in the opinion recorded by the Government of Assam that—

"So far as this article is concerned, its welfare is bound up more with the International Restriction Scheme than with the Ottawa Pact". (*Vide* page 121 of correspondence).

Even independently of the Restriction Scheme, we were impressed by certain important considerations. Tea is a beverage, the consumption of which is a matter of taste, and any artificial stimulus by way of preference will not necessarily work in the direction of increased consumption. The chief value of the preference is, in fact, in assisting high-class Indian and Ceylon teas in competition with lower grade teas from Netherlands East Indies. Our biggest competitor in the United Kingdom market is Ceylon. It is hardly likely that Ceylon will be able to export more to the United Kingdom than it was able to do in the peak years of its export. At the same time, it is clear that India will not be able to make any further headway in the market without preference against Ceylon and other Empire countries.

We, however, do not think it advisable to create any disturbance in the distribution of the existing trade as controlled by the Tea Export Restriction Scheme which ends on the 31st March 1938, and recommend that so far as the United Kingdom market is concerned, the *status quo* may be maintained as, if the Indo-British Trade Agreement extends beyond that date, the existence of the preference is likely to be of assistance to India in negotiating a fresh international agreement, should such a course be thought desirable by the trade.

#### HIDES AND SKINS TANNED.

##### *Present preference—*

Produce of Empire countries . . . . .	Free entry.
Produce of non-Empire origin . . . . .	10 % <i>ad valorem</i> .

## HIDES AND SKINS, TANNED AND DRESSED, OTHER THAN GOAT SKINS.

1. According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all Foreign countries.	
	Tons (000)	£ (000)	Tons (000)	£ (000)	Tons (000)	£ (000)	Tons (000)	£ (000)
Average for 3 years ending 1929-30.	18	4,754	16	4,050	1	72	2	632
In 1930-31	15	3,365	13	3,027	1	59	1	279
In 1931-32	13	2,724	13	2,462	..	39	..	223
In 1932-33	12	2,227	11	2,014	..	34	1	179
In 1933-34	16	2,940	16	2,735	..	31	..	174
In 1934-35	14	3,544	13	2,311	..	28	1	205
In 1935-36	17	2,833	16	2,613	0.1	22	0.9	198
Average for 3 years ending 1935-36	16	2,772	15	2,553	..	28	1	191

## GOAT SKINS, TANNED.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all Foreign countries.	
	Tons (000)	£ (000)	Tons (000)	£ (000)	Tons (000)	£ (000)	Tons (000)	£ (000)
Average for 3 years ending 1929-30	4	1,854	3	1,695	..	7	1	152
In 1930-31	3	1,340	3	1,280	..	1	..	59
In 1931-32	3	1,224	2	1,176	..	1	1	47
In 1932-33	3	1,270	3	1,259	..	..	..	11
In 1933-34	4	1,294	4	1,241	..	..	1	53
In 1934-35	4	1,372	3	1,332	..	1	..	39
In 1935-36	3	1,069	3	1,012	0.02	7	..	50
Average for 3 years ending 1935-36	4	1,245	3	1,195	0.02	3	1	47

According to the United Kingdom Trade Accounts the imports of Leather, Undressed—Skins, into the United Kingdom were as follows:—

	Quantity Cwts. (000).			
	Total imports.	From India.	From Empire countries.	From Foreign countries.
1929	173.5	115.5	125.9	47.6
1930	159.4	101.6	117.3	42.1
1931	147.8	98.5	115.8	31.9
1932	141.7	102.1	119.5	22.3
1933	158.4	111.8	134.3	24.1
1934	164.7	123.6	143.3	21.4
1935	150.3	*110.8	*129.9	*21.0

\*Incomplete.

According to the United Kingdom Trade Accounts the imports of Hides Undressed (other than for soles) into the United Kingdom were as follows:—

	(In Thousand Cwts.)			
	Total.	India.	Empire countries.	Foreign countries.
1931 . . . . .	297.5	188.6	195.6	101.9
1932 . . . . .	252.8	203.2	211.7	41.1
1933 . . . . .	268.0	234.9	241.4	26.6
1934 . . . . .	271.7	237.8	247.5	24.2
1935 . . . . .	274.6	258.7	264.9	9.7

We find from the figures of export to the United Kingdom that for a number of years, India has been supplying hide leather, other than for soles almost exclusively to the United Kingdom market in which our share is nearly 85 per cent. India had been holding this position in the United Kingdom market even before the Ottawa Agreement, and, in our specialities of light cow and ox hides, we are in the position of being the only important suppliers to the United Kingdom. In skins also, we export about 88 per cent. of our export to the United Kingdom and hold an equally strong position. In these circumstances, the preference on both these classes cannot evidently be of much value.

We also feel that whatever value this preference has, it is further reduced by the fact that the trade in these articles in the United Kingdom market is to a certain extent an entrepôt trade as revealed by the figures of re-export from the United Kingdom. It might be more satisfactory if we could develop direct trade relations with those countries to which the United Kingdom reconsigns these articles. But till such a situation materialises, we recommend that the present position regarding the preference should continue.

### JUTE MANUFACTURE.

#### *Present preference—*

Jute manufactured from Empire countries	Free entry.
Jute manufactured from non-Empire countries	20 per cent duty.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports. £(000).	To United Kingdom. £(000).	To other Empire countries. £(000).	To all Foreign countries. £(000).
Average for 3 years ending 1929-30	40,512	3,886	8,803	27,823
In 1930-31 . . . . .	23,830	1,362	5,894	16,574
In 1931-32 . . . . .	16,358	1,397	4,517	10,444
In 1932-33 . . . . .	16,217	1,309	5,102	9,806
In 1933-34 . . . . .	15,994	1,201	4,482	10,311
In 1934-35 . . . . .	16,063	1,197	3,954	10,912
In 1935-36 . . . . .	17,579	1,553	4,342	11,684
Average for 3 years ending 1935-36	16,545	1,317	4,250	10,989

According to the United Kingdom Trade Accounts the imports of jute piecegoods into the United Kingdom were as follows:—

	Total.	India.	[In sq. yds. (000)].	
			Empire countries.	Foreign countries.
1931 . . . . .	71,917	58,759	57,587	14,230
1932 . . . . .	68,666	67,332	67,887	779
1933 . . . . .	58,250	55,076	55,334	916
1934 . . . . .	60,569	60,390	60,447	122
1935 . . . . .	71,486	71,406	71,435	51

From these figures, we find that we have been able not only to maintain our share in the United Kingdom market but also to expand it to some extent. We feel, however, that, as the Indian Jute Mills Association observe, the scope for expansion of India's export to the United Kingdom is limited owing to the existence of an indigenous industry, and as such, the preference could only have the effect of maintaining for India her position in that market. We think that the Indian Jute Mills Association have analysed the position correctly when they state that the whole of the United Kingdom requirements in jute manufactures cannot be supplied by the Dundee Mills, and, as a result, a considerable quantity will have to be imported from other countries. We think it desirable that India should continue to supply this share by the maintenance of the present rate of preferences.

It has been, however, brought to our notice that this position might be adversely affected if certain demands contemplated by the Dundee Mill-owners were accepted. We do not anticipate that any such situation will arise. It has, however, been suggested to us that the Government of India should indicate to the Government of the United Kingdom their ability, if not their willingness, to impose an export duty on raw jute in case the Indian industry was adversely affected.

#### LINSEED.

##### *Present preference—*

Produce of Empire origin . . . . .	Free entry.
Produce of non-Empire origin . . . . .	10 per cent. duty.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all Foreign countries.	
	Tons.	£	Tons.	£	Tons.	£	Tons.	£
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Average or 3 years ending								
1929-30 . . . . .	209	3,388	52	826	18	350	139	2,212
In 1930-31 . . . . .	257	4,058	58	931	11	187	188	2,969
In 1931-32 . . . . .	120	1,148	14	124	10	89	98	935
In 1932-33 . . . . .	72	683	14	124	10	77	48	482
In 1933-34 . . . . .	379	3,431	176	1,509	12	102	191	1,820
In 1934-35 . . . . .	238	2,248	104	963	28	265	106	1,020
In 1935-36 . . . . .	165	1,655	90	906	10	97	65	653
Average for 3 years ending								
1935-30 . . . . .	261	2,445	123	1,126	17	155	121	1,164

According to the United Kingdom Trade Accounts the imports of Linseed into the United Kingdom were as follows:—

Year.	Total Imports.	India.	Tons (000).		
			All Empire countries.	Argentine Republic.	All Foreign countries.
1929 . . . . .	284	76	76	198	208
1930 . . . . .	223	71	72	140	161
1931 . . . . .	338	15	15	311	323
1932 . . . . .	362	9	9	344	353
1933 . . . . .	249	131	133	113	116
1934 . . . . .	184	140	140	44	44
1935 . . . . .	257	58	59	196	198

It will be seen from the above figures that during the years 1933 and 1934, India showed a phenomenal increase in her exports to the United Kingdom market, in which Argentine is our biggest competitor. This was largely due to short crops in Argentine and the United States of America which led to heavy exports from India during 1933-34 and 1934-35. As Indian linseed is of superior quality and commands a premium of £1 per ton over the Argentine linseed, it would have been reasonable to expect still greater expansion of Indian linseed in the United Kingdom market in place of Argentine linseed if the preference secured under the Ottawa Pact had been really effective. But this expectation did not materialise, since the effectiveness of the preference was largely neutralised by the fact that, as early as in November 1934, the Commissioners of Customs and Excise, by notification, introduced a system of drawback with retrospective effect in respect of linseed and linseed oil imported after 22nd May 1933. Under this system, a drawback of 18s per every ton of linseed was allowed on Argentine linseed if it was used for the extraction of linseed oil. On the basis of prices, this works out to a refund of nearly the whole of the duty. While recommending the continuance of the existing preference for Indian linseed, we, therefore, suggest to Government that in any future agreement, it is essential to provide that no preferences should be thus circumvented by any system of drawback or other method of executive action likely to reduce the value of the preferences granted.

#### GROUNDNUT.

##### Present preference—

Produce of Empire origin . . . . .	Free entry.
Produce of non-Empire origin . . . . .	10 per cent. <i>ad valorem</i> .

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

Average for 3 years ending	Total exports.		To United Kingdom.		To other Empire countries.		To all Foreign countries.	
	Tons.	£	Tons.	£	Tons.	£	Tons.	£
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
1929-30 . . . . .	705	12,848	42	771	6	111	657	11,966
In 1930-31 . . . . .	601	7,251	47	836	2	16	552	6,699
In 1931-32 . . . . .	672	7,603	78	860	2	23	592	6,720
In 1932-33 . . . . .	433	5,342	32	433	2	25	399	4,884
In 1933-34 . . . . .	547	4,973	53	499	8	67	486	4,407
In 1934-35 . . . . .	511	4,446	134	1,276	8	68	369	3,102
In 1935-36 . . . . .	413	4,988	52	642	6	65	355	4,281
Average for 3 years ending 1935-36 . . . . .	490	4,803	80	806	7	67	403	3,930

According to the United Kingdom Trade Accounts the imports of groundnut into the United Kingdom were as follows:—

	Total.	From India.	From Empire countries.	Tons (000). From Foreign countries.
1929 . . . . .	134.3	75.4	96.1	38.2
1930 . . . . .	115.2	45.0	82.8	32.4
1931 . . . . .	138.7	81.3	99.8	38.9
1932 . . . . .	96.8	57.6	35.6	11.2
1933 . . . . .	131.6	69.8	129.4	2.2
1934 . . . . .	112.6	72.5	112.4	0.2
1935 . . . . .	152.0	90.0	161.7	0.3

We feel that the position as regards this article has been well summarised by the Government of Madras whose opinion is reproduced below:—

“The trade attained considerable prosperity during the decade ending with 1928-29, in which year the exports were valued at Rs. 1,428 lakhs. The tide of prosperity suddenly turned in the next year and there followed a period of acute depression and falling prices. There has been a considerable fall in the tonnage and value of groundnut exports during the last five or six years due to (i) the world economic depression, (ii) the preferential tariff policy adopted by France in regard to the produce of its own colonies, (iii) the endeavours of Germany to become as self-supporting as possible in the production of oils and fats, and (iv) the increased competition which Indian oilseeds are meeting with from other oils of a similar type, the supply of which has increased rapidly in recent years”.

We have also gathered from other representations that on account of the competition that groundnut is facing from substitute products, the preference has yielded disappointing results. The imports of these substitutes into the United Kingdom during 1935 were given to us as follows:—

	Tons.
Soya beans . . . . .	159,000
Cotton seed . . . . .	655,000
Fish oil . . . . .	144,000
Soya bean oil . . . . .	34,000
Other oils and fats . . . . .	40,000

The United Kingdom imported most of these from non-Empire countries in competition with groundnuts and groundnut oil, and, in addition, imported 980,000 tons of copra, palm kernels, palm oil and coconut oil from Empire countries, also in competition with the above articles.

It has been suggested that the position could be retrieved if the existing duties on soya beans in the United Kingdom were continued and fresh duties were imposed on cotton seeds of non-Empire origin. It has been argued that the duty on cotton seeds might have a dual effect. For, if the market in the United Kingdom at present occupied by Egyptian cotton seeds were made available to India, it might either help the export of

Indian cotton seeds, or create a larger scope of expansion for Indian groundnut. The Government of Madras on the other hand, suggest that a quota should be asked for from the Government of the United Kingdom in respect of this particular commodity.

It is too early to estimate the results of the import duty on soya beans imposed in August 1935, but the figures for the six months of 1936 of imports of groundnut from India into the United Kingdom appear to indicate that the protection is of some value. On the other hand, for various reasons, it may not be possible to develop a large export trade in Indian cotton seeds so that the proposed duty may have a value only in relation to the substitution of groundnuts by Egyptian cotton seed in the United Kingdom market, while the suggested duties on soya beans and cotton seeds are more likely to help other Empire countries like Nigeria, which already enjoy a large share in the United Kingdom market and are thus serious rivals. While, therefore, we recommend that (a) the present preferential tariff on groundnut be continued, (b) the present import duty on soya beans be maintained, and (c) a 10 per cent. duty on cotton seed of non-Empire origin be imposed, we feel that on the whole, the question of groundnut is part of the larger problem of the substitution of vegetable oils by fats and fish and whale oils. As such, preferential duties can only be in the nature of palliatives and we suggest that the Government of India should examine the possibilities of securing a market for Indian groundnut by arranging an undertaking on the part of the United Kingdom to import a definite quantity of our produce.

#### OIL-SEED CAKE AND MEAL.

##### Present preference—

Oil cakes of Empire origin . . . . .	Free entry.
Oil cakes of non-Empire origin . . . . .	10 per cent. <i>ad valorem</i> .

#### OILCAKES.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all Foreign countries.	
	Tons. (000)	£ (000)	Tons. (000)	£ (000)	Tons. (000)	£ (000)	Tons. (000)	£ (000)
Average for 3 years ending 1929-30 . . . . .	292	2,526	102	937	49	434	141	1,255
In 1930-31 . . . . .	254	1,560	114	687	41	265	99	608
In 1931-32 . . . . .	291	1,505	104	544	36	206	161	755
In 1932-33 . . . . .	287	1,474	106	543	24	134	167	797
In 1933-34 . . . . .	287	1,235	157	646	25	118	105	471
In 1934-35 . . . . .	348	1,478	211	871	27	151	110	456
In 1935-36 . . . . .	300	1,368	216	947	22	129	62	387
Average for 3 years ending 1935-36 . . . . .	312	1,359	195	821	25	133	92	405

According to the United Kingdom Trade Accounts the imports of oilseed cake and meal into the United Kingdom were as follows:—

	Total Imports.	[Tons (000).]	
		From Br. India.	From Empire countries. From Foreign countries.
1929 . . . . .	493	109	374
1930 . . . . .	455	107	344
1931 . . . . .	459	126	321
1932 . . . . .	423	101	302
1933 . . . . .	387	159	215
1934 . . . . .	557	246	285
1935 . . . . .	571	238	319

From an analysis of the imports from India into the United Kingdom, it appears that India does not export cotton seed cake and that so far as our export trade in this class to the United Kingdom is concerned, it relates to export of groundnut cake and linseed cake. India is having a substantial share in the United Kingdom market in the supply of groundnut cake, while in case of linseed cake, India is holding nearly 45 per cent. of the market. The position of India in groundnut cake had been equally strong in pre-preference days and we are not convinced that preference has been of material help in expanding the trade. We, however, recommend that the present preference be continued, on account of its insurance value.

#### VEGETABLE OILS.

##### Present preference—

All vegetable oils of Empire origin . . . . .	Free entry.
Castor oil, Groundnut oil, Mustard Oil, Coconut oil and Sesame oil . . . . .	15 per cent. preference on produce of non-Empire origin.
Linseed oil . . . . .	£3 10s. per ton up to 11th December 1935. £5 per ton from 12th December 1935.

##### Oils—Vegetable.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all Foreign countries.	
	Gals. (000)	£ (000)	Gals. (000)	£ (000)	Gals. (000)	£ (000)	Gals. (000)	£ (000)
Average for 3 years ending 1929-30 . . . . .	1,376	247	338	57	804	145	234	45
In 1930-31 . . . . .	1,140	184	337	52	592	97	211	35
In 1931-32 . . . . .	1,900	228	1,008	115	513	69	379	44
In 1932-33 . . . . .	2,444	287	1,478	175	433	55	533	57
In 1933-34 . . . . .	2,915	284	1,645	153	694	67	576	64
In 1934-35 . . . . .	2,173	224	800	91	701	66	612	67
In 1935-36 . . . . .	2,358	269	1,256	143	601	65	501	61
Average for 3 years ending 1935-36 . . . . .	2,482	259	1,254	129	665	66	563	64



Castor Oil.  
Exports of Castor Oil from India.

	Margin of preference.	Unit of quantity.	Quantity.					Value.				
			1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
								Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)
United Kingdom . . .	15% <i>ad val.</i>	Gals. (000)	655	767	753	612	958	10,94	12,17	10,17	9,38	14,97
Br. W. I. Islands . . .	1½d. per gal.	"	..	..	..	..	..	..	..	..	..	..
Total of trade with countries—												
Granting preference . . .	..	"	655	767 (68%)	753 (58%)	612 (50%)	958 (68%)	10,94	12,17	10,17	9,38	14,97
Not granting preference . . .	..	"	297	358 (32%)	582 (44%)	601 (50%)	450 (32%)	4,18	5,19	8,06	8,30	6,50
<b>GRAND TOTAL . . .</b>	..	..	<b>952</b>	<b>1,125</b>	<b>1,335</b>	<b>1,213</b>	<b>1,408</b>	<b>15,10</b>	<b>17,36</b>	<b>18,23</b>	<b>17,68</b>	<b>21,47</b>

*N.B.*—Figures in brackets represent percentages of total.

Linseed Oil.  
Exports of Linseed Oil.

	Margin of preference.	Unit of quantity.	Quantity.					Value.					
			1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	
			Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	
United Kingdom	£3 10s. per ton.	Gals. (a) (000)	..	..	..	..	..	..	..	..	..	..	..
Mauritius	Rs. 3-50c per 100 kilo.	"	1-1	.5	2-0	5-0	..	2	1	3	7	..	..
Total of trade with countries—													
Granting preference	..	"	1-1	.5 (1%)	2-0 (3%)	5-0 (8%)	..	2	1	3	7	..	..
Not granting preference	..	"	36-9	43-6 (99%)	65-1 (97%)	58-7 (92%)	77-9 (100%)	61	70	1,07	97	1,27	..
GRAND TOTAL	..	..	38-0	44-1	67-1	63-7	77-9	63	71	1,10	1,40	1,27	..

N.B.—Figures in brackets represent percentages of total.  
(a) £5 per ton with effect from 12th December 1935.

Cocoanut Oil.  
Exports of Cocoanut Oil.

	Margin of preference.	Unit of quantity.	Quantity.					Value.				
			1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
			Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)					
United Kingdom	15% ( <i>ad valorem</i> ).	Gals. (000)	11.5	12	12.5	16	14	18	17	17	14	18
Mauritius	Rs. 3-50c. per 100 kilo.	"	..	..	..	..	..	..	..	..	..	..
Total of trade with countries—												
Granting preference	..	"	11.5	12 (41%)	12.5 (39%)	16 (41%)	14 (42%)	18	17	17	14	18
Not granting preference	..	"	24.5	17 (59%)	19.5 (61%)	23 (59%)	19 (58%)	48	34	28	28	25
<b>GRAND TOTAL</b>	..	..	<b>36</b>	<b>29</b>	<b>32</b>	<b>39</b>	<b>33</b>	<b>66</b>	<b>51</b>	<b>45</b>	<b>40</b>	<b>43</b>

N.B.—Figures in brackets represent percentages of total.

Groundnut Oil.

Exports of Groundnut Oil.

	Margin of preference.	Unit of quantity.	Quantity.					Value.				
			1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1931-32. Rs. (000)	1932-33. Rs. (000)	1933-34. Rs. (000)	1934-35. Rs. (000)	1935-36. Rs. (000)
United Kingdom	15% ( <i>ad-valorem</i> ).	Gals. (000).	280	664	507	89	180	3,73	10,44	6,25	93	2,32
F. M. States	3 cents per lb.	"	..	..	32	14	7	..	..	39	15	7
Mauritius	Rs. 3-50c. per 100 kilo.	"	42	53	34	78	37	98	91	63	1,09	55
Total of trade with countries—												
Granting preference	..	"	322	717	573	181	224	4,61	11,35	7,27	2,17	2,94
Not granting preference	..	"	133	200	143	94	67	2,11	2,97	1,75	1,15	1,00
				(78%)	(80%)	(66%)	(77%)					
				(22%)	(20%)	(34%)	(23%)					
GRAND TOTAL	..	..	455	917	716	275	291	6,72	14,32	9,02	3,32	3,94

N.B.—Figures in brackets represent percentages of total.

Exports of Rapeseed oil.

(a)	Margin of preference.	Unit of quantity.	Quantity.					Value.				
			1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
			Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)					
United Kingdom	15% (ad-valorem.	Gals. (000)	4	34	16	17	17	12	53	23	21	27
Bt. W. I. Islands (a)	4d. per gal.	"	5	4	6	1	7	10	6	8	2	11
Fiji	6d. per gal.	"	40	63	51	44	45	85	1,00	60	56	73
Total of trade with countries—												
(Granting preference .		"	49	101	73	62	69	1,07	1,59	91	79	1,11
				(45%)	(28%)	(21%)	(29%)					
Not granting pre- ference		"	201	125	190	233	168	3,24	1,90	2,18	2,66	2,34
				(55%)	(72%)	(79%)	(71%)					
GRAND TOTAL			250	226	263	295	237	4,31	3,49	3,09	3,45	3,45

N.B.—Figures in brackets represent percentages of total.  
(a) Rate refers to Jamaica.

According to the United Kingdom Trade Accounts the imports of unrefined Castor oil into the United Kingdom were as follows:—

*Imports of unrefined Castor oil into the United Kingdom.*

	Total.	India.	[Tons (000)].	
			Empire countries.	Foreign countries.
1929 . . . . .	3.7	1.6	1.6	2.1
1930 . . . . .	2.9	1.4	1.4	1.5
1931 . . . . .	3.3	2.1 (63.6%)	2.1 (63.6%)	1.2
1932 . . . . .	5.2	3.7 (71.2%)	3.7 (71.2%)	1.5
1933 . . . . .	3.6	3.1 (86.1%)	3.2 (88.9%)	0.4
1934 . . . . .	3.1	2.8 (90%)	2.8 (90%)	0.3
1935 . . . . .	3.7	3.4 (92%)	3.5 (95%)	0.2

*N.B.*—Figures in brackets represent percentages of total.

According to the United Kingdom Trade Accounts the imports of Linseed Oil in the United Kingdom were as follows:—

*Imports of Linseed Oil into the United Kingdom.*

	Total.	India.	[Tons (000)].	
			Empire countries.	Foreign countries.
1929 . . . . .	31	..	0.007	31
1930 . . . . .	43	..	..	43
1931 . . . . .	37	..	0.007	37
1932 . . . . .	26	..	0.025	26
1933 . . . . .	7.3	..	0.011	7.3
1934 . . . . .	33	..	0.003	33
1935 . . . . .	44.3	..	..	44.3

According to the United Kingdom Trade Accounts the imports of Coconut oil (Refined and Unrefined) into the United Kingdom were as follows:—

*Imports of Coconut Oil (Refined and Unrefined) into the United Kingdom.*

	Total.	India.	[Tons (000)].	
			Empire countries.	Foreign countries.
1930 . . . . .	42.5	0.17	8.3	34.2
1931 . . . . .	43.5	0.27	9.0	34.5
1932 . . . . .	25.3	0.22	8.3	17.0
1933 . . . . .	13.4	0.14	8.7	4.7
1934 . . . . .	20.8	0.22	16.7	4.1
1935 . . . . .	15.7	(a)	(a)	(a)

(a) Not available.

According to the United Kingdom Trade Accounts the imports of unrefined Groundnut Oil into the United Kingdom were as follows:—

*Imports of unrefined Groundnut Oil into the United Kingdom.*

	Total	India.	Empire countries.	[Tons (000).] Foreign countries.
1931	13.2	0.63	0.63	12.58
1932	3.7	1.5 (41%)	1.5 (41%)	2.2 (59%)
1933	4.0	3.8 (95%)	3.8 (95%)	0.2 (5%)
1934	3.5	0.98 (28%)	0.98 (28%)	2.5 (72%)
1935	7.8	2.5 (32%)	2.5 (32%)	5.3 (68%)

*N.B.*—Figures in brackets represent percentages of total.

According to the United Kingdom Trade Accounts the imports of Rapeseed oil into the United Kingdom were as follows:—

*Imports of Rapeseed oil into the United Kingdom.*

	Total	India.	Empire countries.	[Tons (000).] Foreign countries.
1929	4.7	..	0.016	4.7
1930	7.5	..	0.023	7.5
1931	2.6	..	0.015	2.6
1932	0.53	..	0.088	0.44
1933	0.27	0.07	0.08	0.19
1934	0.63	0.07	0.07	0.56
1935	1.0	0.08	0.08	0.92

It will be seen from the above figures that while we hold a good position in castor oil, in others we hold a very small share of the United Kingdom market. When, therefore, we recommend that the existing preferences be retained we also feel that they will not be of any effective value unless the following causes which militate against the development of this trade are removed:—

- (a) Competition from Empire countries.
- (b) System of drawback as in the case of linseed oil.
- (c) Absence of bulk transportation facilities.

The first is a serious disability which renders this and several other preferences largely ineffective. We have already drawn attention to the second under the subject of linseed and find that a similar disability is also in existence in the case of linseed oil. We trust that the Government will see to its removal, as it may render the preference ineffective. Equally important is the fact that there are at present no facilities for the bulk transport of oil from India to other countries. We have had our attention drawn to this matter in a number of representations and we think it should receive the careful attention of the Government of India.

Besides these, as we have pointed out under the heading of groundnuts substitutes in the nature of other oils and fats compete with these oils and it will require more comprehensive action to stop that competition. Till then, the preference on these commodities cannot be of any real value. We, therefore, recommend a thorough investigation into the properties and uses of these substitutes before negotiations are carried far with the United Kingdom, and, in the meantime, recommend a continuance of the existing preference.

## COFFEE.

*Present preference—*

Duty on coffee of Empire origin . . . . .	4s. 8d. per cwt.
Duty on coffee of non-Empire origin . . . . .	1s. " "
Margin of preference . . . . .	9s. 4d. " "

According to the Indian Sea-borne Trade Accounts exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all foreign countries.	
	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)
Average for 3 years ending								
1929-30	219	1,366	62	322	20	199	137	845
In 1930-31	293	1,439	78	391	19	93	196	955
In 1931-32	156	709	44	210	7	29	105	470
In 1932-33	173	824	52	254	8	35	113	535
In 1933-34	186	768	50	227	7	32	129	509
In 1934-35	141	545	36	181	8	34	97	350
In 1935-36	216	767	61	235	7	25	148	507
Average for 3 years ending								
1935-36	181	693	49	208	7	30	125	455

According to the United Kingdom Trade Accounts the imports of coffee into the United Kingdom were as follows:—

	Total imports.	India.	All [Cwt. (000).]				
			B. E. Africa.	Empire countries.	Costa Rica.	Nicaragua. Foreign countries.	
1929	558	24	178	204	259	12	354
1930	815	89	324	418	305	15	597
1931	751	46	290	339	291	30	412
1932	742	50	276	329	227	26	413
1933	659	45	260	322	198	10	339
1934	531	40	131	184	237	19	349
1935	493	39	220	257	180	6	228



We are in entire agreement with the views expressed in various representations that while the preference has helped other Empire countries, so far as India is concerned her trade in the United Kingdom market has definitely deteriorated. While we note and appreciate the anxiety of the industry that the trade in the United Kingdom should be expanded, we are not sure this could be done merely by an increase in the preference asked for. The Committee note the fact that in spite of the tariff handicaps prevailing in France, our trade with that country has considerably expanded.

We feel it should be continuously kept in mind that the United Kingdom is not primarily a coffee-consuming country and that a large part of the supplies that it takes from India are for the purposes of blending with other qualities. This puts a definite limit to the market that India can obtain in the United Kingdom, and even in this limited market we shall not be able to displace others unless the people of the United Kingdom switch over to a larger use of Indian coffee or unless increased use is made of Indian coffee in the United Kingdom for blending purposes.

We do not think it right to entertain any high hopes in this direction and feel that even if we were to obtain increased preference and thus reduce effective price-cutting by Costa Rica, we should still have to look to other markets. We, therefore, strongly recommend that the Government should find means of developing our export trade in France and Germany. In the meanwhile, we are of the opinion that the United Kingdom should at least double its takings of Indian coffee. We are not in a position to say definitely, at this stage, how this could be done but we feel sure that suitable means could be found if the question was investigated in consultation with the representatives of the United Kingdom.

#### TOBACCO,—MANUFACTURED AND UNMANUFACTURED.

##### Present preferences—

Unmanufactured tobacco of Empire origin . . . . .	Margin of 2s. preference approximately per lb.
Tobacco manufactured of Empire origin . . . . .	Margin 4s. preference approximately per lb.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all foreign countries.	
	lbs. (000)	£ (000)	lbs. (000)	£ (000)	lbs. (000)	£ (000)	lbs. (000)	£ (000)
Average for 3 years ending 1929-30 . . . . .	30,071.	8,55	9,977	288	14,613	4,37	5,481	130
In 1930-31 . . . . .	29,093	7,77	10,001	288	11,039	3,42	8,053	147
In 1931-32 . . . . .	26,261	6,41	10,650	296	10,220	2,38	5,391	107
In 1932-33 . . . . .	21,623	5,78	9,075	275	6,790	1,82	5,757	121
In 1933-34 . . . . .	29,960	7,54	13,353	355	9,022	2,28	7,581	121
In 1934-35 . . . . .	27,377	6,14	9,287	260	10,369	2,49	7,711	106
In 1935-36 . . . . .	29,598	6,93	13,746	345	11,714	2,47	6,141	101
Average for 3 years ending 1935-36 . . . . .	28,978	6,70	11,466	320	10,368	2,41	7,144	109

TOBACCO, UNMANUFACTURED.

Exports of Tobacco, unmanufactured.

	Margin of preference.	Unit of quantity.	Quantity.					Value.				
			1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1931-32. Rs. (000)	1932-33. Rs. (000)	1933-34. Rs. (000)	1934-35. Rs. (000)	1935-36. Rs. (000)
<b>United Kingdom—</b>												
If unstripped	Per lb. 2s. ½d. and 2s. 3¼d.	Lbs. (000)	10,628	9,046	13,299	9,260	11,702	39,21	36,35	46,94	34,15	45,35
If stripped	2s. ½d. and 2s. 3¼d.											
Ceylon.	30c. per lb.	"	151	81	215	275	198	34	20	62	82	54
British West India Islands.	*10d. per lb.	"	..	43	68	60	71	..	21	26	36	28
<b>Total of trade with countries—</b>												
Granting preference	..	..	10,777 (42%)	9,170 (44%)	13,582 (47%)	9,595 (38%)	11,971 (42%)	39,55	36,76	47,82	35,33	46,17
Not granting preference	..	..	14,650 (58%)	11,723 (56%)	15,624 (53%)	16,754 (64%)	16,772 (58%)	41,07	36,65	42,31	42,22	41,79
<b>GRAND TOTAL</b>	..	..	<b>25,427</b>	<b>20,893</b>	<b>29,206</b>	<b>26,349</b>	<b>28,743</b>	<b>80,62</b>	<b>73,41</b>	<b>90,13</b>	<b>77,55</b>	<b>87,96</b>

\* The rate of duty refers to Jamaica.

Exports of Tobacco, manufactured.

	Margin of preference.	Unit of quantity.	Quantity.					Value.				
			1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
								Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)
United Kingdom . . . . .	2s. 5 3/8d. to 3s. 10 1/2d. per lb.	Lbs. (000)	25	29	88	37	43	32	36	48	47	62
Ceylon . . . . .	75c. per lb.	"	175	107	191	230	244	1,41	84	1,37	1,75	2,12
British Malaya (including Straits Settlements).	10c. per lb.	"	180	178	113	122	110	1,37	1,38	95	98	95
Total of trade with countries—												
Granting preference . . . . .	..	"	380 (46%)	314 (43%)	342 (45%)	389 (38%)	397 (46%)	3,10	2,58	2,80	3,20	3,69
Not granting preference . . . . .	..	"	455 (54%)	418 (57%)	411 (55%)	639 (62%)	458 (54%)	1,71	1,12	87	1,15	79
<b>GRAND TOTAL . . . . .</b>	..	..	<b>835</b>	<b>730</b>	<b>753</b>	<b>10,028</b>	<b>855</b>	<b>4,81</b>	<b>3,70</b>	<b>3,67</b>	<b>4,35</b>	<b>4,48</b>

According to the United Kingdom Trade Accounts the imports of tobacco, manufactured and unmanufactured into the United Kingdom were as follows:—

*Manufactured.*

	Total.	India.	(In thousands lbs.).	
			Empire countries.	Foreign countries.
1931 . . . . .	1,202	46*	78	1,124
1932 . . . . .	909	29	59	850
1933 . . . . .	1,102	31	59	1,043
1934 . . . . .	1,410	46*	70	1,340
1935 . . . . .	1,311	40	63	1,248

*Unmanufactured.*

	Total.	India.	(In thousands lbs.)	
			Empire countries.	Foreign countries.
1931 . . . . .	194,046	9,347	84,328	159,718
1932 . . . . .	174,912	9,208	47,708	127,204
1933 . . . . .	211,108	12,968	49,192	161,916
1934 . . . . .	238,875	9,798	47,567	191,308
1935 . . . . .	251,682	11,587	45,102	208,580

It will be seen that manufactured tobacco occupies but a small part of our exports. Even then the major part of that export trade is supplied by Burma. We, therefore, do not make any comments regarding it, except that some help could be given to this trade by changing the nature of import duties. The present duties on cigars, like the duties on leaf tobacco, are specific and based on weight. As a consequence, they bear more heavily on the cheaper type of cigars imported from India than on the more expensive cigars imported from foreign countries. We recommend that these duties should be converted to *ad valorem* duties and have hopes that this might result in increased exports to the United Kingdom.

Regarding unmanufactured tobacco, its consumption in the United Kingdom has been steadily increasing, but India's share in it has remained practically steady, and the growth in the consumption has been supplied by other countries. Under these circumstances, it is clear that the preference has been of no value to India. This condition can perhaps only be improved by a very substantial increase in the preferential duties as, though the amount of duties on tobacco imported from non-Empire countries appear to be high in relation to the value, it is also so in the case of Indian tobacco, and the actual margin of preference works out to only 20 per cent. There is, therefore, scope for increase in this margin. But on our present evidence we are not sure that such an increase can be of real help in stimulating our exports. The illusive factor of consumer's taste is

\* Figures relate to cigars only.

probably nowhere more operative than in the case of tobacco, and, no degree of stimulus can persuade a smoker to use tobacco whose aroma or taste he does not like. Besides, it is to be remembered that as the United Kingdom requires a large quantity of cigarette tobacco, unless India takes up the growing of cigarette tobacco, there is very little hope of its share in the United Kingdom market increasing in the future. Today, India does not produce much tobacco of the cigarette variety and whatever quantity is produced is absorbed by local manufacturers. Even in the pipe tobacco that India does manufacture, the Imperial Economic Committee found, after a careful enquiry, that the proportion of exportable surplus to the total crop grown in India is only 3 per cent. While, therefore, we provisionally recommend that the margin of preference be raised to 5s. per lb., we reserve to ourselves the right to modify the opinion on a further understanding of the problem both as regards its prospect of expansion and its cost to the country.

#### WOOLLEN CARPETS AND RUGS.

*Present preference.*—Duty on non-Empire origin—20 per cent.

#### WOOL MANUFACTURES INCLUDING WOOLLEN AND WORSTED YARNS.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total export.	To United Kingdom.	To other Empire countries.	To all foreign countries.
	£ (000)	£ (000)	£ (000)	£ (000)
Average for 3 years ending 1929-30	7,27	3,35	50	3,42
In 1930-31 . . . . .	5,39	2,62	43	2,34
In 1931-32 . . . . .	4,46	3,07	32	1,07
In 1932-33 . . . . .	5,08	3,36	37	1,35
In 1933-34 . . . . .	5,55	4,24	49	82
In 1934-35 . . . . .	6,88	5,55	57	76
In 1935-36 . . . . .	6,22	4,54	55	1,13
Average for 3 years ending 1935-36	6,22	4,78	54	90

## WOOLLEN CARPETS AND RUGS.

### *Exports of Woollen Carpets and Rugs.*

	Margin of preference.	Unit of quantity.	Quantity.					Value.				
			1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
								Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)	Rs. (000)
United Kingdom . . . . .	20%* <i>ad val.</i>	Lbs. (000)	3,537	4,283	6,710	8,235	7,034	40,62	44,62	56,49	73,91	60,32
Ceylon . . . . .	10% <i>ad val.</i>	"	443	468	519	512	163	1,78	1,97	1,90	1,56	68
Federated Malay States	10% <i>ad val.</i>	"	5	2	2	5	3	6	3	3	3	2
Total of trade with countries—												
Granting preference . . . . .	..	..	3,985 (84%)	4,753 (80%)	7,231 (86%)	8,752 (87%)	7,200 (77%)	42,46	46,62	58,42	75,50	61,02
Not granting preference . . . . .	..	..	782 (16%)	1,210 (20%)	1,221 (14%)	1,341 (13%)	2,147 (23%)	14,27	16,88	14,25	14,31	19,63
<b>GRAND TOTAL</b> . . . . .	..	..	<b>4,767</b>	<b>5,963</b>	<b>8,452</b>	<b>10,093</b>	<b>9,347</b>	<b>56,73</b>	<b>63,50</b>	<b>72,67</b>	<b>89,81</b>	<b>80,65</b>

\* The rate has been revised and the present duty on non-Empire products is 4s. 6d. per sq. yd. on "handmade carpets, carpeting, floor rugs, floor mats and matting" and 9d. per sq. yd. or 20% *ad valorem* whichever is higher, on "other kinds" of carpets, etc. The Empire products are admitted free.

According to the United Kingdom Trade Accounts the imports of woollen carpets and rugs (handmade) into the United Kingdom were as follows:—

	Total.	India.	(In thousand sq. yards.)	
			Empire countries.	Foreign countries.
1931 . . . . .	3,554	760	802	2,752
1932 . . . . .	2,572	1,073	1,107	1,465
1933 . . . . .	2,505	1,277	1,311	1,194
1934 . . . . .	2,689	1,761	1,810	879
1935 . . . . .	2,560	1,658	1,720	840

It will be seen from the figures that India's exports have been increasing and preference seems to have had some influence. As this trade provides a wide scope for employment, we would like the preference to be continued; yet we note from the following figures of the imports of woollen carpets, carpeting, floor rugs, floor mats and matting of wool, all of which serve the same purpose and can to some extent be substituted for one another that the entire trade in these articles has been increasing and India has not got more proportionately than what Belgium or Iran has secured of the increased market in spite of preference, to Empire imports:—

Year.	Total.	(In square yards.) (000).			
		From all Empire countries.	From Belgium.	From Iran.	From all foreign countries.
1930 . . . . .	8,666.6	714.3	3,369.9	189.1	7,952.3
1931 . . . . .	8,949.3	804.5	3,523.4	239.6	8,144.8
1932 . . . . .	3,188.9	1,106.9	945.1	445.1	2,082.0
1933 . . . . .	3,576.7	1,311.2	1,275.8	314.0	2,265.5
1934 . . . . .	4,356.9	1,809.8	1,585.1	363.0	2,547.1
1935 . . . . .	4,119.4	1,717.6	1,563.9	407.3	2,401.8

#### *Unscheduled articles.*

The important items are:—

- Barley.
- Pulses.
- Miscellaneous foodgrains.
- Manures.
- Goatskins raw.

We do not take up the question of beans as Burma only is interested in their exports.

Regarding grains and lentils, we find that India occupies the whole of the market available in the United Kingdom. It would, therefore, appear that if there is any scope for expansion, it would be outside the United Kingdom market.

As regards miscellaneous foodgrains which consist of articles other than wheat, rice, barley, pulses and maize, they do not form an important part of the total volume of India's exports of foodgrains and the United Kingdom is an unimportant buyer from India.

Regarding barley, as compared with 1928-29, the exports of barley have declined to insignificant proportions though that small portion is taken up entirely by the United Kingdom. However, compared with the consumption of barley in the United Kingdom, India's exports to it do not occupy any considerable position in the import trade of the United Kingdom. Some action for restoring exports to the level prior to 1929-30 appears desirable.

On the average of three years ending 1934, goatskins, raw, constitute 71 per cent. of the imports of the United Kingdom. The share of other Empire countries—British West Africa and South Africa—constitutes 20 per cent. India accounts for nearly one-third of the world's production of goatskins, and, according to the Indian Hide Cess Enquiry Committee, it has been claimed that certain classes of goatskins, specially those produced in the eastern provinces of India, possess unique qualities. The Indian Hide Cess Enquiry Committee further noted in their report that the proportion of (i) raw skins (goat and sheep) exported from India, (ii) those tanned in India and then exported and (iii) those tanned and consumed in India, works out at 6:4:1. While recommending the continuance of the present preference afforded to goatskins raw, we feel that there is no cause for any apprehension as regards the position of Indian goatskins-raw in the United Kingdom market, and a matter of greater concern is to explore all further avenues of expanding the trade of this commodity in other non-Empire markets.

Our general recommendation with regard to unscheduled articles is that all articles in which India is interested should continue to have free entry as at present. As regards chrome leather, however, with which we deal separately we would ask not merely for free entry but the definite retention of the present preference.

#### *Scheduled Articles.*

Shellac  
 Seed lac  
 Stick lac  
 Jute raw  
 Myrabolams  
 Rice broken  
 Mica slabs and splittings.  
 Indian hemp (*Crotalaria Jaucea*). (also see page 34).  
 Free entry for imports from all countries.

Articles under this schedule have free entry into the United Kingdom and where necessary, duties on substitutes are imposed. We, therefore, offer no particular comments; but we note that in case of lac, myrabolams, mica and jute, we are the sole suppliers to the United Kingdom, while in the case of hemp, there has been no change in our relative position as against other varieties in the United Kingdom market since the Ottawa Agreement.



*Minor articles.*

- Coir yarn and coir manufactures.
- Castor seed.
- Cotton yarn and manufactures.
- Sandalwood oil.
- Granite setts or kerb.
- Magnesite.
- Magnesium chloride.
- Wheat.

Each of these articles occupies a very small share in the total trade of India. We would, therefore, recommend no change in their position.

*Coir yarn and manufactures.*—We might, however, mention that in the case of coir yarn and manufactures, the United Kingdom market is divided between India and Ceylon and our coir yarn and manufactures seem to be of superior quality as they command a higher price and thus seem to stand in a class by themselves.

*Castor seed.*—The market for castor seed in the United Kingdom is small and we are at present supplying practically the whole of it. It looks from the figures of production that India is utilising the major portion of the production in extracting oil and any measure that would stimulate greater export of oil would be welcome.

*Cotton manufactures.*—As regards cotton manufactures, so far as the United Kingdom is concerned, the preference has been of little value while most of the important colonies have not granted any preference to India. As regards sandalwood, magnesite and granite setts and kerb, the export is mainly confined to Indian States.

*Sandalwood.*—In sandalwood, we naturally have an exclusive market.

*Magnesite.*—In magnesite, the preference has increased the export to the United Kingdom market, but there are not many chances of expansion of trade.

*Wheat.*—Regarding wheat, our present exports as compared with its production are very small and we have no indication of the exportable surplus of this commodity but we do not think that we can obtain any large market in the United Kingdom in view of the preferences enjoyed by other Empire countries.

## RAW COTTON.

*Present preference.*—Nil.

The opinions expressed in the various representations received by us so far regarding the export of raw cotton are unanimous that the United Kingdom could take more of this commodity than it has taken hitherto. The position is clearly expressed in the representation by the Indian Central Cotton Committee which analyses the United Kingdom's manufactures of yarn in which they suggest that Indian cotton could be suitably used to a larger extent in the United Kingdom and that the latter could without inconvenience take about nine lakhs of bales a year as against the

five lakhs which it has now reached. While we feel that these estimates may have to be revised in the light of more accurate enquiries, they give on the whole a fair picture of the situation. We, therefore, recommend that raw cotton should be included in any future agreement and that the taking of a quantity as near these estimates as possible by the United Kingdom should be assured. This could be possibly done by a preferential duty but we understand that the interests in Lancashire are not prepared to entertain such a proposal. It is, therefore, suggested that discussions should be entered into with the United Kingdom and an agreement reached whereby the United Kingdom will, within a definite period, increase its consumption up to a definite amount of from five to ten lakhs of bales of Indian cotton, and that such definite agreement might be incorporated in any future Indo-British Trade Agreement.

### INDIAN HEMP.

#### Hemp, Raw.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all foreign countries.	
	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)
Average for 3 years ending 1929-30	493	592	71	92	0.6	1	421.4	4.99
In 1930-31	293	295	33	55	0.4	1	259.6	2.59
In 1931-32	224	202	32	27	0.3	..	191.7	1.75
In 1932-33	281	241	80	71	0.7	1	200.3	1.69
In 1933-34	388	271	85	62	0.6	..	302.4	2.09
In 1934-35	437	293	113	79	0.8	1	323.2	2.13
In 1935-36	643	453	168	129	1.0	1	474.0	3.23
Average for 3 years ending 1935-36	469	339	122	90	0.8	1	366.5	2.48

According to the United Kingdom Trade Accounts the imports of hemp, not dressed, dressed and tow and codilla into the United Kingdom were as follows:—

	Tons (000).			
	Total.	India.	Empire countries.	Foreign countries.
1930	83	3.9	16	67
1931	85	1.8	14	71
1932	65	3.4	24	41
1933	74	4.0	27	47
1934	91	4.7	34	57
1935	95	7.4	39.3	55.7

It appears from the figures that in comparison with other varieties of hemp from foreign countries, India has not been able to make anything more than a proportionate progress in the United Kingdom market. There would be a large scope in the United Kingdom market if the Russian type of hemp could be removed from the free list. We realise that there are administrative difficulties in following the suggestion, but we still feel that some way should be found to overcome these administrative difficulties and to secure an effective preference for Indian hemp against imports from foreign countries. We also draw the attention of the Government to the opinion of the Director of Agriculture in the United Provinces that there is considerable scope for the export of Sunn to the United Kingdom market which draws its supplies from foreign sources. We also bring to the notice of Government the fact that India's trade with Belgium has gone down considerably during the last six years and that there may be scope for the expansion of our trade with Belgium and also with Germany and Italy.

#### *Chrome Leather.*

According to the United Kingdom Trade Accounts the imports of chrome tanned leather into the United Kingdom were as follows:—

Year.	(Quantity in cwts.)			Total
	From British India.	From Empire countries.	From foreign countries.	
1929. . . . .	(a)	(a)	(a)	(a)
1930. . . . .	257	280	20,142	20,422
1931. . . . .	74	129	53,703	53,832
1932. . . . .	881	994	25,239	26,233
1933. . . . .	1,110	1,371	4,151	5,522
1934. . . . .	144	389	4,610	4,999
1935. . . . .	(b)	(b)	(b)	(b)

(a) Not separately specified.

(b) Not yet available.

NOTE.—Chrome tanned leather is not separately recorded in the Indian Trade Accounts.

There is a duty of 30 per cent. at present on chrome leather of non-Empire origin, and it appears to have helped the industry in India considerably. We, therefore, recommend that chrome leather should now be included as a scheduled article and that the present margin of preference should be maintained.

#### *Articles in which Burma is primarily interested.*

We understand from the representations received from Burma that Burma would prefer to enter into a separate trade agreement with the United Kingdom when she is separated from India in 1937. We have, therefore, thought fit not to comment on nor take into consideration the

articles indicated below in which Burma is mainly interested except rice in which India proper has also a considerable interest—

1. Rice (not in the husk) excepting broken cleared rice.
2. Broken cleaned rice.
3. Paraffin wax.
4. Teak and other hard woods.
5. Bran and pollard and rice meal and dust.
6. Lead pig.
7. Beans.

#### SPICES.

According to the Indian Sea-borne Trade Accounts Indian exports were as follows:—

	Total exports.		To United Kingdom.		To other Empire countries.		To all foreign countries.	
	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)	Cwts. (000)	£ (000)
Average for 3 years ending 1929-30	369	1,488	33	214	216	515	119	759
In 1930-31	342	954	21	81	210	390	111	483
In 1931-32	321	654	16	49	196	260	109	345
In 1932-33	299	542	18	44	198	229	83	269
In 1933-34	270	542	14	46	179	230	77	266
In 1934-35	286	580	12	39	194	282	80	259
In 1935-36	252	412	3	15	207	216	42	181
Average for 3 years ending 1935-36	269	511	10	33	193	243	66	235

According to the United Kingdom Trade Accounts the imports of spices into the United Kingdom were as follows:—

	Total.	India.	Empire countries.	Foreign countries.
	Cwts. (000)	Cwts. (000)	Cwts. (000)	Cwts. (000)
1931.	256	40	186	70
1932.	192	23	157	35
1933.	252	25	189	63
1934.	495	18	377	118
1935.	339	11	160	179

Exports of spices from India to the United Kingdom which have shown a steady decline in the past three years received a substantial setback during the year 1935-36. India's position in the United Kingdom market has deteriorated materially; the market in the United Kingdom is equally divided between Empire countries and foreign countries, India's share being insignificant. India's market in spices lies outside the British Empire. We, therefore, recommend that the preference on spices should be dropped except on pepper regarding which we are making further enquiries before making a final recommendation.



## INDO-BRITISH TRADE NEGOTIATIONS.

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Report by the Committee of Un-official Advisers  
appointed in connection with the negotiation of  
a new Trade Agreement between India and the  
United Kingdom in replacement of that concluded  
at Ottawa—3rd October 1937.

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- Nandkishore & Bros., Onwari, Benares City.
- New Book Co., "Kitab Mahal", 192, Hornby Road, Bombay.
- Newman & Co., Ltd., Calcutta, Messrs. W.
- Oxford Book and Stationery Company, Delhi, Lahore, Simla, Meerut and Calcutta.
- Parikh & Co. Baroda, Messrs. B.
- Pioneer Book Supply Co., 30, Shri Narayan Das Lane, Calcutta and 210, Cloth Market, Delhi.
- Popular Book Depot, Grant Road, Bombay.
- Punjab Religious Book Society, Lahore.
- Raghubhat Prasad & Sons, Patna City.
- Rama Krishna & Sons, Booksellers, Anarkali, Lahore.
- Ram Krishna Bros., Opposite Bishrambag, Poona City.
- Ram Narain Lal, Katra, Allahabad.
- Ramesh Book Depot & Stationery Mart, Kashmir Gate, Delhi.
- Ray & Sons, 43, K. & L. Edwardes Road, Rawalpindi, Murree and Peshawar, Messrs. J.
- Roy Chowdhury & Co., 73, Harrison Road, Calcutta, Messrs. N. M.
- Saraswati Book Depot, 15, Lady Hardinge Road, New Delhi.
- Sarcar & Sons, 15, College Square, Calcutta, Messrs. M. O.
- Sarkar & Co., Ltd., 18, Shama Charan De Street, and 6, Hastings Street, Calcutta, Messrs. P. O.
- Sharda Maudrui Ltd., Nal Sarak, Delhi.
- Standard Bookstall, Karachi.
- Standard Bookstall, Quetta.
- Standard Book Depot, Lahore, Dalhousie and Delhi.
- Standard Law Book Society, 69, Harrison Road, Calcutta.
- Tara & Sons, Basmak (India), Messrs. B. S.
- Taraporevala Messrs & Co., Bombay, Messrs. D. B.
- Thacker & Co., Ltd., Bombay (1933), Ltd., Calcutta.
- Trinath & Co., Booksellers, Princes Street, Kalbadevi Road, Bombay, Messrs. N. M.
- Uberoy, J. O., Journalist, Printer and Publisher, Jaycee House, Alexandra Road, Ambala.
- Universal Book Depot, 68, Hazratganj, Lucknow.
- University Book Agency, Kachri Road, Lahore.
- Upper India Publishing House, Ltd., Literature Palace, Ammuddaula Park, Lucknow.
- Varadachary & Co., Madras, Messrs. F.
- Venkatasubban, A., Law Bookstall, Vellore.
- Wheeler & Co., Allahabad, Calcutta and Bombay, Messrs. A. H.
- Young Man & Co. (Regd.), Regent Road, Delhi.

\* Agent for publications on aviation only.

## Report by the Un-official Advisers, dated the 3rd October 1937.

Before we leave London, we feel that it would not be out of place if we briefly surveyed the whole situation from the time that we were associated with the negotiations for a new trade agreement between United Kingdom and India.

2. We first met in Simla in October 1936 and submitted our report on 10th October. In that report, we gave a fairly complete picture of a trade agreement between the two countries as we visualised it. First of all, we put forward our own desiderata, which were more or less on the lines of the Ottawa preferences. There were certain modifications and the most important of all was in respect of raw cotton, about which we suggested that there should be a definite agreement whereby United Kingdom will, within a stated period, increase her consumption of raw cotton up to a definite amount of from five to ten lakhs of bales, and that this undertaking be incorporated in the future Indo-British trade agreement.

3. A second important demand which was made was in respect of a complete withdrawal of the drawback which circumvented the preference granted to Indian linseed and other oilseeds in the United Kingdom market, and which was introduced subsequent to the conclusion of the Ottawa Agreement and without reference to India.

4. As regards the preferences to be granted to United Kingdom in the Indian market, we did not make any definite suggestion about the commodities on which preferences should be granted, but we put forward two very important considerations which we suggested should guide the granting of preferences to United Kingdom. One of them was embodied in Paragraph 13, in which we laid down certain principles to govern preferences. The second was laid down in Paragraph 20, where we definitely stated that in our opinion, the advantages derived by United Kingdom from differential duties in respect of steel and cotton went far to outweigh the benefits which might result to India from the preferences which we had proposed.

5. Thus, in our first report, we gave a fairly complete picture of an agreement which, according to us, would be equitable to both countries, and this attitude we have more or less maintained throughout the subsequent negotiations. When therefore, the next meeting was held at Delhi to consider His Majesty's Government's desiderata which demanded preferences even in excess of the Ottawa Agreement, we thought that it was such an extreme contrast to our conception of a pact that we declined to analyse the items in detail and express any opinion on their individual merits. We clearly pointed out \* \* \* \* \* at Delhi on 9th December 1936 that if the attitude of His Majesty's Government was not

substantially modified, it would hardly be possible for us to proceed any further. In reply to this, we were given a reassuring reply from His Majesty's Government, and on the assumption that there was a possibility of a common ground for an agreement, we proceeded to England. Subsequent events have, however, proved that His Majesty's Government had not correctly appreciated the significance of the reports which we had submitted in India.

6. After coming to England, we found some difficulty in correctly gauging the attitude of His Majesty's Government, either in respect of their desiderata or our own. Their modified desiderata came to us piecemeal, and we did not, at any given moment, know exactly the full extent of their demands. In respect of our own desiderata, objections were raised in respect of some important items, and it was not until a later stage that we began to find out how rigid these objections were. In considering His Majesty's Government's desiderata, therefore, we had to proceed on certain assumptions as we did not know their exact position. [We therefore communicated our views to the Government of India in the following terms on 21st July 1937]:—

"We feel that it would be desirable to clarify the issue at this stage. We submitted our desiderata long ago, and now that the comments of His Majesty's Government have been received on almost all items, it is evident which items they accept, which they reject and where they ask for modification. Similarly, our comments on His Majesty's Government's desiderata will have equally made clear to them the items that we reject and those which we are prepared to discuss and upon which we can reach an agreement. This has, according to us, narrowed down the issue and completed the picture in its rough outlines, on the basis of which we are to proceed further and negotiate.

The items totally rejected by us find no place in the picture visualised by us. Those accepted by both sides need no comment. Those in respect of which some modification or other kind of arrangement has been suggested, for example, jute products, chrome leather and carpets, rugs, etc., are matters for negotiation hereafter. This is our conception of the pact. But if we have misjudged the position and the picture is different from what is outlined by us, it would be desirable to know the correct position at this stage; because, in case there be wide differences of which we have failed to take cognisance so far, it may save time and trouble if, at this stage, both sides knew the true position".

7. \* \* \* \* \*

8. It will be better to give a little more description of our trade in United Kingdom in respect of commodities on which opposition was met in respect of our desiderata. As regards jute, we have already submitted a report covering the complaint by the United Kingdom industry on our increasing imports into United Kingdom, in which, among other things, we brought out the fact that, while our imports into United Kingdom have



increased, the depression in Dundee is due to other factors. The increase in our exports, therefore, has clearly not been at the expense of the United Kingdom industry.

In respect of woollen carpets and rugs, although our exports to United Kingdom have risen from Rs. 40,62,000 in 1931-32 to Rs. 60,32,000 in 1935-36, it is only 4.3 per cent. of the total United Kingdom consumption in 1935, and thus, not a sufficiently important factor to embarrass the British carpet manufacturer. So in chrome-tanned leather also our exports have increased, but it still forms a negligible proportion of the total consumption of United Kingdom. The figures given above show that if any items really got benefit from the Ottawa Agreement, they were these items.

9. It was the importance attached to our improved markets in jute, leather and carpets and our desire to see them expand, and also to secure an expansion in the market for raw cotton, which influenced the Committee to give additional preferences to United Kingdom beyond the differential duties.

10. We accordingly \* \* \* \* suggested [on 15th September 1937] that if all the Indian desiderata were accepted by His Majesty's Government, the majority of the Committee would be prepared to offer beyond the differential duties, preferences on United Kingdom imports into India to the extent of Rs. 3 crores, comprising such commodities as would not clash with the principles laid down in Paragraph 13 of our first report dated 10th October 1936, and to consider the case of Lancashire sympathetically.

11. [On] 9th December 1936 we had stated:—

“\* \* \* \* His Majesty's Government has hinted that advantage be sought in these negotiations to secure larger differential margins in the protected industries, and such an opportunity in the case of textiles, in their opinion, constitutes the chief aim of these negotiations. We wish to remove any misunderstanding on this point.

So far as this and other protected industries are concerned, the conditions laid down by the Legislature will be the paramount consideration in the matter, and any scheme of preferences must work within the limits of these conditions. We cannot subscribe to any proposal which would conflict with the protection granted by the Legislature on a careful inquiry by the Tariff Board. Besides this, we have made it quite clear in our [first] report that, on a preliminary survey, we were convinced that the advantages secured by United Kingdom out of the differential margins go far to outweigh the advantages which India is likely to derive from the preferences sought by us. We are therefore surprised at this assertion on the part of His Majesty's Government ”

12. We reiterated the position we had taken up in India when, on our arrival in London, the demand on behalf of Lancashire for reduction in

duty on cotton piecegoods was again submitted to us for our examination, and [on] the 9th July 1937 commented as follows:—

“With regard to the suitability of our expressing an opinion on this matter, it is necessary to remember that the last reduction in duties on imports from United Kingdom was recommended by a special Tariff Board (presided over by Sir Alexander Murray) appointed by the Government of India towards the end of 1935, and their recommendation was accepted and put into effect by executive order of the Government of India as recently as June 1936. This action of the Government of India was strongly criticised by the public in India and if legislative sanction had been necessary, it is open to question whether the Assembly would have given it. We understand that this reduction made towards the end of 1936 is subject to revision by the Tariff Board before April 1939, involving an enquiry by them some time in the last quarter of 1938, that is, about fifteen months hence.

In the circumstances, we find it impossible to go beyond the findings of the last Tariff Board Enquiry, or to constitute ourselves into the equivalent of a new Tariff Board.”

13. But during our stay in London, it was made apparent to us that if there was to be a trade agreement between India and United Kingdom, the question of granting some further concessions to Lancashire cotton piecegoods, irrespective of the merits of the case, had to be sympathetically examined, and so, when we received [in July, 1937, certain suggestions from Lancashire representatives] we felt that the situation demanded a modification in our attitude. [It appeared that Lancashire] recognised the absolute right of Indian industry to be supreme in the Indian market, and \* \* \* \* had no desire to flood the Indian market with United Kingdom goods. It [appeared] further \* \* \* \* that Lancashire would be willing to have some understanding whereby, if imports of United Kingdom goods did in fact grow beyond certain agreed proportions, the question could at once be reviewed.

14. \* \* \* \* \*  
The offer of Lancashire to put a voluntary maximum limit on its exports into India,—a principle which in our opinion was a very important one from India's point of view,—did certainly offer an opportunity of considering the case of Lancashire afresh. The other factor that influenced our mind was that Lancashire had voluntarily increased its purchase of Indian cotton from 137,315 bales in 1931-32 to 248,227 bales in 1936-37. It is true that the increased consumption of Indian cotton was due, to some extent, to its relatively lower parity, but such a marked increase could not have taken place without the goodwill of Lancashire and the efforts of the Lancashire Indian Cotton Committee. As we were now asking for an agreement providing for a definite purchase by Lancashire of a much larger quantity of Indian cotton, we could not altogether ignore the demand of Lancashire for the consideration of its case. The recent serious complications in the Far East had also made it

more desirable to get an assured market for Indian cotton, if it could possibly be done.

15. On the other hand, we were faced with the fact that the Indian Textile Industry had been guaranteed a protection for a certain number of years. To disturb that protection before the expiry of the term would be creating a dangerous precedent, which we could not recommend. But we tried to reconcile these two points by deciding that our recommendations should be such as would be acceptable to the cotton trade. If something was done with the consent of the trade, then it could not be advanced that the pledge of protection to the industry by Government was broken before the agreement expired. Our two colleagues, Mr. Kasturbhai Lalbhai and Mr. G. D. Birla are very largely interested in cotton textile industry. They do not represent on our Committee the cotton textile industry as such, but they felt that the exigencies of the situation demanded the cotton textile industry to make some sacrifice in the interests of the cotton growers and the country. We greatly appreciate this attitude of theirs and we did hope that our recommendation to the Government of India for a concession to Lancashire would find a ready response from the entire cotton industry, since their own interest demanded that the interest of the agriculturist should be given primary consideration. We therefore decided to consider Lancashire's case and make such recommendations to the Government of India as would be acceptable to the cotton trade. The unwillingness of His Majesty's Government to consider this basis of Rs. 3 crores unfortunately precluded the Committee from discussing any definite proposals regarding several items of exports and imports of both the countries. Our final recommendation to the Government of India was to negotiate on the following basis:—

- (a) Our desiderata in respect of preferences to Indian commodities in the U. K. market to be accepted *in toto*.
- (b) Lancashire should guarantee the definite purchase of Indian cotton rising from 7½ lakhs of bales to 10 lakhs of bales by graduated steps.
- (c) The United Kingdom should get preferences on certain commodities comprising a trade not exceeding three crores of rupees, plus the benefits of the differential duties already enjoyed in cotton and steel.
- (d) The case of Lancashire to be considered sympathetically and a recommendation to be made based on a scheme of restriction of the Lancashire trade and a reduction of duty by an amount acceptable to the Indian cotton textile industry.

We now recommend to the Government of India that nothing should induce them to go beyond this limit, which we think is the farthest limit to which India can go.

16. We would explain the reasons which actuated us in arriving at the above recommendations. An equitable agreement, in our opinion, must be based on economic reciprocity, and we have endeavoured briefly to summarise below the main considerations which have governed our final ideas of reciprocity in so far as the benefits to be derived from Indian exports to the United Kingdom are concerned.

We tabulate below a comparative statement showing India's share in the U. K. market and also the shares of Empire countries and foreign countries, together with preferences that India enjoys.

*Fiscal year 1935-36.*

Articles.	Exports to U. K. (Rs. 000)	India's share per cent.	Empire countries per cent.	Foreign countries per cent.	Rate of Pref.
1. Tea . . . . .	17,74,75	57	32	11	2d. per lb.
2. Skins tanned . . . . .	2,61,86	73	13	14	10%
3. Hides tanned . . . . .	2,21,51	94.5	2	3.5	10%
4. Groundnuts . . . . .	1,00,17	60	40	..	10%
5. Jute Manuf. . . . .	2,07,11	99.89	.04	.07	20%
6. Linseed . . . . .	1,20,68	22.57	.33	77.05	10%
7. Oilseed cakes . . . . .	1,02,03	32.11	12.02	55.87	10%
8. Rice cleaned whole . . . . .	5,04	11.50	74.28	14.22	1d. per lb.
9. Woollen Carpets and Rugs	60,32	64.76	2.42	32.8	20%
10. Teak and Other hard wood	55	6.50	89.64	3.86	10%
11. Coir Yarn . . . . .	13,59	85	15	..	10%
12. Coir mats and matting . . . . .	46,87	99	..	1	20%
13. Paraffin wax . . . . .	8,61	2.40	10.95	76.65	10% 2.5. 3/8
14. Tobacco manuf. . . . .	8	.39	4.41	95.20	3-10 1/2 2-2 1/2 d.
15. Tobacco unmanuf. . . . .	45,28	4.75	13.11	82.14	2.3. 1/8 d.
16. Castor seed . . . . .	30,59	80.55	..	19.45	-10%
17. Coffee . . . . .	37,96	6.19	47.02	46.79	9.4d. per cwt.
18. Castor oil . . . . .	14,97	92	3	5	15%
19. Wheat . . . . .	5,89	.16	53.92	45.92	2ah. per qt.
20. Spices . . . . .	2,40	3.24	43.96	52.80	10%
21. Cotton manufs. . . . .	13,47	1.78	2.40	95.82	20%
22. Groundnut oil . . . . .	2,32	32	..	68	15%
23. Cotton yarn . . . . .	66	29.40	..	70.60	10%
24. Rapeseed oil . . . . .	27	8	..	92	15%
25. Coconut oil . . . . .	18	..	..	..	15%
26. Chrome leather . . . . .	..	..	..	..	..
27. Pig iron . . . . .	15,03	80	..	20	..
28. Magnesite . . . . .	3,03	..	..	..	..
29. Sandalwood . . . . .	42	..	..	..	..
30. Granite . . . . .	2,06	..	..	..	..
31. Barley . . . . .	2,02	..	..	..	..
32. Fertilisers . . . . .	8,34	..	..	..	..
33. Hemp raw . . . . .	17,17	..	..	..	..
34. Shellac . . . . .	23,28	..	..	..	..
35. Goatskins . . . . .	1,34,97	..	..	..	..
36. Goatskins raw . . . . .	71,11	..	..	..	..
<b>Total</b> . . . . .	<b>33,53,64</b>				

17. It will be seen from the above statement that various items of our trade in which we enjoy preferences have merely an insurance value. It is so firstly because our main competitors are Empire countries, which also get the same amount of preferences as we do, and secondly because, the available U. K. market is largely supplied by India and other Empire countries, thus making the preference inoperative except as an insurance.

Following are items of this nature:—

*Fiscal year 1935-36.*

Articles.	Exports to U. K. (Rs. 000)	India's share per cent.	Empire countries per cent.	Foreign countries per cent.
1. Tea . . . . .	17,74,75	57	32	11
2. Skins tanned . . . . .	2,61,86	73	13	14
3. Hides tanned . . . . .	2,21,51	94.5	2	3.5
4. Groundnuts . . . . .	1,00,17	60	40	..
5. Teak and other hard wood . . . . .	55	6.50	89.64	3.86
6. Coir yarn . . . . .	13,59	85	15	..
7. Coir mats and matting . . . . .	46,87	99	..	1
8. Castor seed . . . . .	30,59	80.55	..	19.45
9. Castor oil . . . . .	14,97	92	3	5
10. Coconut oil . . . . .	18	..	..	..
11. Pig iron . . . . .	15,03	80	..	20
12. Goatskins . . . . .	1,34,97	..	..	..
13. Goatskins raw . . . . .	71,11	..	..	..
14. Sandalwood . . . . .	42	..	..	..
15. Paraffin wax . . . . .	8,61	..	..	..
Total . . . . .	26,95,18,000			

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

18. There are other items in which, on account of the peculiar nature of the trade, there is no special advantage. They are the following:—

*Fiscal year 1935-36.*

Articles.	Exports to U. K. (Rs. 000)	India's share per cent.	Empire countries per cent.	Foreign countries per cent.
1. Rice cleaned whole . . . . .	5,04	11.50	74.28	14.22
2. Spices . . . . .	2,40	3.24	43.98	52.80
3. Magnesite . . . . .	3,08	..	..	..
4. Granite . . . . .	2,08	..	..	..
5. Barley . . . . .	2,02	..	..	..
6. Fertilisers . . . . .	8,34	..	..	..
7. Hemp raw . . . . .	17,17	..	..	..
8. Shellac . . . . .	22,28	..	..	..
Total . . . . .	62,39,000			

19. Thus a total of Rs. 27,57,57,000 trade is such in which preference is only of insurance value. This leaves the following items on which preference is of actual value to India.

Fiscal year 1935-36.

Articles.	Exports to U. K. (Rs. 000)	India's share per cent.	Empire countries per cent.	Foreign countries per cent.
1. Jute manufactures . . . . .	2,07,11	99.89	.04	.07
2. Linseed . . . . .	1,20,68	22.57	.38	77.05
3. Oilseed cakes . . . . .	1,02,03	32.11	12.02	55.87
4. Woollen Carpets and Rugs . . . . .	60,32	64.76	2.42	32.8
5. Tobacco Unmanuf. . . . .	45,28	4.75	13.11	82.14
6. Tobacco manuf. . . . .	8	.39	4.41	95.20
7. Coffee . . . . .	37,96	6.19	47.02	46.79
8. Wheat . . . . .	5,89	.16	53.92	45.92
9. Cotton manufactures . . . . .	13,47	1.78	2.40	95.82
10. Groundnut oil . . . . .	2,32	32	..	68
11. Cotton yarn . . . . .	86	29.40	..	70.60
12. Rapeseed oil . . . . .	27	8	..	92
13. Chrome leather . . . . .	..	..	..	..
Total . . . . .	5,96,07,000			

20. But the advantage to India in the items above has also to be qualified. There has been no expansion in our trade of vegetable oils under preference. Linseed preference is circumvented by drawback which was introduced after Ottawa without India's consent, and we were informed that the drawback would not be abolished though it may be modified. It could not be said that tobacco had gained any appreciable ground in the U. K. market. The cumulative advantages of all the preferences that India enjoys,—and which we have asked should continue,—and also the advantages of an assured market for Indian cotton could not, therefore, in our opinion, be considered as an adequate *quid pro quo* for the concessions that we are prepared to make. We had however constantly in mind the consideration advanced in Para. 21 of our Report of the 10th October 1936, which reads as follows:—

“We have stated our view that a trade agreement should be concluded between India and the United Kingdom, and, in this connection, we record our recognition that goodwill is not a negligible factor in the present relations of India and England. If a trade pact can be voluntarily concluded in which the interests of both countries are protected, it might be made a foundation of better understanding and afford a basis for re-adjustment of larger issues.”

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

21. Sir Edward Benthall explains in the attached Note the reasons which forced him to differ from certain of the views expressed by his colleagues in paragraphs 9 *et seq.* of this report.

22. Sardar Datar Singh explains in the attached Note the reasons for which he is prepared to make further concessions to the United Kingdom beyond the figure of three crores worth of U. K. exports into India.

PURSHOTAMDAS THAKURDAS,

DATAR SINGH,

LIAQUAT ALI KHAN,

E. C. BENTHALL.

P. SUBBARAYAN,

G. D. BIRLA,

KASTURBHAI LALBHAI.

INDIA HOUSE;

London, October 3, 1937.

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## NOTE BY SIR EDWARD BENTHALL.

1. Although I joined the Committee believing that the Ottawa Agreement had been beneficial to India, I appreciated the contrary point of view and conceived it to be my duty at all times to maintain a united front on the Committee and to support every argument and every action which might result in India obtaining better terms provided the arguments or actions were not of such a nature as to jeopardise the successful outcome of the negotiations. I therefore found myself in accord with my colleagues upon most matters and have only differed when I formed the opinion that the demands of the majority of the Committee were likely to result in losing a profitable agreement.

2. My differences with my colleagues were accordingly merely a question of degree, the degree of value to be placed upon the preferences which India was seeking and the degree of sacrifice demanded from India in granting to the United Kingdom preferences on goods imported into India of a total value not in excess of Rs. 3 crores.

3. Apart from the substantive advantages in certain commodities clearly to be obtained by India from an agreement such as that contemplated, the insurance value of certain of the other preferences is very real. To assess the exact value of these insurance preferences is difficult unless the trade in the commodities so insured were to be lost completely, but it is not generally regarded as prudent to omit insuring for the reason that the actual loss, which cannot be determined beforehand, is not likely to be a total loss.

4. The insurance of India's best and most stable market for her products appears to be particularly important at the present time when international trade is still in such an unsettled state, when the economic structure of certain of India's customers is so precarious and the doctrine of national self-sufficiency is prevailing in others, and when the general tendency of most countries is to seek a balanced trade position with each foreign country, a policy which will be fatal to India in that it will render impossible—otherwise than by the export of gold—the transfer of payments on which the economic, in particular the industrial, development of India will depend in the near future.

5. There was a time, as the following figures will show, when the United Kingdom used to import from India a very much smaller value of goods than she exported to India, thus leaving the balance of trade as between India and the United Kingdom very much in favour of the United Kingdom. On the other hand in those days the character of India's trade with foreign countries was very dissimilar and the balance with those countries was largely in India's favour. All that has now been changed, mainly as a result of the causes mentioned above, and the position is now as shown in Table I below. While India's position *vis-a-vis* the United Kingdom has improved, that in relation to the rest of the world has deteriorated.



TABLE I.

	1913-14			1932-33		
	Exports	Imports	Net Imports (-) or Exports (+)	Exports	Imports	Net Imports (-) or Exports (+)
	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)
United Kingdom . . . . .	53	117	-59	38	49	-11
Other British Possessions . . . . .	36	11	+25	24	10	+14
<b>Total British Empire</b> . . . . .	<b>94</b>	<b>128</b>	<b>-34</b>	<b>62</b>	<b>59</b>	<b>+3</b>
	1913-14			1932-33		
	Exports.	Imports.	Net Imports (-) or Exports (+)	Exports.	Imports.	Net Imports (-) or Exports (+)
	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)
Europe . . . . .	85	30	+55	32	29	+3
United States of America . . . . .	22	5	+17	10	11	-1
Japan . . . . .	23	5	+18	14	20	-6
Other Foreign Countries . . . . .	25	15	+10	18	13	+5
<b>Total Foreign countries</b> . . . . .	<b>155</b>	<b>55</b>	<b>+100</b>	<b>74</b>	<b>73</b>	<b>+1</b>
<b>GRAND TOTAL</b> . . . . .	<b>249</b>	<b>183</b>	<b>+66</b>	<b>136</b>	<b>132</b>	<b>+4</b>
	1933-34.		1934-35.		1935-36.	
	Exports.	Imports.	Net Imports (-) or Exports (+)	Exports.	Imports.	Net Imports (-) or Exports (+)
	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)
United Kingdom . . . . .	48	48	...	49	54	-5
Other British Possessions . . . . .	22	9	+13	22	11	+11
<b>Total British Empire</b> . . . . .	<b>70</b>	<b>57</b>	<b>+13</b>	<b>71</b>	<b>65</b>	<b>+6</b>
Europe . . . . .	35	25	+10	30	25	+5
United States of America . . . . .	14	7	+7	13	8	+5
Japan . . . . .	14	16	-2	25	21	+4
Other Foreign Countries . . . . .	17	10	+7	16	13	+3
<b>Total Foreign Countries</b> . . . . .	<b>80</b>	<b>58</b>	<b>+22</b>	<b>84</b>	<b>67</b>	<b>+17</b>
<b>GRAND TOTAL</b> . . . . .	<b>160</b>	<b>115</b>	<b>+35</b>	<b>155</b>	<b>132</b>	<b>+23</b>
	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)	Rs. (Crores)
United Kingdom . . . . .	48	48	...	49	54	-5
Other British Possessions . . . . .	22	9	+13	22	11	+11
<b>Total British Empire</b> . . . . .	<b>70</b>	<b>57</b>	<b>+13</b>	<b>71</b>	<b>65</b>	<b>+11</b>
Europe . . . . .	35	25	+10	30	25	+5
United States of America . . . . .	14	7	+7	13	8	+5
Japan . . . . .	14	16	-2	25	21	+4
Other Foreign Countries . . . . .	17	10	+7	16	13	+3
<b>Total Foreign Countries</b> . . . . .	<b>80</b>	<b>58</b>	<b>+22</b>	<b>84</b>	<b>67</b>	<b>+17</b>
<b>GRAND TOTAL</b> . . . . .	<b>160</b>	<b>115</b>	<b>+35</b>	<b>155</b>	<b>132</b>	<b>+23</b>

In the above figures it has not been possible to make the necessary adjustment due to the separation of Burma.

6. It is noteworthy too that during the recent slump, at a time when India's competitive power in the world's markets outside the United Kingdom in articles affected by preferences fell off, India made up nearly the whole of her loss by increased exports to the United Kingdom, *vide* the following table.

TABLE II.

*Indian Export Trade in articles enjoying preferences. Values Rs. (lakhs).*

	1931-32	1932-33	1933-34	1934-35	1935-36
To all countries . . . . .	100.93	95.04	99.34	94.53	100.23
Index . . . . .	100	85.7	89.6	85.2	90.4
To the United Kingdom . . . . .	33.30	29.73	36.48	37.05	38.35
Index . . . . .	100	89.3	109.5	111.3	115.2
To other countries . . . . .	77.63	65.31	62.86	57.48	61.88
Index . . . . .	100	84.1	81.0	74.0	79.7

7. At a time therefore when economic recovery appears to be slowing down it seems unwise to neglect any precautions to render India's trade secure since India as a seller mainly of primary products is forced in times of depression to sell cheap, as the prices of agricultural products have shown a tendency to fall further and faster in such conditions than those of manufactured articles. Furthermore, that those most interested appreciate the value of the preferences is clear from the volume of evidence submitted to the Committee who on examination considered most of the opinions expressed to be justified and to merit support.

8. It must not be assumed that if no agreement is concluded India will continue to enjoy the same preferences in the United Kingdom as the Colonies and Dominions. All that India could expect would be most-favoured-nation treatment which is different from most-favoured Empire treatment, and the power to grant treatment to imports from some part of the Empire better than that afforded to imports from the United Kingdom would be of little value as a bargaining factor. The Colonies are likely always to enjoy the maximum amount of preferences, but when the self-determination of economic policy is enjoyed negotiations must of necessity be on a reciprocal basis. The insurance value of full enjoyment of economic benefits of the British Commonwealth of Nations is not to be underrated.

9. The value of securing a certain market for a substantial quantity of India's raw cotton is a very special consideration. Lancashire's consumption of Indian cotton has been assisted in recent years by the policy of restriction adopted by America. The United States are now producing a bumper crop and in view of the uncertainty of India's other principal market for the commodity, *via.*, Japan, it would be a most serious step to jeopardise the increasing interests of India's raw cotton producers by failure to seize a favourable opportunity to negotiate and it is not impossible that, if negotiations are delayed, a deterioration of the position of Indian cotton producers may weaken the hands of India in concluding a good bargain with the United Kingdom.

If the terms desired are attained, India may increase her sales of cotton to the United Kingdom from an average of some 230,000 bales for the five

years ending 1931-32 to 750,000 to 1,000,000 bales which even at present low prices would represent a gain to India of some Rs. 4½ crores on the lower figure and Rs. 7 crores at the million bale mark. If, on the other hand, the opportunity of arranging an agreement is lost, the Committee had a clear indication from the Lancashire Indian Cotton Committee that they would find it extremely difficult to continue successfully to popularise the use of Indian cotton.

10. With my colleagues I also attach the greatest importance to the negotiation of an agreement which will give reasonable satisfaction to both parties, the only form of agreement which is likely to be of lasting benefit.

The United Kingdom has shown a *bona fide* desire to meet India's political aspirations and at a time when both countries are menaced by outside dangers a liberal approach to the requests of the United Kingdom is likely to have an immense moral effect in India's favour. I considered that in limiting concessions to Rs. 3 crores the majority of the Committee were asking a figure which the United Kingdom clearly could not accept, and was willing therefore to leave it to the Honourable Delegate to secure the best possible terms for India within an outside limit of some Rs. 10½ crores; provided India was not called upon to make an undue sacrifice. I am satisfied that she is not.

11. There are two ways of estimating the fairness of the final deal, either by attempting to secure a more or less exact balance of gains, or by achieving our own objective and valuing the concessions made against the sacrifices involved.

12. With regard to the first method, accurate figures are not easy to obtain owing to the difficulty of separating the figures for Burma, but to the best of my belief India (excluding Burma) will under an agreement such as I contemplate secure preferences (of real, if varying, value) on goods to the value of Rs. 32½ crores on the basis of 1935-36 figures. She will grant preferences on the proposed basis to a maximum of Rs. 20½ crores, which includes approximately Rs. 10 crores granted to the United Kingdom by India under the differential duties. *Prima facie*, therefore, a balance of advantage lies with India and in my opinion this is sufficiently large to offset the disparity due to the different character of the trades referred to in the first report of the Committee.

13. In the above calculation the respective value of the reciprocal cotton proposals has been omitted and cannot be assessed until the nature of the concessions to be made in favour of Lancashire is disclosed, but it is difficult to imagine that the concrete achievement of the definite increased consumption of Indian cotton will not more than balance the problematical gains of Lancashire resulting from any concession which India may be able to give, and so constitute a further gain to India.

14. It must not be overlooked that the value of the differential duties now enjoyed by the United Kingdom (which are of great value as a bargaining factor in negotiating an agreement, as it can be shown that they go far to outweigh the preferences given by the United Kingdom) will be lost if no agreement is reached. Although the differentials may involve no sacrifice to India as they were imposed in the interests of India in pursuance of her policy of Discriminating Protection, the United Kingdom

will continue to enjoy the value of the differentials whether there is an agreement or not, and India will not be extracting the full benefit of the existence of such differentials unless she makes the utmost use of the existing situation.

15. On the other hand, if in the assessment India claims the credit for any preferences accorded to the United Kingdom outside the terms of the present negotiations, such as the differential duties, it is difficult not to concede a similar debit for any such preferences accorded by the United Kingdom such as the Imperial Preference formerly given on tea and tobacco.

16. To attempt therefore to sum up an exact balance of gains on each side with exactitude appears to me to be impracticable and to allow the utmost latitude for an honest variation of opinion.

17. In my opinion, therefore, weight should be given to the examination of the question: "does India secure her objective? Will the proposed agreement lead to the increase of her export trade or the retention of trade which would otherwise have been diminished or lost? If she is likely to gain solid and substantial advantages, can what she gives be given without detriment to any national interest?"

In my opinion in an agreement on the lines indicated India's sacrifice would be small and in the light of my remarks above and in consideration of the fact that India will have complete freedom within the preferences granted to vary her tariff rates in order to maintain her revenue and to support and develop her industries, such an agreement would substantially meet the considerations laid down in paragraph 13 of the Committee's first report.

E. C. BENTHALL.

October, 1937.

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## NOTE BY SARDAR DATAR SINGH.

While I am in general agreement with my other colleagues on the principle of concluding a trade pact between His Majesty's Government in the United Kingdom and the Government of India as explained in the reports which we have submitted from India as well as in London, I very much regret that I am compelled to differ from my colleagues on certain matters. \* \* \* \* \*

The majority of my colleagues were only willing to grant to the United Kingdom preferences on a volume of trade (in 1935-36) of Rs. 3 crores. This is the fundamental point on which I differ from them. I did not desire to state any figure in this connection until the whole position was before me, but as my colleagues have done so I must state my view that India should be prepared to grant preference on trade up to 8½ crores which is approximately half of the preferences enjoyed by the United Kingdom under the Ottawa pact. Whilst the majority of my colleagues consider the gap too wide to be bridged, I think that by mutual negotiations there is still scope for narrowing the gap between the United Kingdom proposals and ours and for reaching an agreement which would be in the best and widest interests of India.

In 1935/36 differential duties were granted on 12.6 crores of United Kingdom trade and the total preferences to India under the Ottawa Agreement covered 38 crores of trade. In one paragraph of their report my colleagues make the point that some of these preferences have only an insurance value. Even if we half the total and assume our preferences are really only worth 19 crores we still have an advantage of 6.4 crores.

The raw cotton position, however, is of very great importance. Since we wrote our first report a year ago the United Kingdom's takings of Indian cotton have gone up to 650,000 bales, an advance on the pre-Ottawa position of 4½ lakhs of bales, valued at say 4 crores. Moreover in return for a small increase in the differentials on cotton goods we hope to secure an advance from this position to 1 million bales per annum, worth a further 3½ crores. I cannot express any view as to what the concessions to the United Kingdom on cotton piecegoods should be but even if they are set against the new trade in cotton which we expect to secure we are still left with 4 crores in hand (due to the increase in cotton takings) *i.e.*, a total volume of trade on which Preference might be considered of 10 crores. Even making allowance for the fact that the value of some of these preferences has been discounted by various circumstances these considerations in my view justify preferences to the United Kingdom up to say, 8½ crores.

From the beginning of the negotiations I have been pressing upon my colleagues the necessity of concluding a favourable trade pact, particularly from the Agriculturists' point of view. In what follows I have summarised certain points which were amongst those brought out by me during the various discussions at the Unofficial Advisers' meetings:—

- (a) I expressed the view that the textile industry should make sacrifices not in the interests of Lancashire but in the interests of its own agriculturalists, who are the biggest consumers of the mill industry, and to improve whose purchasing power means strengthening the Indian textiles much more than any barrier against Lancashire piecegoods.

- (b) I do not contemplate any return to the old level of Lancashire imports of piecegoods but we must be prepared to give a concession which will check the rapid diminution of this trade, will lower the prices of certain classes of cloth to the consumer, will retain the Lancashire interest in Indian cotton, and lead up to some purchase arrangement by which they should steadily improve their takings every year.
- (c) The agriculturists' condition in India is such that he has no source of income from which to pay his liabilities to the Government and to his creditors except the sale of cash crops, nor has he any great holding power and cannot pay his liabilities in the event of his produce not being sold.
- (d) A trade pact with the United Kingdom is of vital importance from the agriculturists' point of view. The reason is that for many years we must continue exporting large quantities of our agricultural produce especially of such cash crops as raw cotton, nor can I overlook the fact that India is again a regular exporter of wheat. The prosperity of the agriculturist depends on the prices of his cash crops, and what agriculturists want is a certainty of a market at world prices which can only be achieved if there is competition amongst purchasers.
- (e) We know Japan has not been able to take her full quota of raw cotton during the last four months and has asked for two months grace. Moreover, in view of her financial stringency and shipment difficulties on account of the war, which may be a long affair, there is grave doubt if Japan will take her full quota. Nor can we overlook Japan's recent efforts to develop alternative source of supply. It is clearly incumbent on us to spare no effort to secure reliable markets for our exportable surplus of 3 million to 4 million bales of cotton which our own mills are unable to consume.
- (f) Since our arrival here the situation has changed owing to the Japan-China war, America's bumper cotton crop, the United States of America's huge surplus due to the relaxation of area control and the reduction in cotton prices. All these factors place Indian agricultural produce, and particularly raw cotton, in a very critical and dangerous position, and it has become the more essential that we should not lose the United Kingdom market. In my opinion and looking at all the facts and figures I think that to insist on a maximum figure of 8 crores would be to bring the negotiations to a standstill. This course would be most prejudicial to the interests of agriculturists in India.

In the interests of agriculturists in general and cotton growers in particular it is essential that we should retain the goodwill of the Lancashire spinners and secure a market for our surplus cotton which Indian mills cannot use and for which the market in other countries is uncertain. Any setback to the progress recently achieved might well be disastrous to cotton growers in India. In the general national interests all sections must be prepared for a compromise.

At an earlier stage I was inclined to consider giving the United Kingdom preference on trade of  $5\frac{1}{2}$  crores, i.e., one-third of the Ottawa preferences, but taking all the above into consideration I am now prepared to raise the figures to  $8\frac{1}{2}$  crores, that is to 50 per cent. of the Ottawa level.

*Conclusion.*

A pact on the lines which I suggest would be better than the Ottawa Pact because:—

- (1) We should secure a definite trade in 750,000 bales of cotton, rising gradually to 1 million bales per annum, which would not depend either on parities or sentiment.
- (2) Since 1932 the United Kingdom's takings of Indian cotton have steadily expanded, both in years when parity was unfavourable and when it was favourable. My colleagues have recognised that this increase is due to the work of the Lancashire Indian Cotton Committee, and that it is of no small value to India that these efforts should be continued. My proposals should insure the continuance of such good will.
- (3) As against  $17\frac{1}{2}$  crores of preference under the Ottawa Agreement we should be giving preference on  $8\frac{1}{2}$  crores only.

DATAR SINGH.

5th October, 1937.

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## NOTE BY DR. P. SUBBARAYAN.

I have now carefully read the report submitted by my colleagues in London which I now sign. As a matter of fact with regard to Cotton my colleagues after hearing Mr. Angus Campbell are prepared to recommend certain modifications to the position I took up in London before I left. As my friends Mr. Kasturbhai Lalbhai and Mr. G. D. Birla, have agreed to the course suggested in view of the interests of the Cotton growers in this country, I am prepared to agree with the conclusions arrived at by the Committee of non-official advisers. I would like to point out that it will be very difficult to convince the members of the Assembly who were not consulted when the recommendations of the Cotton Tariff Board were accepted and given effect to with regard to the suggestions now made. However in the interests of the Cotton Growers I am prepared to accept the conclusions of my colleagues in London with regard to the Trade Pact between the United Kingdom and India. I do hope the Government of India will not make a Pact without considering the points that have been so ably put forward in the report now submitted.

P. SUBBARAYAN.





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## INDO-BRITISH TRADE NEGOTIATIONS.

Report by the Committee of Un-official Advisers  
appointed in connection with the negotiation of  
a new Trade Agreement between India and the  
United Kingdom in replacement of that concluded  
at Ottawa—5th September 1938.

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1939

Price annas 2 or 3d.

6. Further, we find that this quantity is not guaranteed in any sense of the term. The suggested sanctions, in practice, are more illusory than real. While, by the proposed arrangement, Lancashire will reap the benefit of the reduction in the duties and thereby increase her exports of piecegoods, the suggested sanctions will leave her entirely unscathed. If we analyse the implications of the sanction, we find that it does not at all operate in favour of India. Let us assume that in the first year Lancashire takes only 4 lakhs of bales of cotton instead of 500,000 bales of cotton as proposed. Under the proposed arrangement she gets 5 per cent. reduction in the import duties. Let us assume that this enables her to export 425 million yards of piecegoods. Under the proposed sanction we have to reduce 25 million yards of the export quota for every fifty thousand bales of cotton or part thereof. Therefore her exportable figures will be reduced to 300,375 and 450 million yards. From this it will be seen that though she took one hundred thousand bales less of cotton and exported 425 million yards of piecegoods, the sanction did not impose any obligation on her whatever in respect of cotton.

7. We also cannot overlook another point which had been stressed by the Cotton Growers' Representatives. They were quite clear in their mind that the offtake of Indian cotton by Lancashire could not be really beneficial unless accompanied by an assurance regarding the staple of the cotton purchased. In coming to this conclusion, they were influenced by the fact that it is the short-staple cotton which is in need of a stable market, and any agreement for cotton offtake which does not take note of that fact will bring comparatively little relief to that section of cotton growers in India which needs the same. We find that Lancashire is disinclined to give any assurances on this point, and that no such assurances are included in the present proposals of His Majesty's Government.

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

8. Regarding India's exports to the United Kingdom, His Majesty's Government are not prepared to accept our recommendations in respect of Wheat, Rice, Coffee and Indian Cigars. While examining the effect of preferences enjoyed by India in the United Kingdom market, we found that except in the case of Jute-Manufactures, Chrome Leather and Carpets no substantial advantage was derived by India on other commodities. We also found that the great hopes raised about Oil Seeds, Coffee and manufactured Tobacco were not fulfilled. This was so because out of a total export of nearly Rs. 83½ crores, exports worth about Rs. 27 crores were such that an equal preference was also enjoyed by other Empire countries, who were our competitors, or, that we were already commanding a major part of the market. In some commodities, owing to the peculiar nature of the market, there was no possibility of a larger consumption of our products. The major part of the remaining trade was such that preferences had no effective value unless they were accompanied by the modification that we had suggested. To mention a few, we had proposed that the existing system of drawbacks in respect of linseed and linseed oil should be abolished and had also made certain proposals regarding Coffee, Tobacco, Cigars and various Oils and Oilseeds. We find that the present proposals of His Majesty's Government do not give us any assurances in respect of these items while what is proposed in respect of linseed is not of full value.

9. When we set out for negotiating a trade agreement, the cardinal principle that we had kept in mind was that we should only enter into an agreement which would benefit our export trade, and, through it, the agriculturist. The above observations will show that in the major part of the export trade, the benefit to India has not been in proportion to the volume of the trade. In cases where such a gain would have been forthcoming, the United Kingdom is not prepared to modify its policy to suit our requirements, while in the case of Raw Cotton, the proposals before us do not amount to much. In the face of these conclusions, we have been compelled to realise that an agreement on the proposed lines cannot achieve the purpose we had in view, and which alone, we submit, would have made the agreement equitable.

10. As regards the preferences on United Kingdom imports into India, while examining the effects of the Ottawa Agreement we unanimously felt that as things stood, the balance of advantage weighed more heavily in favour of the United Kingdom and it could not be set right unless preferences on United Kingdom imports other than steel and cotton goods were very substantially reduced. At the very outset of the negotiations we made it quite plain in our report, dated the 10th October 1936, that a correct estimate of the relative advantages derived by the two countries from a scheme of preferences must take into account not merely the quantity and value of the trade involved but also the general character of the trade of each country. During our deliberations in London we came to the conclusion that after assessing the sacrifices that India made in giving the differential and preferential duties the maximum that we could concede was a preference on Rs. 3 crores worth of United Kingdom imports other than Steel and Textile. We had made the position perfectly clear to the Government that unless assurance was forthcoming on behalf of the Board of Trade that reasonable satisfaction would be given to us in respect of this, we saw no occasion for considering the question of Lancashire. Sir Muhammad Zafrulla Khan, on his return from London last April, \* \* \* \* [gave us to understand that there was a prospect that His Majesty's Government might give reasonable satisfaction on our demands if a settlement satisfactory to both sides was arrived at with the United Kingdom cotton interests.]

11. The fact that \* \* \* \* His Majesty's Government are still demanding preferences on a volume of trade of the value of Rs. 8½ crores came to us as a great surprise. Surely, by no stretch of language, can it be asserted that the difference between Rs. 3 crores and Rs. 8½ crores is such that it can be regarded as "reasonable satisfaction" of our demand regarding preferences to the United Kingdom in India.

12. Coming to the question of tariff reduction on Lancashire cloth, it has been suggested that Lancashire forms a very important part of the economic structure of Great Britain and that any pact that is concluded with the United Kingdom must take cognizance of the needs of Lancashire. While this may be so, we would point out that the Indian Cotton Textile Industry is a no less important part of the economic structure of India. It consumes more than 30 lakhs of bales of Indian cotton, which is half of the total Indian crop and six times more than the proposed offtake of Indian cotton by Lancashire. It gives employment to hundreds of thousands in direct and indirect ways. To place any handicap on such an important industry could only be justified in the

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## Report by the Majority of the Unofficial Advisers, dated the 5th September 1938.

1. We met the Hon'ble the Commerce Member Sir Muhammad Zafrulla Khan on his return from London on the 13th August at Simla. He communicated to us orally the proposals which would be acceptable to His Majesty's Government as a satisfactory basis for a trade treaty between the United Kingdom and India. \* \* \* \* \*

2. \* \* \* \* \*

3. We have given our careful consideration to the proposals of the Board of Trade, and we are greatly disappointed to find that there is a great difference between our conception of an equitable trade pact and the proposals of His Majesty's Government. In our opinion, the most important factors to be considered in the new trade pact are:

- (1) the question of raw cotton purchase by the United Kingdom,
- (2) the question of general preferences to be enjoyed by India in the United Kingdom market,
- (3) the question of general preferences to be enjoyed by the United Kingdom in the Indian market, and
- (4) the reduction in tariff on Lancashire piecegoods.

4. In our report, dated the 10th October 1936, we had suggested that the best course to ensure the position of Raw Cotton in the United Kingdom was by an introduction of preferential duties, and agreed to explore other avenues only when we realised that interests in Lancashire were not prepared to entertain such a proposal. Before leaving London, therefore, we unanimously recommended that Lancashire should guarantee a definite purchase of Indian cotton rising from 7½ lakhs bales to 10 lakhs bales by graduated steps. During our talks at Simla with the Lancashire Delegation, the representatives of the Cotton Growers expressed their view that rather than risk the agreement, they would be prepared to lower this to the minimum of 6½ lakhs bales with an objective figure of 10 lakhs bales with a guarantee for specific quantities of short staple cotton.

5. In view of the fact that Lancashire was, on an average, already consuming 2½ lakhs of bales of our cotton before the Ottawa Agreement, and had actually consumed in 1935-36 and 1936-37, 5½ and 6½ lakhs of bales respectively, our proposals were calculated only to assure at least this consumption. While we were in London, we had also the benefit of a detailed Note by the Indian Central Cotton Committee, which confirmed our belief that Lancashire could consume this quantity of Indian raw cotton without any hardship or modifications in its existing production. We therefore naturally feel that in the proposals submitted by His Majesty's Government, Lancashire is not making any particular sacrifice. Besides, the present proposals amount to an additional offtake of only 3 lakhs of bales per year, on an average, over the pre-Ottawa takings by the United Kingdom of Indian cotton. We are unable to agree that this small quantity could, in any way, really help the agriculturist, or compensate the industrialist and the country in general for the concessions which are asked for in other directions.

6. Further, we find that this quantity is not guaranteed in any sense of the term. The suggested sanctions, in practice, are more illusory than real. While, by the proposed arrangement, Lancashire will reap the benefit of the reduction in the duties and thereby increase her exports of piecegoods, the suggested sanctions will leave her entirely unscathed. If we analyse the implications of the sanction, we find that it does not at all operate in favour of India. Let us assume that in the first year Lancashire takes only 4 lakhs of bales of cotton instead of 500,000 bales of cotton as proposed. Under the proposed arrangement she gets 5 per cent. reduction in the import duties. Let us assume that this enables her to export 425 million yards of piecegoods. Under the proposed sanction we have to reduce 25 million yards of the export quota for every fifty thousand bales of cotton or part thereof. Therefore her exportable figures will be reduced to 300,375 and 450 million yards. From this it will be seen that though she took one hundred thousand bales less of cotton and exported 425 million yards of piecegoods, the sanction did not impose any obligation on her whatever in respect of cotton.

7. We also cannot overlook another point which had been stressed by the Cotton Growers' Representatives. They were quite clear in their mind that the offtake of Indian cotton by Lancashire could not be really beneficial unless accompanied by an assurance regarding the staple of the cotton purchased. In coming to this conclusion, they were influenced by the fact that it is the short-staple cotton which is in need of a stable market, and any agreement for cotton offtake which does not take note of that fact will bring comparatively little relief to that section of cotton growers in India which needs the same. We find that Lancashire is disinclined to give any assurances on this point, and that no such assurances are included in the present proposals of His Majesty's Government.

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

8. Regarding India's exports to the United Kingdom, His Majesty's Government are not prepared to accept our recommendations in respect of Wheat, Rice, Coffee and Indian Cigars. While examining the effect of preferences enjoyed by India in the United Kingdom market, we found that except in the case of Jute-Manufactures, Chrome Leather and Carpets no substantial advantage was derived by India on other commodities. We also found that the great hopes raised about Oil Seeds, Coffee and manufactured Tobacco were not fulfilled. This was so because out of a total export of nearly Rs. 33½ crores, exports worth about Rs. 27 crores were such that an equal preference was also enjoyed by other Empire countries, who were our competitors or, that we were already commanding a major part of the market. In some commodities, owing to the peculiar nature of the market, there was no possibility of a larger consumption of our products. The major part of the remaining trade was such that preferences had no effective value unless they were accompanied by the modification that we had suggested. To mention a few, we had proposed that the existing system of drawbacks in respect of linseed and linseed oil should be abolished and had also made certain proposals regarding Coffee, Tobacco, Cigars and various Oils and Oilseeds. We find that the present proposals of His Majesty's Government do not give us any assurances in respect of these items while what is proposed in respect of linseed is not of full value.

9. When we set out for negotiating a trade agreement, the cardinal principle that we had kept in mind was that we should only enter into an agreement which would benefit our export trade, and, through it, the agriculturist. The above observations will show that in the major part of the export trade, the benefit to India has not been in proportion to the volume of the trade. In cases where such a gain would have been forthcoming, the United Kingdom is not prepared to modify its policy to suit our requirements, while in the case of Raw Cotton, the proposals before us do not amount to much. In the face of these conclusions, we have been compelled to realise that an agreement on the proposed lines cannot achieve the purpose we had in view, and which alone, we submit, would have made the agreement equitable.

10. As regards the preferences on United Kingdom imports into India, while examining the effects of the Ottawa Agreement we unanimously felt that as things stood, the balance of advantage weighed more heavily in favour of the United Kingdom and it could not be set right unless preferences on United Kingdom imports other than steel and cotton goods were very substantially reduced. At the very outset of the negotiations we made it quite plain in our report, dated the 10th October 1936, that a correct estimate of the relative advantages derived by the two countries from a scheme of preferences must take into account not merely the quantity and value of the trade involved but also the general character of the trade of each country. During our deliberations in London we came to the conclusion that after assessing the sacrifices that India made in giving the differential and preferential duties the maximum that we could concede was a preference on Rs. 3 crores worth of United Kingdom imports other than Steel and Textile. We had made the position perfectly clear to the Government that unless assurance was forthcoming on behalf of the Board of Trade that reasonable satisfaction would be given to us in respect of this, we saw no occasion for considering the question of Lancashire. Sir Muhammad Zafrulla Khan, on his return from London last April, \* \* \* \* [gave us to understand that there was a prospect that His Majesty's Government might give reasonable satisfaction on our demands if a settlement satisfactory to both sides was arrived at with the United Kingdom cotton interests.]

11. The fact that \* \* \* \* His Majesty's Government are still demanding preferences on a volume of trade of the value of Rs. 8½ crores came to us as a great surprise. Surely, by no stretch of language, can it be asserted that the difference between Rs. 3 crores and Rs. 8½ crores is such that it can be regarded as "reasonable satisfaction" of our demand regarding preferences to the United Kingdom in India.

12. Coming to the question of tariff reduction on Lancashire cloth, it has been suggested that Lancashire forms a very important part of the economic structure of Great Britain and that any pact that is concluded with the United Kingdom must take cognizance of the needs of Lancashire. While this may be so, we would point out that the Indian Cotton Textile Industry is a no less important part of the economic structure of India. It consumes more than 30 lakhs of bales of Indian cotton, which is half of the total Indian crop and six times more than the proposed offtake of Indian cotton by Lancashire. It gives employment to hundreds of thousands in direct and indirect ways. To place any handicap on such an important industry could only be justified in the

wider interests of the country and the agriculturists. We fear we perceive no such *quid pro quo* in the proposals made by His Majesty's Government.

13. But apart from this fact, the possibility of a reduction in duty in the course of such a short period by so wide a margin as  $7\frac{1}{2}$  per cent., which comes to more than 33 per cent. of the existing duty, is bound to cause serious disturbance to the industry. The fall in prices which will follow a  $7\frac{1}{2}$  per cent. reduction will make it difficult for a large number of mills to adjust their cost to the lower level of prices. Even the more efficient mills will find the necessary adjustment difficult.

14. As regards the question of Prints, the proposals of His Majesty's Government are definitely drastic. If they are accepted, we have no doubt that it will cause serious trouble to the Indian Printing Industry—both machine-printing and hand-printing.

15. It has to be borne in mind that prints represent the least developed part of the Indian Textile Industry, and we are surprised at His Majesty's Government's suggestion that, under certain circumstances, the duty on prints and other textiles should be uniform, making the reduction on prints fully 50 per cent. This cannot but give a very serious setback to the Printing Industry in India.

16. There is one effect of further reduction in duties on British textile imports into India on the general economic structure of the country which requires to be borne in mind. Before the Tariff Boards which Government appointed in the past, consistent demands have been made by the Handloom Industry in the country that their requirements should be considered. We understand that Directors of Industries from various Provinces, at conferences at the headquarters of the Government of India, have had this question under consideration. With the increased demand for rural uplift and for tangible measures to remedy unemployment in the rural areas, under the conditions prevailing, it is most natural and likely that the various Provincial Governments will press the Government of India to take adequate measures to assist the Handloom Industry against both foreign imports and Indian machine-made cloth. Handloom Industry is one of the most important cottage industries of the country and has to be supported. The present production of handloom cloth is estimated at 1,800 million yards. Any assistance given to this industry is bound to encroach on the Indian Textile Industry, and it is too much to expect that the Indian Textile Industry can stand encroachments from three different directions, namely, Japan, United Kingdom and the Indian Handloom. Of all these three, the greatest claim on the Indian Textile Industry is naturally of the Handloom Cottage Industry. Thus it is quite clear that the Indian Textile Industry can be expected to make sacrifice in favour of Lancashire only to a limited extent. We think Lancashire's demands are excessive in asking for the figures of yardage that they have done and the double dose of reductions in duty which they seem to put forward as *sine qua non*. During the last five years, the average imports of piecegoods from the United Kingdom have been less than 870 million yards. In 1937-38, they were only about 267 million yards and the figures for the current year so far indicate that they are not likely to go above 240 million yards. As against these, His Majesty's Government are asking for a minimum figure of 350 million yards rising up to 500 million yards and also a reduction in the duties. It must not be overlooked that the effective protection with the 20 per cent. duties



at present in force, which the Indian Industry enjoys, is only about 12½ per cent., because of the various duties that are imposed amounting to nearly 7½ per cent. on the different articles such as machinery, cotton mill stores and dye-stuffs.

17. The various Provincial Governments have been introducing labour welfare measures in their respective territories, and early this year, substantial increases were made in wages in centres where the Textile Industry is located, e.g., Bombay, Madras, Central Provinces and the United Provinces. The *ad interim* reports of the Committees appointed for this purpose have involved increased cost in each of the Provinces, varying from 4 per cent. to 6 per cent. Further increases in such centres are not unlikely, and we are not aware of any Provincial Government having informed the Government of India that if the Textile Industry is called upon to make any sacrifice to enable the Government of India to come to an agreement with the United Kingdom, the Provincial Governments will keep in abeyance their contemplated measures for labour welfare. With a compulsory fall in price of cloth, owing to competition by Lancashire consequent on reduction of duty, and with the increased cost of production, and the prospect of a further increase, we feel that the acceptance of His Majesty's Government's proposals may result in definite and continued setback to the Indian Textile Industry—the one major industry which has been built up after so many years' continued labour and sacrifice.

18. We would further point out that His Majesty's Government in Great Britain are taking various steps to put Lancashire Industry on a competitive footing. Measures are being taken to cheapen the cost of Lancashire products, to expand its markets overseas and to make it prosper all round. In addition to this, proposals are afoot to subsidize the exports by a pool backed by the joint resources of the industry. In contrast to this, steps have already been taken in India by the Provincial Governments which have resulted in an increase of the cost of production, and our acquiescence in voluntarily restricting our home markets would be neither in the interests of the agriculturists nor of the handloom weavers nor of the Indian labour nor of the country as a whole. We fear, therefore, that we cannot advise the Government of India to accept the proposals of the Board of Trade.

19. After having definitely expressed our opinion against the proposals made by His Majesty's Government, we think it desirable to repeat once again our proposals which, in our opinion, would be an equitable basis for a pact between the two countries:—

- (1) India at present gets preferences in the United Kingdom market on goods worth nearly Rs. 33½ crores, based on the figures of 1935-36. We have analysed in our Report [of 3rd October 1937] on pages 7 and 8, how most of these preferences are of doubtful value. We have estimated in that Report that out of the figure of Rs. 33½ crores, there are goods worth only about Rs. 6 crores on which India enjoys effective preference. The rest of the trade gives India no more than an insurance value. We do not wish to say that insurance value is to be ignored, but in assessing gains, in our opinion, its value should not be estimated higher than the value of effective preference on trade worth, say, Rs. 5 crores. Thus, the total gain to India on the preferences enjoyed in

the United Kingdom is not more than what it would be on a trade of Rs. 11 crores. For their insurance value, we, however, demand that the preferences enjoyed by us should in future be continued. We also demand abolition of drawback on linseed oil and articles manufactured out of linseed and also on groundnut oil. We also ask for *ad valorem* duty on Indian cigars, greater preference on coffee and retention of preferences on rice and wheat.

- (2) For preferences enjoyed by the United Kingdom in the Indian market on goods, which at present are valued at Rs. 19 crores, our proposal is that this should be reduced to a figure of about Rs. 3 crores, as stated by us previously.
- (3) For raw cotton, our demand is that the United Kingdom should guarantee to take Indian cotton to the extent of 6½ lakhs bales per year, with an objective figure of 1 million bales. The Indian Central Cotton Committee has very carefully analysed the position and we fully agree with them that it is possible for Lancashire to consume easily up to one million bales. There should be a definite stipulation that of the quantity to be taken by the United Kingdom, 65 per cent. shall be Bengal, Oomras, Berar and other short and fair staple varieties.
- (4) As regards figures for minimum, medium and maximum for Lancashire imports into India, we would suggest 200 million yards as minimum, 300 as medium and 400 as maximum figure; these quantities to be inclusive of re-exports into the Indian States and re-exports from India.
- (5) As regards reduction in tariff, we would suggest 5 per cent. reduction all round immediately, bringing down the tariff to 20 per cent. on Prints and 15 per cent. on other goods. In case after this reduction is made, it is found after a year's working that Lancashire's trade goes below 200 million yards, a further reduction of 2½ per cent. should be given. This should be the final reduction. After this, no action should be taken if the Lancashire trade improves up to 300 million yards. In case, however, its trade goes above 300 million yards, then the last reduction of 2½ per cent. is to be restored. If, on the other hand, the trade exceeds 400 million yards, the Government of India should immediately take steps to check it. As is well-known, at present, Lancashire trade is on serious decline. The present imports are on the basis of about 240 million yards per annum. Our estimate is that, with the proposed reduction, not only the decline in trade would be definitely checked but it may begin to move between 300 and 400 million yards. This would mean nearly 60 per cent. increased market as compared with the present position. These proposals of ours, no doubt, are bound to adversely affect the interests of the Indian Textile Industry, but we feel that in the larger interests of the country, we will be justified in asking the Industry to make this great sacrifice.

Regarding the medium and the maximum figures, we would suggest that it should be made clear to His Majesty's Government that whenever during the course of a particular year, the import exceeds either the medium or the maximum figures, then in the case of the former, the Government of India shall forthwith restore the  $2\frac{1}{2}$  per cent. reduction, whereas in the case of the latter, they shall take such measures as would prevent effectively further piece-goods imports.

It is necessary to make it clear to Lancashire that any further taxation or burden put on the Cotton Textile Industry in India, for purposes other than labour welfare measures, would involve a similar countervailing increase in import duty on imports of cloth from both foreign countries as well as from the United Kingdom.

(6) It should be pointed out that the United Kingdom also enjoys preferences in Steel, which is not a part of any trade treaty but has to be taken into consideration in assessing values. We are assured that when the protective duties on Steel cease to operate, the advantage to the United Kingdom under the differential duties also will automatically cease to exist. Its value to the United Kingdom producer, however, cannot be ignored as long as the differential duties exist.

20. Should His Majesty's Government be prepared to accept the terms indicated above, we would recommend that the Government of India should ensure that they arrange with His Majesty's Government suitable understanding in connection with the following:—

- (1) Indian Insurance Companies should be adequately protected against any discriminatory action by United Kingdom exporters and importers in respect of policies of such Indian Insurance Companies, which may be reported by the relative Department of the Government of India as being sound Companies.
- (2) That Indian Banking should also be similarly protected against any discrimination.
- (3) That arrangements should be made by the Board of Trade for apprentices from India obtaining necessary facilities for training in British factories and commercial concerns.
- (4) Indian firms and merchants should have equal opportunities of admission to such commercial bodies in London as the Baltic Exchange and the Jute Trading Rooms, as at present are known to be reluctant to admit Indians freely.

21. Regarding the question of relief to Indian Shipping, we have, during the last two years that we have been considering over this question, forwarded to the Government of India in the Commerce Department, various representations which we have received in that connection, with our recommendation that Government may be pleased to examine the grievances of Indian Shipping and bring them relief. We have no hesitation in recommending to the Government of India to do whatever they can in this connection by giving this matter their most sympathetic consideration.

22. In paragraph 21 of our Report, dated the 10th October 1936, we had stated that "Goodwill is not a negligible factor in the present relations of India and England. If a trade pact can be voluntarily concluded in which the interests of both countries are protected, it may be made the foundation of better understanding and afford a basis for readjustment of larger issues." Immediately after meeting the Commerce Member, our first reaction was of great disappointment. We however decided to consult the various interests concerned and the general public opinion before definitely giving our advice. We beg to inform the Government of India that we have consulted important representatives of the Textile Industry and other industries and also representatives of Cotton Growers. We have also consulted leaders of public opinion and we feel constrained to say that nowhere did we find the slightest enthusiasm in favour of acceptance of the proposals. We feel that a pact concluded without the goodwill of public opinion can hardly have the effect which was so pointedly envisaged in our Report, dated the 10th October 1936. According to our lights, therefore, we regret we cannot recommend to the Government of India to accept His Majesty's Government's proposals as communicated to us.

23. The Maharaja of Parlakimedi, while agreeing with most of the arguments advanced above, wishes to reserve the right of re-considering the position if a substantial advance is made by His Majesty's Government in respect of their proposals concerning Cotton, Lancashire Piece-goods, and the figure of Rs. 8½ crores.

PURSHOTAMDAS THAKURDAS.

LIAQUAT ALI KHAN.

G. D. BIRLA.

KASTURBHAI LALBHAI.

K. C. GAJAPATHI.

NEW DELHI,

5th September, 1938.

*Report by the Minority of the Unofficial Advisers, dated the 5th September 1938, in connection with the Indo-British Trade Negotiations.*

1. We very much regret that we should find ourselves differing from our colleagues concerning the benefits to be derived by India from the proposals before us.

The present state of the negotiations between the United Kingdom and India as notified to us by the Honourable Member for Commerce does not fully meet the demands of the majority of the Committee of Unofficial Advisers, or even the desiderata of the minority. But from the point of view of improving on the Ottawa Agreement, we are bound to admit that the general terms of settlement far exceed in favour to India anything which seemed possible in the early stages of the negotiations and in our opinion the proposals as a whole from an absolute point of view should with modifications of a reasonable nature be acceptable to India for the reasons given below.

*General terms.*

2. As regards the general terms of the settlement, while on the one hand the United Kingdom has agreed to forego preferences on goods imported into India to the value of more than Rs. 10 crores, India has succeeded in maintaining with nearly full practical effect the substance of her existing preferences.

It is true that we have not attained our demand for additional preferences for tobacco and coffee. But the recent export figures show that so far as unmanufactured tobacco is concerned the existing preferences are now becoming very effective and a considerably increased export can be looked for if the preference is maintained. The trade in manufactured tobacco is small, though a preference would have been very valuable to the Industry, while as regards coffee it is not beyond the bounds of possibility that by collaboration with the Government of the United Kingdom the trade may be persuaded as in the case of unmanufactured tobacco to take more of the Indian product.

Should the United Kingdom conclude an agreement with the United States of America the preference on Indian wheat may be withdrawn which is *prima facie* most unsatisfactory. We should have liked to maintain this preference but after consulting expert opinion we are satisfied that inasmuch as Indian wheat competes almost entirely with Dominion wheat and as India will be as hitherto on the same basis as the Dominions, we shall not suffer; nor will our export trade be seriously affected by the reduction of preference on rice to a maximum of 1/3rd of 1d. per lb., which will still give preference on non-Empire rice to the extent of some 66 per cent.

Against this can be set the removal of the drawback on groundnuts and of what is estimated by the experts at 46 per cent. of the drawback on linseed; also a very valuable concession to India by the United States of America inasmuch as the United Kingdom will agree to secure for India in any agreement entered into between the United Kingdom and the United States of America the same treatment to manufactured jute goods as is secured to the United Kingdom. This last is of special importance to Bengal and the loss of this safeguard would be a matter of considerable gravity to the industry.

It is of the greatest importance to retain free entry into the United Kingdom for jute manufactures, dressed and undressed leather, woollen rugs and carpets and other commodities.

On balance therefore we have no hesitation in recommending the general settlement for acceptance as it gives full reasonable satisfaction to the views expressed by us in our previous Reports.

We should, of course, like to see the total upon which United Kingdom goods imported into India receive preference reduced below Rs. 8 crores, if it is possible, but are personally content with the figure secured. We cannot, however, reconcile ourselves to the view that the terms are not in the larger interests of India, especially as the differential duties on piece-goods will cease if the agreement goes through while we are assured that if no renewed protection is given to the Steel Industry, the differential duties on steel will also lapse.

3. The next questions are therefore whether the quantity and description of raw cotton to be taken by the United Kingdom is adequate and whether the sacrifice demanded from the Indian Textile Industry on the above basis is larger than the Industry can be expected to suffer in the general interests of the country.

#### *Raw Cotton.*

4. With regard to the method of ensuring the export of raw cotton to the United Kingdom, we reiterate our opinion that a definite guarantee is preferable to the proposals now under consideration and as the Commerce Member has indicated that a guarantee may yet be possible, we desire to urge the Government to endeavour to obtain such a guarantee from His Majesty's Government in the United Kingdom as, in our view, this will give greater assurance that the quantities scheduled will be taken. In default of the United Kingdom taking the guaranteed quantity India would be permitted to cancel the arrangement.

At the same time the Lancashire Indian Cotton Committee have so amply demonstrated in the past their *bona fide* intention to increase the offtake of Indian cotton that the greatest reliance can be placed upon their avowed determination to persuade Lancashire to take the "absolute maximum however high it may be". The Indian Central Cotton Committee has estimated 900,000 bales as a reasonable figure for Lancashire to take for the manufacture of yarns up to 20s. and the undertaking by Lancashire to work to such a maximum is, in the light of past history, in itself a very valuable asset to the Indian grower.

It is understood that if the United Kingdom give the guarantee, it will not affect the undertaking to purchase the maximum possible. But if it should not prove possible to secure a guarantee, we would not reject the present proposals of an undertaking coupled with "sanctions" if the United Kingdom fall below a minimum and with an additional incentive to increase towards the absolute maximum by reason of the offer of a further reduction of import duties on printed goods when a 750,000 bale level of raw cotton exports to the United Kingdom has been achieved. But we are of opinion that "sanctions" on a stronger basis will be necessary.

5. As regards the grades of raw cotton to be taken, this demand has attained more concrete importance since our negotiations commenced and its significance has been emphasised in the May discussions. The demand of the growers in May was that the percentage of short staple cotton taken by Lancashire should be increased to 65 per cent. of their offtake, and that 35 per cent. of the offtake should be of the shortest staple. This was on the assumption that 50 per cent. of the offtake already consisted of short staple cotton but subsequent investigation proves that this figure should be 37 per cent.

It is however clearly impossible for the Lancashire industry to give this immediate undertaking, especially as the industry has, unlike that of Japan, been built up on long and medium staple cotton. But for the reasons given above, we should be prepared to place great reliance upon an additional undertaking by Lancashire to increase her consumption of the lower grades, not only because of the past history of such undertakings but also because the present agreement can clearly only be regarded as an episode in the relations between Lancashire and the growers and if Lancashire is to look for sympathetic treatment from the growers in the future, she must clearly do all she can to meet their point of view during the currency of this agreement. In the final agreement, therefore, we regard it as essential that such an undertaking will be obtained from the United Kingdom, and if the United Kingdom can be persuaded that a definite percentage of short staple cotton purchases shall be agreed upon as a goal to be attained during the currency of the agreement, we shall regard this as a further advantage and we recommend that the Government of India should press for this.

6. As regards the quantity of bales to form the minimum basis of the agreement, we had hoped for higher figures than the 500,000 scheduled for the first year rising to 550,000 in the second and to 600,000 in the third and fourth years. Our desiderata had been a figure of 750,000 bales rising to 1 million. To meet the aims of the growers also, who in May demanded a minimum offtake of 650,000, we would still like to press for an increase of 50,000 bales in the last year, *i.e.*, to 650,000 bales, but if this is a crucial point of the agreement, we would not reject the scale on that account alone because the present proposals, coupled with an undertaking to increase the use of the lower grades are clearly a very great advance upon the position under the present agreement: and it would be doing the growers a grave disservice to jeopardise what is offered.

The Maharaja of Parlakimedi is in agreement with these views of the export of cotton, which are also shared by two out of three of the other representatives of the cotton growers who took part in the discussions in May.

7. The uncertainty regarding the Japanese market which takes the bulk of India's short staple cotton proves the necessity of growers pressing for other markets for this class of cotton. Out of the 3,017,000 bales of cotton taken by the Indian Industry in the year ending 31st August 1937 only some 292,000 consisted of Bengals and only 498,000 of Oomras (Indian Central Cotton Committee's Report, 1937). The bulk of both crops has to be marketed overseas. Of the 873,000 bales of Bengals and 1,194,000 bales of Oomras exported in the same period, the United Kingdom took only 15

per cent. of the exports of Bengals and only 5 per cent. of the exports of Oomras (see also paragraph 5). The lessons appear to be:

- (a) that the production of long and medium staple cotton should be increased as much as possible (concerning which there is general agreement);
- (b) that all overseas markets for short staple cotton should be fostered as vigorously as possible;
- (c) that as the United Kingdom seems, in view of the Indian Central Cotton Committee's report, to offer the best scope for increased offtake, every advantage should be taken to bring about the present agreement with that object.

We therefore consider that an agreement in the matter of raw cotton on the lines proposed by us would be definitely in the interests of India.

#### *Cotton Piecegoods.*

8. It is understood that the United Kingdom puts forward a demand for an import into India of a minimum of 350 million yards of piecegoods rising to a maximum [not less than 500 million yards] but agrees that this shall be linked with the offtake of Indian raw cotton and that tariff rates shall be adjusted to regulate the imports. The Indian Cotton Textile Industry, however, was not prepared in the May negotiations to concede to the United Kingdom an import in excess of 200/250 million yards as a basis, rising to 400/420 million yards as a maximum.

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The imports from the United Kingdom were 267 million yards in 1937-38 and are expected to be about 240 million yards in the current year. The United Kingdom is apparently unwilling to increase her imports of Indian cotton and to accept a reduction of preferences on more than Rs. 10 crores of general goods unless she can see some hope of increasing her sale of piecegoods to India; and it is therefore inevitable that if the agreement is to go through on the present lines the Indian Cotton Textile Industry must make a sacrifice, *i.e.*, must voluntarily give up a portion of the Indian piecegoods trade which might otherwise be supplied by the Indian mills, whether that be by way of an actual reduction from the present quantity supplied by the Indian Mills or by no actual reduction but by according to the United Kingdom a share of the increasing market.

It is recognised that the leaders of the Indian Cotton Textile Industry must assess the agreement as a whole and decide whether the sacrifice they are called upon to make on behalf of the industry is adequately compensated for by the gain to the general interests of India. But if it were possible for the Industry to make a liberal gesture at this time, it would clearly, in our opinion, result in considerable gain to other interests in India, to the grower of cotton, to the consumer of cotton piecegoods, to all those interested in the growth of jute or manufacture of jute goods, to the manufacturers of leather and of woollen rugs and carpets, the growers of tobacco, coffee, rice, linseed, groundnuts, tea, etc., and the producers of other articles which secure free entry into the United Kingdom.

9. We are bound to confess that *prima facie* there is a good case for asking the Cotton Textile Industry to make this sacrifice, and consider it only fair that we should give our reasons for coming to this *prima facie* conclusion, although we should have liked time and opportunity to carry out a more searching enquiry.



There are, of course, difficulties in the way, notably the fact that the Industry is operating under the protection afforded by Government as the result of the last Tariff Board Enquiry. The object of the Tariff Board Enquiry is to give the industry adequate protection by which is meant "the imposition of duties which will equate the prices of imported goods to the fair selling prices of similar goods produced in India."

It can be argued that the tariff protection is given for the purpose of stimulating the industry, that it is fixed for a certain period and should not without the consent of the industry be taken off before the expiry of that period; also that fresh rates should not be fixed without enquiry by the Tariff Board. This is a sound theory in general and was put forward in the Committee's unanimous report dated the 9th July 1937.

On the other hand it is open to argument that the present imports into India and the production of piecegoods in India show that the equating of prices has failed, that revenues are suffering and that the consumer is paying more than he should do—and the arguments seem substantial.

The position has changed vitally since our report dated the 9th July 1937 was written in that the proposals now set a definite limit to the sacrifice demanded of the industry, whereas before a reduction of duties might have led in the event of a miscalculation to very large inroads into the market for the Indian Mills. Although the United Kingdom have rejected the fixation of an absolute quota, the power given to India to fix her tariffs at any figure she may wish if imports reach 500 million yards is the virtual equivalent of a quota. The import is now limited, if the objective is obtained, to a mean of 425 million yards and a maximum of 500 million yards against present imports of some 250 million yards, so that the sacrifice requested is a mean of 175 million yards and a maximum of 250 million yards.

It should not be overlooked that the acceptance and fulfilment of the demands of the United Kingdom will only result in a return to the level of 1935-36.

10. The Tariff Board Report 1936 shows that on average some 1,800 yards of cloth are made from 1 bale (400 lbs.) of cotton, but as a portion of this is from long staple imported cotton, it may be taken that 1,600 yards of cloth are manufactured from 1 bale of Indian cotton.

The mean sacrifice of the mills, 175 million yards of cloth, is therefore the equivalent of some 110,000 bales of Indian Cotton, and the maximum sacrifice of some 156,000 bales.

Against this the grower stands to sell a minimum of 500,000 bales, against an average of some 280,000 bales before the Lancashire Cotton Committee began its work, a minimum increase of 270,000 bales, with possibilities of a gain of 500,000 to 700,000 bales if our hopes are attained.

So that the gain to the growers from the proposed arrangement is clearly substantial and appears to constitute a sound business deal.

11. It is pertinent to note this point that the Industry is receiving protection on a large quantity of piecegoods manufactured from foreign cotton, from which the Indian grower receives no benefit rather the reverse. The quantity of raw cotton imported has increased very considerably recently and in the last fiscal year amounted to 134,400 tons or 752,600 bales of 400 lbs. each.

It is true that this cotton pays an import duty of 1/2 anna per lb. equivalent to some 5 per cent. of its value and that to this extent the revenues benefit at the cost of the industry and the consumer, but the continued increase of importations of raw cotton shows that this duty is no handicap to the trade, due to the demand for better class goods being on the increase. The Industry has proved its ability to compete with the United Kingdom in spite of this handicap.

As some 5 yards of cloth are manufactured from 1 lb. of imported long staple cotton, this means that the Industry is benefiting on the equivalent of some 1,500 million yards either directly or in the form of yarn woven into borders of coarser goods, with no advantage to the grower or consumer against the maximum of 250 million and the mean of 175 million yards which the industry is asked to sacrifice.

It appears that the grower and consumer are entitled to share this prosperity with the manufacturer.

12. Furthermore, the consumption of Indian made piecegoods is rapidly increasing. The production in Indian Mills of piecegoods has gone up from a post-war average of 16,76 million yards to 35,72 million yards in 1936-37 (Review of the Trade of India in 1936-37) and the growth in the last decade has exceeded 1,000 million yards (the Indian Cotton Textile Industry—1938 Annual).

Various measures being taken by the Provincial and Central Governments seem in every way to encourage the hope that the needs of the masses for cloth will incline to increase. It is therefore not unfair to assume that a more liberal policy to the consumer and the grower would not necessarily mean a reduction of output from Indian Mills but might mean a cessation for the time being of increase. While this would entail a sacrifice, the dislocation would not be great, and in view of the result of the policy of equating prices and the maximum set to the sacrifice, it certainly appears that the sacrifice sought is not unreasonable. Indeed, some sections of the Industry have definitely stated that they would not oppose it.

13. The Industry expresses great concern upon one point in the proposals, namely the reduction of the protection on printed goods from 25 per cent. to 17½ per cent. in the first place with a subsequent reduction under the sliding scale to 15 per cent. and ultimately to the same level as the general tariff on piecegoods. It is urged that the business in printed goods is a comparatively new trade and still needs the additional protection.

The last Tariff Board report (paragraph 85) referred to the lack of reliable information on this subject but the imports are steadily decreasing. It appears, therefore, that the contention is correct and that the sacrifice would fall to a large extent on this section of the trade.

It seems essential, therefore, that the further reduction which the United Kingdom ask to place the print trade upon the same level as the remainder should not in fairness be conceded until the United Kingdom have reached the offtake of 750,000 bales of raw cotton, as otherwise an undue sacrifice might fall upon one section of the trade.

14. The Indian Textile Industry has in recent years made such strides in improved efficiency that according to advices from several sources including Cotton Textile interests, there is considerable doubt whether even the concessions proposed will result in Lancashire obtaining the

imports contemplated. An increase of exports by 60/80 million yards in the last two years (Seaborne Trade Statistics) shows that India is now successfully competing in overseas markets where under the existing Trade Agreement with the United Kingdom the duties on Indian and United Kingdom goods are the same, and can therefore presumably compete also in the home market though the qualities under competition of course differ.

It is not likely therefore that the level of prices of Indian made goods will be seriously affected as it will be impossible for the United Kingdom with the proposed lowering of duties, and probably even with a complete abolition of tariffs, to replace standard Indian cloths in the Indian market.

What will probably happen is that the finer end of the import trade, for which India is not yet fully equipped, will benefit, that is to say that the Indian consumer will, if the price is lowered slightly, buy a certain amount more of the finer cloths from the United Kingdom in preference to the higher qualities of the Indian mills (the latter, it should be noted, is largely made not from Indian grown but from imported cotton). In view of these circumstances we are therefore of opinion that the sacrifice by the Industry will not be so great as expected by some and that no reasonably efficient mill will be caused to close down.

15. It has been pointed out in the course of our deliberations that the Indian Cotton Textile Industry may shortly be subjected to a further hardship by reason of a demand that the Industry should sacrifice certain markets to the handloom industry. The problem is full of legal and practical difficulties, but will have to be taken into careful consideration by Government.

We also consider that attention should be given by the Government of India to the representations which we understand will be submitted by the Industry on the subject of the possible "dumping" of United Kingdom goods into India.

We also view sympathetically the demand of the industry that should imports reach the maximum of 500 million yards during the course of any year, the Government of India should be at liberty to take action forthwith to raise the tariff.

We have not overlooked the claim of the Industry that recent Provincial legislation and administrative action have resulted in increased costs. This is a factor requiring careful consideration.

16. We regret the difference between ourselves and other members of the Committee who among other reasons for rejection of the proposals reject them as placing too great a burden upon the Cotton Textile Industry, but for the reasons given above we do not *prima facie* think that (to quote our first report) the proposals would in any way "impair the existence and development of the industry". We should have had greater diffidence in putting forward this conclusion if it were not for the fact that some sections of the Indian Cotton Textile Industry do not oppose the proposals while one important section agrees that if it is found that the agreement as a whole is demonstrably in the larger interests of India they would be prepared to consider a sacrifice of their interests. In our opinion, as stated above, the terms with the amendments proposed secure the larger interests of India.

17. In the Committee's first report we stressed among other things the necessity of safeguarding our revenues.

It will be open to us to adjust our tariffs on the Rs. 10 crores of articles imported hitherto under preferences by the United Kingdom as suits our tariff policy and from the cotton proposals there should be a useful increase of income. Nothing in the proposals, therefore appears to hamper the Revenue position.

18. Subject to the above remarks which are an endeavour to examine the position fairly from all points of view, and to assess in conjunction with our previous reports the benefits of the agreement to India, we consider that these proposals constitute a sound business deal from India's point of view, and are prepared to give them a trial with the modifications proposed.

We recommend that when negotiations are completed the Agreement should be submitted for the consideration of the Assembly.

DATAR SINGH.

E. C. BENTHALL.

NEW DELHI,

5th September 1938.

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## NOTE BY THE MAHARAJA OF PARLAKIMEDI.

*'While agreeing with most of the arguments advanced by my colleagues, I wish to reserve to myself the right of reconsidering the position if a substantial advance is made by His Majesty's Government in respect of their proposals concerning Cotton, Lancashire Piecegoods and the figure of Rs. 8½ crores.'*

1. Although I should very much like to see by some means or other His Majesty's Government is persuaded to give a more convincing assurance of their imports of Indian short staple cotton than what they now say—to trust to their word of honour—I cannot be a party to the idea of breaking off the pact without a trial with the far fetched prospects of securing better terms with foreign and alien countries in these most unsettled times and when under present conditions the Indian agriculturist can ill afford to lose ten and odd crores of rupees while every pie of income is of value to him.

2. According to the figures given below United Kingdom is the best customer Madras possesses and though at present there is no sea-borne trade in Orissa worth mentioning, yet Orissa stands to gain also under the pact with its vast scope to increase the cultivation of Virginia tobacco, ground-nut and its oil, fibrous plants mainly hemp and jute. Under the circumstances my attitude should be in fairness to the responsibilities I shoulder on behalf of both the Provinces to safeguard their respective interests in the trade pact with Great Britain, and see the connections advanced to greater intensity.

3. The following table gives the average annual exports from Madras to the United Kingdom and the imports therefrom during each of the last six years:—

Year.	Imports from	Exports to	Balance of
	the United Kingdom.	the United Kingdom.	trade in favour of Madras.
	Rs. lakhs.	Rs. lakhs.	Rs. lakhs.
1930-31	8,60.62	11,99.40	3,38.78
1931-32	6,42.41	11,03.32	4,61.41
1932-33	7,09.32	10,70.23	3,60.91
1933-34	7,28.42	11,70.32	4,41.90
1934-35	7,36.13	12,64.57	5,28.44
1935-36	6,67.09	12,59.59	5,92.50

4. The equivalent figures for the British Empire excluding the United Kingdom during the last five years are, as follows:—

Year.	Imports from	Exports to	Balance of
	the United Kingdom.	the United Kingdom.	trade in favour of Madras.
	Rs. lakhs.	Rs. lakhs.	Rs. lakhs.
1931-32	1,31.15	4,58.12	3,26.97
1932-33	1,19.69	3,96.38	2,76.69
1933-34	1,11.42	3,72.43	2,61.01
1934-35	1,19.82	4,02.83	2,83.01
1935-36	1,21.58	4,09.46	2,87.88

5. The following figures give the percentage of the overseas trade of the Madras Presidency with the United Kingdom and with the British Empire to the total foreign trade of the Presidency:—

<i>Exports.</i>					
	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
United Kingdom . . . . .	42.05	45.0	47.2	50.1	46.8
Other parts of the British Empire	17.45	16.7	15.0	15.9	15.2
<b>Total British Empire . . . . .</b>	<b>59.5</b>	<b>61.7</b>	<b>62.2</b>	<b>66.0</b>	<b>62.0</b>
<i>Imports.</i>					
	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
United Kingdom . . . . .	41.2	44.7	49.2	42.4	42.5
Other parts of the British Empire	8.4	7.5	7.5	6.9	7.7
<b>Total British Empire . . . . .</b>	<b>49.6</b>	<b>52.2</b>	<b>56.7</b>	<b>49.3</b>	<b>50.2</b>

6. *Summary of trade enjoying preference.*

<i>Exports from Madras.</i>					
	(Value in lakhs of rupees.)				
	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
To the United Kingdom of products enjoying preferences in the United Kingdom	10,46.60	10,35.41	10,97.14	11,73.48	11,72.18
<i>Imports into Madras (excluding piecegoods and yarn).</i>					
From the United Kingdom of articles enjoying preferences in India	1,76.57	2,13.78	2,31.31	2,52.22	2,16.31
<i>Imports into Madras of piecegoods and yarn. (Subject to separate differential duties.)</i>					
From the United Kingdom	1,52.90	2,01.29	1,63.50	1,55.63	1,31.46

7. *Hides and skins.*—The hides and skins industries is one of the most important industries in the Madras Presidency, judged by the tests of production and export trade, tanned hides and skins having constituted one of the most important exports of Madras ever since figures of sea-borne trade were published. The value of the tanned hides and skins exported, during the last five years, have averaged about 19 per cent. of the total export trade of the Presidency. The trade with the United Kingdom in tanned hides and skins (excluding unwrought leather) during the last five years is exhibited in the following table:—

Year.	Quantity. Tons.	value. Rs. lakhs.
1931-32 . . . . .	13,827	4,39.90
1932-33 . . . . .	13,023	4,04.39
1933-34 . . . . .	17,687	4,87.89
1934-35 . . . . .	16,137	4,58.55
1935-36 . . . . .	18,502	4,61.88

Almost the entire quantity of tanned hides and tanned goat skins, and by far the greater portion of the tanned sheep skins exported, are taken by the United Kingdom. It is difficult to resist the conclusion that the

preferences accorded under the Ottawa Agreement to Indian tanned hides and skins have proved beneficial, and have been largely instrumental in maintaining the volume of trade in leather during the period of the depression, for though the total imports of hides undressed into the United Kingdom declined from 297,500 cwts. in 1931 to 271,700 cwts. in 1934 (1935 figures are not available) imports from India into that country during this period increased from 188,600 cwts. to 239,600 cwts. In the case of skins undressed, imports into the United Kingdom from India increased from 98,500 cwts. to 123,500 cwts. during the same period, whereas imports from foreign countries declined from 81,900 to 21,500 cwts. If India ceased at any time to be entitled to the existing preferences, or to equivalent preferences, there is a probability that imports of hides and skins into the United Kingdom from foreign countries, as well as from other Empire countries, would increase at the expense of imports from India, and if the cost of Indian hides and skins rose as a result of the levy of a duty on their entry into the United Kingdom, the demand for them might in any case be expected to undergo some contraction. It is also possible that, in the event of the withdrawal of the preferences, the leather manufacturers in Great Britain might prefer to import raw hides and skins which, under the fiscal policy of the British Government would, with the possible exception of raw goat-skins, be admitted free of duty, in preference to the partially tanned products. In view of the great economic importance of the tanning industry to the Madras Presidency, and the large volume of labour which it employs directly and indirectly it is in the highest degree necessary that the existing preferences should be maintained.

While acknowledging the benefits the Madras Presidency has been enjoying under the pact with regard to its abovementioned goods, I would urge protection from the competition of different oil-seeds in the United Kingdom market after the Ottawa pact Indian ground-nut has suffered as the table below depicts—

Year.	Quantity. Tons.	Value. Rs. lakhs.
1931-32 . . . . .	60,222	86.18
1932-33 . . . . .	21,428	36.91
1933-34 . . . . .	35,147	44.29
1934-35 . . . . .	119,051	1,51.10
1935-36 . . . . .	42,716	69.67

The United Kingdom obtains from foreign countries very large quantities of oil-seeds which compete with Indian ground-nuts, importing in 1935, 159,000 tons of soya beans, 655,000 tons of cotton seed, 144,000 tons of marine oils, 34,000 tons of soya bean oil, and 40,000 tons of other oils and fats, besides large quantities of palm kernells, copra and palm oil from Empire countries.

Hence, there seems to be no reason why the United Kingdom to assist the ground-nut producers of Madras and Orissa should not impose a duty of 10 per cent. *ad valorem* on soya beans, etc., imported into Great Britain and discern her good intentions as she should to favour the use of Empire produced oil-seeds.

8. *Ground-nut oil*.—Though ground-nut oil at present enjoys a preference of 15 per cent. in the United Kingdom market, there have been no exports from the Madras Presidency from 1932—36.

It is very desirable, however, that preference should be retained under the present agreement, for, as stated above, the United Kingdom imports larger quantities of marine oils, soya bean oil and other oils and fats from foreign countries and of palm oil from Empire countries.

Another serious obstacle in her way is lack of facilities to export ground-nut oil in bulk from this country which can be overcome by better organisation. The present system of shipping ground-nut oil by drums is expensive and inconvenient. From the Director of Industries, Madras, note I gather that steamship companies would be prepared to put tanker freight at the disposal of Indian exporters provided they could load at Indian ports. To achieve that, storage tanks of sufficient capacity at the ports of shipment should be arranged.

9. *Magnesite*.—Though at present 10 per cent. preferential treatment Indian magnesite receives, it is not enough as Government are aware to compete with the cheap Greece and Austria magnesite marketed. Hence, although in Salem district there are extensive deposits of some of the finest magnesites in the world the deposits are not worked to the extent they should have been. I would therefore strongly urge that the 10 per cent. preference should be at least increased to 20 per cent. if not 25 per cent., in which case the magnesite industry in Salem may undergo a considerable development, and as a practical measure result in employing a considerable number of people of the district.

10. *Cigars*.—I quite agree with what the Director of Industries, Madras, has to say regarding the cigar industry of the Madras Presidency, and I entirely see eye to eye with him that the preferential duty on Indian cigars should be reduced to the same rate as that on cigarettes.

11. With these observations, though I feel that it is not to the interests of Indian agriculturists to break off India's trade pact with Great Britain without giving a fair trial to the word of honour given by His Majesty's Government regarding the imports of Indian short staple cotton into United Kingdom markets, I would strongly urge that adequate protection as illustrated above should be made available to ground-nut and its oil, magnesite, and cigar industry of the Madras Presidency.

K. C. GAJAPATHI



*By the same author :—*

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THE GREAT POWER.  
DOUBLING KARACHI.  
BRITAIN'S DILEMMA.  
BRITAIN VICTORIOUS!  
A PEEP AT AUSTRALIA.  
INDIA AND THE EMPIRE.  
A GLIMPSE OF SOUTH AFRICA.  
AROUND THE WORLD FROM SIND TO SIND.

*Dedicated to all*  
**BETTER MONEY ASSOCIATIONS**  
*throughout*  
**THE EMPIRE**

# PLANNING PROSPERITY

IS IT POSSIBLE ?

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*"In the economic problems which have become the front-line questions of every nation under heaven, we find ourselves with Twentieth century machines and Eighteenth century political ideas. We are out of gear: we are out of touch. But it is not too late to recover."—Dr. John R. Mott, Chairman of the International Missionary Council and President of the World Union of Y. M. C. As. at Lahore 24th December 1936.*

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BY

**Sir M. de P. WEBB, K.T., C.I.B., C.B.E.**

Fellow of the Royal Economic Society ;

Author of "The Great Power," (1897); "Prices and Prosperity"; "Doubling Karachi"; "Advance India!"; "Britain's Dilemma"; "Britain Victorious!"; "India's Plight": (Fifth Edition, 1935); &c.

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## INTRODUCTION.

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Never within living memory has the economic outlook and therefore the political outlook also, been blacker or more ominous than it is to-day—in this early Spring of 1938.

It is black because the whole world is labouring under an appalling load of personal, Local, National, and International DEBT.

It is ominous because the truth is daily becoming more obvious to the great majority who labour to pay interest on this Debt, that no matter how hard, or how long they struggle, the Debt is gradually growing larger and heavier—a constantly INCREASING DEBT with taxation in proportion.

Further, it is becoming doubly black and doubly ominous as yearly increasing multitudes in both hemispheres realise that this vast volume of overwhelming, suffocating liability is, taken as a whole, eternally UNREPAYABLE DEBT.

In case this outlook is not in itself sufficiently menacing to arrest widespread attention, it may be recalled that it is estimated that the annual expenditure of the leading nations of the world to-day on armaments exceeds £3,000,000,000 per annum, MOST OF WHICH IS BEING BORROWED AND SO ADDED TO OUTSTANDING DEBT !

\* \* \*

Human experience tells us that the night generally seems blackest before dawn. And the present time is no exception, for there ARE unquestionably practical ways—apart from repudiation (already started on an alarming scale),—of lightening the weight of *existing* debt, and of avoiding in some measure the incurring of *further* interest-bearing Debt.

Some of those ways I have endeavoured to explain in the following pages. I do not expect general agreement at first : but the light is spreading rapidly; and the reasons for many of to-day's troubles are gradually becoming clear.

M. DE P. WEBB.

March, 1938.  
Karachi, India.

# PLANNING PROSPERITY

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## Is. It Possible ?

BY SIR MONTAGU DE P. WEBB, KT., C. I. E., C. B. E.  
*Author of "The Great Power" (1897) "Britain's Dilemma" (1912)*  
*"India's Plight" (Fifth Edition 1935), etc.*

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### I.—"FIRST, GIVE ME YOUR PENNY"

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Prosperity may be defined as a state of improving life conditions, brought about by man's foresight and well sustained endeavour.

We see around us many grades of life among human beings, from those of the poor and ignorant up to those of the wealthy and better informed. And we also see that efforts are continuously being made in many directions to improve the life-conditions of all grades,—especially the conditions prevailing among the poorer classes.

And if the endeavour is successful,—if improving conditions of life are gradually being attained,—especially among the less fortunate majority, then it is generally considered that conditions of national prosperity prevail. Everybody is toiling happily ; everybody is winning a steadily increasing reward. In all directions, security increases ; comforts multiply ; and wealth accumulates.

\* \* \*

Do those conditions prevail today? And if not, why not?

Never before was a greater accumulation of knowledge at man's disposal than is available today. Never before have mechanical aids to man's efforts been more numerous, more efficient, or more prolific in output than at the present time. Never before has it been so easy to find out what is being produced, or what is wanted, in every corner of the globe, as it is today : nor does history afford us any parallel to the rapidity with which means of communications and transport can enable Supply to satisfy Demand, as we see in daily operation before our very eyes at the present time !

And yet, in this "Age of Plenty"—as it has been very appropriately named, Want and Poverty are painfully perceptible in more directions than we feel inclined to recognise. Indeed, it would be not straining the English language too much to say that, in certain parts of the tropics—especially in certain well-watered areas, and in certain over-congested cities, starvation stalks almost unnoticed and unchecked !

\* \* \*

What, then, is wrong ? Plenty of good things available in certain directions ; yet plenty of people in other directions badly wanting those good things, but unable to get hold of them ! Why ?

The first explanation is quite clear, and not open to doubt. The Wanting Ones,—let us call them by their latest cognomen,—the "Have-nots,"—lack the Money wherewith to buy the good things that they need or want, or would like.

Why do they lack the money ?

Many will remember the old nursery rhyme :—

*"Simple Simon met a Pieman, going to the Fair.  
Said Simple Simon to the Pieman 'Let me taste your ware'.  
Said the Pieman unto Simon, 'First give me a penny,'  
Said Simple Simon to the Pieman 'Please, I haven't any'!"*

Simple Simon—only a child, presumably, like the great majority of the Have-nots of to-day,—had not the necessary Money wherewith to satisfy his want, although, to all appearances, supplies were ample! He was countered with the inevitable reply “First give me your penny”....And so the “Wanting-ones” of to-day. They have not the necessary Money.

Why exactly, do they lack money ?

The reason *may* be, that they are lazy and won't work. Or it *may* be that they are inefficient, and so can't find an employer. Or it may be that they are both energetic and efficient, but that there is no work to be done that *they* are able to discover. In any case, whatever the reason may be, they are without employment,—they form some of to-day's great army of the Unemployed.

And so, we arrive at two great fundamental facts of the present day—most important in this connection :—

- (1) *Money—the great Purchasing Tool among all civilised nations,—is essential in order to secure the necessities (as well as the luxuries) of life : and*
- (2) *To obtain money, one line only of direct action is open to the great majority of mankind, namely—to find somebody, somewhere, who, possessing money, is willing and able to hire the services of the Have-not.*

Commencing our investigation at this point, we are met at the start by the fact that, although Money-tools are absolutely necessary in order to maintain life in civilised countries there is to-day open to the public only one source of supply of these vitally important Tools—namely, the group of *private* traders in these Tools, generally referred to as money-lenders, or bankers, or finance houses.



The question at once arises—Ought the supply of a vital necessary of life (certainly as vital as sunlight, or air, or water), to be allowed to become and remain the monopoly of a private group of traders for profit ?

Obviously, if this is allowed, then the bulk of mankind who do not happen to be born inheriting a supply of Money-tools or their equivalent, are from birth to death the slaves of the favoured few who happen to have come into the world under legislation that makes them the only fortunate ones !

Here is the first problem that must be tackled, if we are to achieve any practical result whatever from our effort to plan prosperity.

## II—RESTORING A STATE FUNCTION

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“Ought the supply of a vital necessity of civilised life (certainly as vital as sunlight, or air, or water) to be allowed to become, and remain, the monopoly of a group of private traders, working mainly for their own personal profit? That was the question with which we concluded the first chapter of our attempt to plan prosperity.

Before answering this key question, let us make quite sure that there is no distortion or exaggeration in saying that Money-tools are a “vital necessity of civilised life.”

### THE DIVISION OF LABOUR.

Civilised life is distinguished from the life of primitive man by the Division of Labour. Men and women in an elementary state of development, themselves gather the fruits of the soil, catch the fish in the sea, or kill the creatures of the land—animals or birds—and themselves eat them to satisfy feelings of hunger.

Every advance from this stage involves the Division of Labour. Some men and women do this and that. Others concentrate their labour on something else. The various products of human activity are then exchanged, till, that complex stage of development is reached in which we find ourselves today, when an almost infinite Division of Labour enables us to satisfy almost every conceivable want of which a human being is capable.

This is only rendered possible by the use of some instrument or tool that can serve as a Measure of Values and Means of Purchase, universally recognised and accepted. That

Measuring and Purchasing Tool is Money. Therefore, Money is a vital necessity of civilised life, as we see it to-day.

It is impossible, in these circumstances, to give any answer to the question with which we started today, other than—“Certainly not. Money, being a vital necessity of our daily life, ought to be *made, issued and controlled MAINLY BY THE STATE*, i.e., *by the people for the people.*”

\* \* \*

History tells us that, in the past, money—one of the greatest inventions of the human brain,—has been evolved in precisely this way. At first, the people—groups of villagers or tribes—selected some commodity of wide popularity and an universal demand, generally silver, and made this their “measure of value” and chief “purchasing tool.” Thus, we read in Genesis (Chapter XXIII, verse 16) that Abraham purchased a field from Ephron for . . . “four hundred shekels of silver, *current money with the merchant.*” And silver has been very widely used as money from the days of Abraham to the present time.

As the centuries passed, and after the discovery of America by Europeans, sufficient gold came to light to enable the peoples of Europe to use gold as well as silver as money. Indeed, gold, because of its great beauty and other peculiar qualities, gradually became more popular than silver.

But many difficulties were experienced in using both silver and gold as money, because dealers in silver and gold in different parts of Europe,—chiefly Jews—bought and sold the precious metals at different relative rates. So that other traders, and the public at large, could never understand, a couple of centuries ago, why silver coins or gold coins disappeared from circulation, or were shipped abroad and, seemingly, never returned.

## FIRST REJECTION OF SILVER.

A century ago, Lord Liverpool suggested a way of overcoming the difficulty. His idea was to use only gold coins as Britain's chief money-tool; (increasing quantities of gold were being unearthed in, and shipped from West Africa, *i.e.*, the Guinea and Gold Coasts). Silver was accordingly demonetised. Silver coins were debased with an alloy, and were deprived by law from being legal tender for more than £2 (two pounds) or forty shillings.

Great Britain and the British Empire flourished and expanded greatly during the last century; and most European nations thought that her gold money in some degree explain her increased credit and prosperity. Or, those rich "Finance Houses" who supported European Governments, persuaded those Governments that this was the case. Whichever explanation we accept, there is no doubt that there was less risk to the financiers in dealing internationally with *one* metal, gold, than with two metals—silver and gold. Silver nevertheless continued, and still remains the chief hand-to-hand currency of most of the peoples of the world.

Up to 1873, Royal or Government Mints were open in many countries for the free coinage of both silver and gold money. Thus the public were always assured, up to 1873, of being able to obtain metallic Money-tools of effective purchasing power in many parts of the world, by the comparatively simple operation of presenting silver or gold at the Mints for coinage.

## MINTS CLOSED TO THE PUBLIC.

In Great Britain, the Royal Mint was closed to the public for the coinage of *silver* early last century; and of *gold*, early this century; and the Office of "Master of the Mint" was transferred from the Head of the State to a party politician, namely the Chancellor of the Exchequer. The depriving of the aged Queen Empress Victoria of the centuries-old royal pri-

vilege of coining money was carried out almost secretly. The great majority of the public knew nothing about it at the time, and still do not realise its significance.

In India, the Royal Mints were closed to the public for the free coinage of *silver* in 1893, thus depreciating the value of silver, and so *depriving the masses (as well as the well-to-do) of a portion of the value of their savings which consisted of silver ornaments and silver hoards,—coined and uncoined.* This wrong has never been righted to this day. The Indian Mints were closed to the public to the coinage of *gold* after the close of the Great War.

#### THE CONSEQUENCES.

Thus both silver and gold have, in effect, been demonetised, and the public forced to use paper money—State paper, and private bankers' paper,—a very large degree, the latter. Two of the chief results of demonetising silver, and of endeavouring to rest the trade of the world on a tiny base of gold,—like an inverted pyramid—have been

- (1) The suspension by the Bank of England payments on at least five occasions, and the necessity of urgently appealing to the party Government of the day for immediate help.
- (2) A world-depression of trade during the fourth quarter of the last century that brought economic disaster to many countries. There are many alive to-day who had personal experience of that disaster.

#### GOLD CORNERED.

International speculators in the world's chief Money-tools, not content with a policy of credit restriction and currency.

contraction since 1920 that is the root cause of the world-wide economic *cum* political difficulties in which the whole world is involved today, have now "cornered" gold so that it possesses at present a market value out of all proportion to its true worth either for artistic or currency purposes.

All which being so, the urgent need of heading off threatening economic and political disaster by restoring to the Monarchy or to the State its historic right and function of making, issuing, and controlling the supply of Credit and Money-tools, becomes more imperative every day.

**Not until this be done, will it be possible to engineer that return to peace and prosperity for which all thoughtful men and women pray.**

## III.—DIAGNOSING THE WAR FEVER

Modern thought, re-inforced by the latest discoveries of science, is unsatisfied with many of the practices widely accepted by our forefathers, not only in monetary or currency matters, but also in many other branches of human activity.

Take medicine for example. A generation ago, many were satisfied when, incapacitated by dis-ease, a doctor arrived who gave the patient's symptoms a name, and prescribed a dose of physic for their relief, took his fee, and departed.

## WHY DIS-EASE ?

Now-a-days, a wiser generation demand to know *why* disease is provoked?—What errors of living, (in satisfying the appetites or failing to satisfy the appetites), have caused the dis-ease?—And what steps should be taken in order to avoid a recurrence of the trouble? In short, doctors must not merely cure diseases; they must prevent diseases from appearing.

So, too, with the body economic and the body politic. The body *economic* has been, and is still, suffering from various dis-eases—slumps, booms, falling prices, depressions, unemployment, strikes and threatened sabotage and civil disturbance. The body *politic* inevitably re-acts to such diseases and to-day we are witnessing national and international unrest showing itself in the shape of various noxious political growths, from those of a national-civil character to others of a national-military character, accompanied by a dangerous expansion of armaments, international rivalries, claims to lands and territories, involving the possibility of an international world-war, and the exhaustion and destruction of modern civilisation.

### UNDERLYING CAUSES.

Most of the politicians of to-day like most of the doctors of to-day seem more concerned in attempting to allay, now this symptom now that, rather than in studying exhaustively the underlying causes of to-day's alarming world unrest (or d's-ease ; and then, as the result of such study, making a united and determined effort to deal effectively with those causes *at their root*.

Confidence, Mr. Chamberlain has just told us, is the main-spring of progress and prosperity. At the present time confidence is seriously undermined by the spectacle of the leading nations of the Old and New Worlds preparing for war on a scale unprecedented in human experience. Why, exactly, should the chief peoples of the earth desire to fight each other at the present time ?

There can be no doubt about the answer. The *peoples* of the earth do NOT desire to fight each other, now or at any other time.

### WHY NATIONS HAVE RE-ARMED.

But nearly all *political leaders* in the West (and some, perhaps in the East) have found it expedient to relieve the economic hardships of the masses from the results of interrupted trade, of poor trade, and of widespread unemployment that quickly developed after the close of the Great War. That relief varied from the building of houses, roads, and other civil works, up to the creating and arming of vast military and naval forces, according to the feelings and temperaments of the victors, and the defeated nations. The creating of military organizations not only helped to provide employment, food, and clothing for those who took part in those schemes, but it also helped to revive the national spirits of the defeated and depressed, and certainly prevented eruptions of a destructive or revolutionary



character, and possibly complete national disintegration in more places than one.

But these devices are dangerous. Those who have been trained in the use of modern destructive machinery on an immense scale, and whose feelings of patriotism have been continuously and very powerfully stimulated, are tempted to make a trial of their newly acquired fighting powers should opportunity of proable success seem to offer itself, for "might is right," such people argue. Hence the political dangers of the present day.

#### WHY ? WHY ? WHY ?

The searcher for first causes will not be content, however, to leave the matter at that. He will ask—*Why* were economic conditions so ominously distressing after the conclusion of the Great War ? Was this state of affairs inevitable ? Could nothing have been done to prevent such noxious developments ?

Some will reply—"No, nothing. Consider what occurred after the close of the great Napoleonic Wars,—a period of appalling distress,—the 'hungry forties,'—and so on. Some years of economic suffering after the disturbances and losses of a great war are unavoidable and inevitable."

Does not such an answer imply that human knowledge has stood still for a hundred years,—that we know no more to-day about social, economic and political problems than did our great grand fathers a century ago !

Others will interject—"It is very easy to be wise after the event. Why did you not speak twenty years ago ? What do you propose now, anyway ?"

#### PAST PROPHECIES

It will not be out of place therefore, if I recall a few of the words that *were* spoken twenty years ago. With the close of the

Great War and the return from the various "fronts" of those who had fought, Mr. Lloyd George, foreseeing some of the difficulties ahead, planned the further borrowing of some hundreds of millions sterling in order to carry out vast building Schemes in Great Britain and make the Island "a home fit for heroes," as he put it.

The Treasury and the City of London had other ideas, however; and appointed a Committee of bankers headed by the late Lord Cunliffe, Governor of the Bank of England to consider money questions in their various aspects, and how best to bring about a "restoration of normal conditions." That Committee urged a return as soon as practicable to the gold standard. This would, of necessity involve a restriction of credit, a contraction of the currency, and, consequently a great fall of world prices. Here are a few of the comments of some monetary experts *made at the time i.e.*, from 1918 to 1932 on this monetary policy:—The policy proposed would

- (1) *"destroy confidence, render reconstruction undertakings difficult, if not impossible, and probably lead to very serious social and political disorder. This way madness lies." The late Arthur Kitson in 1919 vide "The Bankers' Conspiracy",*
- (2) *"never be accepted as a wise device of deliberate economic policy."—Dr. Gustav Cassel of Stockholm in 1920.*
- (3) *cause a "continued fall of prices"...."Stabilisation of prices at the present level"—1931—"would be a serious disaster for all countries alike"—The Macmillan Report of 1931.*
- (4) *prolong the "fall of prices"...."stimulate protection"....encourage devices for "controlling exchanges"...."International trade is being*

*strangled to death" . . . "millions must die of starvation . . . "it is doubtful whether our present civilisation will be able to survive"—Sir Henry Strakosch, Sir Reginald Mant, and Albert Janssen in a Minority Report of the Gold Delegation of the Finance Committee of the League of Nations, 1932.*

- (5) *"prove the greatest barrier ever raised to recovery and progress."—Mr. Lloyd George in his Memoirs.*

#### A MONEY-LENDERS' NOT A MONEY-USERS POLICY.

The above quotations prove beyond all questions that some very experienced brains foresaw very clearly from the first the results of a world monetary policy conceived by money-lenders, and carried out by money-lenders, for the benefit of money-lenders rather than for the benefit of the great masses of the peoples of the world who were, and still are, hopelessly immersed in debt.

The way out is now clearly fore-shadowed. A material modification of past monetary policy, and a bold advance in Government methods of dealing with the Nation's Credit and Currency are imperative.

This policy will be briefly sketched in the next chapter.

#### IV.—EXPANSION AND GOODWILL

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Military expenditure on rearmament by the leading nations of the world is now estimated to amount to the phenomenal figure of not less than £3,000,000,000 a year, an amount never before approached in peace time in human history!

##### COMMITTING SUICIDE.

Little surprise, then, that many people feel that the human race is rapidly committing suicide, if not in a maelstrom of unproductive, overwhelming and utterly un-repayable DEBT, then in an inevitable uncontrollable, and disastrous catastrophe in the shape of universal WAR!

And little surprise, too, if both the Home Secretary and the Prime Minister of Great Britain consider it necessary to make important statements in order to allay public anxiety. Only two days ago, Sir Samuel Hoare admitted the existence of "very dangerous rumours of an inevitable clash" between the armed forces of Europe; while Mr. Chamberlain prayed that the "awful responsibility" of plunging the British Empire into another world-war might not fall on him. Both statesmen added, in effect, that the British Government by no means accepted the "inevitability" of war, and were prepared to take almost any steps in order to avoid such an appalling catastrophe.

##### AVERTING THE DANGER.

If our analysis of the economic causes at work since the close of the last world-war, contains any sub-stratum of truth, it is obvious that means *do* actually exist for averting the dangers ahead, other than day-to-day make-shifts to allay the fever by reducing friction (with France, or Italy, or Germany), such

as we see the Parliamentarians of to-day employing with a determination almost verging on desperation. Moreover, the make-shifts, be it noted, leave the fundamental causes of the trouble untouched, for the WAR—ARMAMENTS and the UNPAYABLE DEBTS still remain, toxins that poison the body politic, and preclude healthy development in the immediate future.

How can these toxins best be eliminated? And *how are the fundamental causes that have produced the toxins to be corrected, or checked?* These are the two chief problems of the day,—problems of life or death for this generation, calling for the most serious study and action by every patriot in East and West.

Granted that the *last* decade—the 'twenties, was a period of Credit Restriction and Currency Contraction, (and there can be no question about this), will it not be wise so to plan that at least the *next* decade—the 'forties, shall be a period of Credit and Currency Expansion?

#### THE EFFECTS OF EXPANSION.

The economic and political effects of such a policy would be a *world-wide, upward movement in the average level of prices in general.* History tells us that such movements invariably

- (1) Put "heart" into everybody, high and low;
- (2) Stimulate enterprise in all directions, and in most countries;
- (3) Create opportunities for increased employment of various kinds;
- (4) Encourage a quicker rate of progress in all departments of life;
- (5) Turn men's minds from subversive, destructive forms of conspiracy to healthy constructive and

progressive types of personal, co-operative, and national activity ;

- (6) Augment good feelings all round, the great mass of the people being more anxious to reap the many advantages of the new and bracing economic atmosphere rather than quarrel with each other about securing a portion of the good things of the earth the supply of which seems unobtainable, or insufficient to satisfy all.

Here we have the antidote for our present anaemic trade,—for fiscal and financial obstructions of all kinds,—for international ill-will and bitterness, and the spirit of military aggressiveness which we see so much in evidence among the leaders of certain Eastern and Western nations.

Destructive critics have said that a period of slowly rising world-prices cannot go on *for ever*, and that when the inevitable downward movement starts, the crash will be greater and more disastrous than anything hitherto experienced.

#### NO MORE SLUMPS !

My reply is that whilst nothing humanly goes on "for ever" so far as we know, there is no reason why *slowly rising* prices should not continue for the life of this generation, and indeed for the lives of several generations ; just as the general level of prices has steadily *fallen* throughout the centuries, as the historical records of the Islands of Britain, and of Europe make quite clear, (and to the obvious advantage of the money-lending classes, let us remember !) Happily, monetary knowledge has now reached a point that enables us to predict without the slightest hesitation, that such a prolonged fall of prices, (in other words, such an *increase in the value or purchasing power of the nation's money*), will never occur again.

Indeed, there is no good reason why any recession—calamitous or otherwise—in the average level of prices in general should take place at the end of the next decade or within the lives of this or the coming generations *provided only that the supplies of money and credit are not allowed to remain the MONOPOLY of private traders.*

This is the vital point—MONOPOLY. As that great man, Edison, has said, "Banks are a mighty good thing. They are essential to the commerce of the country." Quite so. But there is no reason why bankers should enjoy a MONOPOLY of such essential tools of civilisation as Money and Credit. It was largely the injudicious exercise of this monopoly by way of a financial and monetary policy of Restriction and Contraction that caused the economic wasting disease which resulted in the political military fever which we see so much in evidence on both sides of us to-day.

#### GOOD-BYE TO LAST CENTURY IDEAS.

What we now have to do is to make up our minds to say "Good-bye" to some of our old ideas on Currency and Credit that served so well in, and really belonged to, a by-gone century; and prepare to adopt new methods of finance for the new conditions of a new century. Let our preliminary slogan be—Money Monopoly must Cease! The Right of Issuing and Controlling Currency and Credit must be restored to, and rest chiefly with the Sovereign or the State.

And in order to guard the Sovereign or the State against any possible abuse of so vitally important a function by party politician seeking party ends rather than the general good of the general public, the Issuing and Controlling Authority for the Empire's Currency and Credit should be a Statutory Board administering Currency and Credit under Statutory conditions. Such a Board would issue supplies of Service Paper Currency Tools to assist the construction of Re-productive

Works (in other words, the Board would utilise the Nation's Credit); and would also re-open the Royal Mints to the public for the coinage of Silver and Gold coins on such conditions, and at such ratio with each other, as the Statute laid down. Further details of these proposals have been explained by me frequently in articles in the Press of both hemispheres, and also in my "Better Money" No. 8 of December last.

#### NEW METHODS.

In connection with the suggested National Credit function of my proposed Statutory Board, outlined in the next Chapter, I may here recall Edison's prophetic words. . . . "Once the *Currency-method* of raising money for public works is tried, the country will never go back to the *Debt-method*."

The main idea and motive behind the proposals set forth in these pages, is to inaugurate a period of gradual Monetary Expansion in order

- (1) To relieve gradually the appalling burden of un-payable public debt. (The debt automatically becomes lighter as the general level of world prices rises).
- (2) To replace the present political atmosphere of international rivalry, suspicion, and struggle for economic existence (involving the risk of world-war), by an atmosphere of widespread optimism, good will, and healthy, profitable economic activity.



### V.—AN IMPERIAL CURRENCY BOARD

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The imperative call to restore to the Monarchy, or to the State, the vitally important function of issuing and controlling Currency and Credit,—not *all* Currency or *all* Credit, but a material portion of the total volume,—being heard and accepted, the next question that arises—is : What would be the best course,—best in the interest of the great majority, to take in order to bring about this over-due and now urgently needed development ?

As no Party Government, or even the Treasury itself uncontrolled by some superior authority, would be suitable for this vitally important work, it will be necessary to bring into existence a new organ—a *Statutory Board of Currency* of thoroughly independent and reliable men who would hold office for periods of, say, ten years—representatives of agriculture, manufacturers, distributors, and the great body of consumers, and presided over by the most distinguished legal luminary whom the country can produce. The chief statutory functions of such a Board would be to—

- (1) Provide an ample supply of money-tools and credit suitable for all sections of the population, and for as many parts of the Empire as possible ; and
- (2) Maintain the stability of the Empire's money-tools as far as practicable, first as regards internal exchanges ; and, second, with reference to external or, foreign exchanges.

With regard to function (1), bronze or nickel currency would be supplied to, and as, the post offices and banks estimated that the public required. Silver and gold currency would be coined on demand and by the public presenting those metals,

and paying the legal seigniorage for the time being, for assaying, etc., State paper currency would be issued—

- (a) To the public in exchange for silver and gold currency as the public found convenient ; and
- (b) In payment of the cost of public works, possibly armaments, or other State essentials as might be expedient ;
- (c) In cancellation of public debt, etc., so as to maintain the stability of the country's money-tools.

Paper currency and/or silver, and/or gold coins would all be legal tender in unlimited quantities at the option of the debtors, and at such ratios with each other as the law laid down. Efforts would be made to establish the same ratios within the British Empire and throughout the world. It would matter nothing if all the silver, or all the gold, or all the State paper currency were held here or there, as it would be the nation's credit and *the law of legal tender*, and not the substance of which the money-tool was made that would give to it purchasing power or value.

With regard to function (2), the maintenance of the stability or approximate purchasing power or value of the nation's money, statutory index numbers or prices would afford the necessary criterion of stability. If the official Index Number showed signs of falling dangerously, then the Board of Currency would probably do one or more of the following things—

- (a) Lower the charge for seigniorage so as to encourage more coinage ;
- (b) Reduce taxation ;
- (c) Pay off National Debt with State paper currency ;
- (d) Undertake reproductive or other public works with new issues of State paper currency ; etc., etc.

If, on the other hand, the index number of prices showed signs of rising noxiously, revealing a dangerous inflation of the currency, then the output of new money would be checked, possibly by

- (a) Raising the charge for seigniorage ;
- (b) Restricting all further issues of State paper currency for the time being ;
- (c) Repaying national debt out of increased taxation, etc.

Exact mathematical stability of the Index Number of the average level of prices being impossible of attainment, a gentle and long-continued rise in the average level of prices in general throughout the Empire (and perhaps the world) is to be encouraged, rather than otherwise, for reasons already stated.

The Board of Currency proposed above would probably deal with today's fall of prices and slump in stocks and shares somewhat as follows—

- (1) Announce in unmistakably clear and explicit terms—more than once if necessary—its determination to employ every available resource including NATIONAL CREDIT to maintain the internal average price level, and check all excessive gambling and speculation ; at the same time endeavouring to
- (2) Co-operate as far as practicable with America and other countries in performing properly this vitally important statutory function.

The whole object of such action would be to make it quite clear that no grave fall in the general level of prices within the British Empire and elsewhere would be permitted so far as the British Government and its allies in the cause of sane monetary control, could prevent it. Thus, the fall of prices having been arrested, agricultural and manufacturing production could be maintained at its normally increasing volume,

It will be noted that an ample supply of full-value, unlimited-legal-tender silver money for the relatively poor hundreds of millions of the East and the Tropics, etc., is a *sine qua non* which the Overseas Branch of the Currency Board would provide.

Determined action by a British Board of Currency, as suggested above, in co-operation with overseas Governments, British and foreign, is, I submit, not only a practicable proposition, but it would lessen the risks of panics, and so promote steady economic growth and prosperity. An openly declared policy of gradual monetary expansion would maintain a gradual and long continued upward movement in the average world-level of prices in general. Granted the widespread and long continued economic prosperity which this policy would tend to promote, and there would be far less reason to fear world wars in the future than there is to-day with their endless international obstructions to commerce, and endless borrowing as the only means of providing the moneytools required for economic progress—local and international.

## APPENDIX I

EXPLAINING IN A LITTLE MORE DETAIL THE FIRST STEP IN THE  
DIRECTION OF UTILISING THE NATIONAL CREDIT.

For many years past, every civilised country has had in daily—almost hourly—use, a *huge stock of money-tools* of silver, gold, base metals ; and, in highly civilised countries, of paper of various kinds.

This *stock* grows, (or diminishes) according as those who control its issue, consider desirable.

The chief Issuing and Controlling Authority ought unquestionably to be the State. But in many parts of the Empire, private interests have supplanted the State.

In India, the *stock of money-tools* in daily use is Rs. 213,76,95,000 (the total of the Paper Currency with its silver, gold, and paper "securities") *plus* most of the rupees coined in previous years and not since melted, buried, or withdrawn from circulation.

It is a portion of this stock of money-tools that I propose should now be utilised ; at first (a) for *the repayment of Debt* incurred in building re-productive Public Works ; and (b) for *constructing new, re-productive Public Works*.

For example, against the Rs. 313 crores of Paper Currency referred to above, the Reserve Bank of India (*i. e.*, Government) held (on 28th ultimo):—

"Sterling Securities" .. ..	Rs. 78 crores.
"Rupee Securities" .. ..	„ 27 crores.

In all, Rs. 105 crores of so-called "securities."

I assert that the holding of all these so-called "securities" is a practice belonging to the last century, and is quite unneces-

sary. Several crores might be utilised in paying off some of the debt on the Lloyd-Sukkur Barrage and high-level Canals Project. That is an example of the point (a) above.

Now for point (b). The total of the Paper Currency Issue is Rs. 213 crores. Government could, by a stroke of the pen, gradually increase that total to Rs. 216 crores, giving (by degrees as required), *free of interest*, the additional Rs. 3 crores to Sind for the construction of, say, further railways, canals, and the Karachi Indus Water Works Extension, the money to be returned at the rate of say, one per cent, per annum, for the gradual cancellation of the extra Rs. 2 crores of Special Service Currency *should this Special Issue cause a noxious rise in the average level of prices in general in India.*

These points are explained in other words in the following interview with Sir Montagu Webb by a Representative of The Daily Gazette of Karachi, India.

*Invited to explain in a few words that "the man in the street" would understand, how Sind should start its campaign for utilising the "National Credit", Sir Montagu Webb replied:—*

*"The first thing is to determine in our minds what exactly we in Sind want. We want relief from a burden of DEBT THAT CAN NEVER BE REPAYED, AND ON WHICH THE PEOPLE OF THIS PROVINCE ARE THEREFORE EXPECTED TO CARRY A BURDEN OF INTEREST FOR EVER."*

*"Stated in this simple form, everybody can see that the idea is preposterous,—intolerable."*

*"But surely," interposed our Correspondent, "Sind could never have enjoyed its canal, railway, and wonderful Sukkur Barrage services without incurring this debt?"*

*"True," replied Sir Montagu. "Our knowledge and practice of last century accustomed us to one and only one way*

of constructing great public works for the benefit of the people :—and that was to borrow the capital required from anybody who would lend it (generally the great banks and financiers). With this supply of tools in hand (for money is in reality our great Purchasing Tool), we were able to employ all the manpower required—local and foreign—to dig our canals, supply and build our railways ; devise, construct and carry to completion a vast project like the Lloyd-Sukkur Barrage and High-Level Irrigation Canal scheme. But this borrowing—which so far as the Sukkur Barrage project is concerned, was quite unnecessary (as I pointed out at the time),—has landed us in our present position of *perpetual interest on ever unpayable debt.*”

#### HOW TO LIGHTEN DEBT.

“How would you now lighten the debt ?”

“The answer is very simple, and my plan is neither novel nor impracticable. I would ask the Government of India to grant us an INTEREST-FREE LOAN of a few crores from the Indian Paper Currency. We could not expect to cancel *all* our present Loan and Interest liabilities in this way by one stroke of the pen ; but we could make a start with say, three crores of interest free rupees.”

“I don’t understand,” our Correspondent boldly replied. “How could the Government of India grant us an interest free loan ? Where would *they* get the money from ? And, after all, Sind would be merely replacing one loan by another loan, would it not ?”

“Quite so,” replied Sir Montagu, “but with this great difference:—Sind would pay no interest, and so obtain immediate relief from a portion of her tax-burden !”

Our Correspondent felt incredulous, and evidently showed his feelings in his face.

## AN AVAILABLE RESERVE.

"I can see you are by no means convinced yet," laughed Sir Montagu. "Well, let me explain a little further. In the *Daily Gazette* every week you publish a Weekly Statement of Affairs of the Reserve Bank of India—in the Banking Department, and in the 'Issue Department,' (like the Bank of England does). Now look at the Issue Department Return of the 21st instant published on page 10 of Friday's *Daily Gazette*. There you see that the total paper currency issued on that day was over *two hundred and twelve crores* of rupees, whilst the silver rupees held there against it amounted to only *sixty two crores*, the rest of the backing to the paper being made up of "Sterling and Rupee Securities" and some 41 crores of gold coin and bullion (none of which is legal tender in India, or could be paid out of a Government or private treasury to cash notes presented by the public). Here are the exact figures:—

Total notes issued .. .. .	Rs. 213,21,26,000
Total rupees held .. .. .	Rs. 62,58,79,000
Government Securities and gold ..	Rs. 150,62,47,000

Now then. Among those Government securities, why should not the Government (or the Reserve Bank) of India hold the I.O.U. of the Government of Sind for say, three crores? Were this done, the present Securities—most of which are held in *London* (!),—could be sold; and the proceeds lent to the Government of Sind *free of interest*. The new "security" against the paper currency would certainly be as good as that of, say, New Zealand Stock held in London, or "Rupee Paper" held in Calcutta—the kind of securities that Government hold today.

## MONEY FOR ALL!

Our Correspondent began to see the light!

"But"—he ventured—"other Provincial Governments would also ask for free-of-interest loans, if one were granted to encourage Sind in the way you suggest?"



"Undoubtedly," replied Sir Montagu cheerfully. "And why not? Especially if other Governments could offer as security reproductive public works as attractive as some of Sind's canals and railways! Government could grant many such 'Service Loans' (as I should call them), and greatly to the advantage of several parts of India."

"But wouldn't this mean inflation of the currency?" meekly enquired our Correspondent.

"Certainly not," roared Sir Montagu. "There are over two hundred crores of rupees worth of paper currency already issued to-day, against which the Reserve Bank of India (*i.e.*, Government) hold over a hundred crores of 'securities.' Government could grant interest free loans up to this hundred crores without making any change whatever in the present volume of the paper currency."

"And who would lose the interest which the Government of India at present receives on these securities?" we asked, gathering courage.

"Ah, I was waiting for you to ask that," smiled Sir Montagu. "The Government of India would lose that interest! But they never received it in the old days till I myself as an M.L.A. made the suggestion at Delhi that Government should treat such interest as revenue instead of adding it to the Paper Currency Reserve as was the practice formerly. The finance Member of that day (Sir Malcolm, now Lord Hailey), accepted my proposal, and was very glad of the money."

#### HOW TO PROCEED.

"I would meet to-day's position thus," continued Sind's financial authority. "I should proceed cautiously—one step at a time. I should say to the Government of Sind—'You must *repay* this interest-free loan at the rate of two or perhaps ONE per cent. per annum; and I should then utilise such

re-payments to *cancel* the Service Paper Currency which had been lent to Sind. This would enable me to make other-Service-Paper-Currency-Interest-free Loans elsewhere."

"Then Sind would still have to pay one per cent. per annum?" our Correspondent asked somewhat dejectedly.

"Certainly," replied Sir Montagu. "But," he added triumphantly, "think of the great saving of interest and lightening of debt! The yearly payments by Sind, instead of going on *for ever* as at present, would gradually reduce outstanding debt and in a comparatively few years, Sind's debts would have vanished altogether, for ever. That, I am sure you will agree—my dear Sir—would be a great gain. We should then have money for other urgent works; and, altogether, Sind's progress could and would be encouragingly hastened."

## APPENDIX II

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### COMMENTS AND CRITICISMS : REPLIES THERETO.

Several comments and criticisms on the above proposals have reached me, directly and indirectly ; ranging from unreasoned disagreements, and helpful arguments *pro* and *con*, up to full and enthusiastic approvals but without additional facts or suggestions by which the "man in the street" can be enabled to see the way forward, and persuaded to take action.

Let me begin to-day by recalling the objects which it is so very desirable for us to achieve. Firstly,

- (1) *A substantial lightening of Sind's indebtedness, and of the taxation necessitated thereby ; and*
- (2) *An early and adequate supply of more capital by means of which urgently needed reproductive public works may be taken in hand without further delay.*

### HOW THESE OBJECTS CAN BE ATTAINED.

Both these objects can be attained without further borrowing from money-lenders on interest terms, by the simple procedure of making use of National Credit : and in this way : —At present about Rs. 213 crores of State Paper Currency have been issued to the public. Against this issue, the Reserve Bank of India (in effect Government) hold certain "securities" —paper acknowledgments of debt by various Governments, gold coin and bullion, and silver rupees. The holding of most of these "securities" is quite unnecessary. India's paper currency is freely accepted by the public, *not* because the public believe the Bank hold paper and gold "securities" against it, but because the currency is legal tender in payment of taxes and debts of all kinds.

Which being so, Government could dispose of, say, three crores of rupees of these paper currency "securities", and pay off some of Sind's debt thus saving Sind some interest payments. Further they could enlarge the Paper Currency by three crores, lend Sind this sum free of interest, and put the

Sind Government's I. O. U. in their till as "Rupee Security" for the extra Rs. 3 crores, if they wished.

But "Sind's I.O.U. would not be as good security as New Zealand Stock" writes one esteemed critic. It would not, I agree, viewed from the point of view of one making a forced sale in the open market. My answer to this is that the so-called "security" is a relic of the past, and wholly unnecessary to-day. A sudden huge demand for *silver rupees* at say, the Calcutta Treasury or Bank Office, could not be met by forced sale (in London) of New Zealand Stock. I repeat—It is the law of legal tender that makes the paper currency acceptable *not* the so-called "security" behind it.

#### IT HAS BEEN DONE BEFORE.

"The proposal is revolutionary in character," writes a Professor of Economics to me. It is. But being both safe and sound, the "revolutionary" development has everything to recommend it!

"What would Government do without the interest on the paper currency securities to which it has now become accustomed?" asks E. F. M. Government would be compensated by additional revenue from other sources rising from increased trade, the result of sound, up-to-date finance!

"Is not the scheme simply a variation of the Guernsey Market project of a hundred years ago?" asks another Professor. Yes. Because the Island of Guernsey in 1815 and onwards was unable to borrow from London money-lenders the money it required to build a public market, schools, colleges, roads, sea-coast works, etc. it issued currency notes of its own, which notes were gradually cancelled out of the receipts from revenues. The famous Guernsey Market was built by notes of this kind which were cancelled out of "revenue from butchers' shops," etc. Thus, Guernsey acquired many valuable public works without incurring any permanent debt, or paying any interest.

"The weight of Sind's debt could be lightened by *conversion* (to a lower rate of interest) without any recourse to a new interest-free loan from the Government of India, such as you suggest," writes a Karachi monetary expert to me. True, O Critic! But this would mean simply a dole from the Central

Government, involving (a) loss of income to the Government of India, and (b) no utilisation of our National Credit.

"But having reduced the burden of the Lloyd Barrage Debt and Interest, what is the object of making a *further* loan to Sind? Answer :—I would utilise the suggested additional "three crores" partly to reduce debt, and partly to *construct other urgently needed reproductive public works.*

"Ah. But this means (1) the issue of more paper currency, and (2) the risk of inflation?" enquires my Critic.

It does. And as this bogey of "inflation" seems to be the only matter of principle raised so far, I must devote a couple of paragraphs to it.

Normally, the average level of prices is always in a condition of flux—gradually rising or gradually falling. Of the two, gradually rising prices is universally recognised as being in the general good: whilst gradually falling prices numbs enterprise, paralyses industry, and produces depression and disaster. *Gradually rising prices* we may therefore regard as normally desirable. (The weight of outstanding debt is relieved by a long period of gradually rising prices). Only if prices in general rise (a) *rapidly*, and (b) *steeply*, can the movement be referred to as "inflation." This, in short, is my definition of inflation.

The enlargement of the Paper Currency in Guernsey to build the Guernsey Market caused no inflation of prices that history has been able to detect and record. Nor did the enlargement by three crores of the Indian Paper Currency a couple of years ago to meet a little boom in trade in Calcutta, cause any inflation in rupee prices so far as I have been able to notice. My answer to my Critic, therefore, is "The risk of inflation is negligible."

#### CONTROL WOULD BE NECESSARY.

Only one further matter need be referred to. One correspondent feared that were the Sind Government lent three crores of rupees free (or nearly free) of interest, they might abuse the facility and waste the money! "Special safeguards would have to be provided."

No doubt. So far as the Government of India and of Great Britain are concerned, I have for some time past been advocat-

ing the creation of a Statutory Board of Currency to supervise and control the use of National Credit and Currency (*vide* my "Better Money" of December last, page 91). We could *not* safely entrust the issue of special Service Currency Notes for the Construction of Reproductive Public Works to any party government or permanent officials but only to an independent Statutory Board constituted of the best selectable representatives of Production, Industry, Commerce, and Justice, and holding office for five to ten years.

And so far as Sind is concerned, the actions of the Local Government would be supervised by elected Ministers, Members of the Assembly, the intelligent public, and a free Press. I am sufficiently optimistic to believe that with daily increasing knowledge and experience, these "safeguards" would be effective in ensuring fair-play, justice for all, and a far more rapid rate of economic and social progress for Sind than is possible under to-day's out-of-date system of unnecessary monetary and credit restrictions. So, I appeal yet once more for a wider and more far-seeing use of our National Credit.

## APPENDIX III

## MORE COMMENTS : MORE REPLIES.

Many comments—private, as well as public—continue to be received. But none, so far, has questioned the soundness in principle, or the feasibility in practice, of my proposal that the Government should now make use of National Credit to lighten to some extent Sind (and India's) taxation and indebtedness, expedite constructional progress, and so give more employment.

Public thanks are due to Messrs. P. C. Tarapore and D. H. Butani for their contributions on the subjects of the Rupee-Sterling Ratio, and a National Development Board. They will no doubt understand when I reply—"Let us stick to one subject at a time, namely the Utilising of our National Credit."

So, too, when Profesor D. H. Butani points out that Sind is already receiving from the Central Government an annual "gift" of one crore ten lakhs of rupees, I reply "True; but that has nothing to do with *the principle* of utilising the national credit that I am endeavouring to persuade Government to recognise, and act upon."

## NO INTERFERENCE SUGGESTED.

And when he asserts that the recognition of this principle implies "Complete Government control over financiers and bankers" (such as, he asserts, that which Hitler and Mussolini now exercise), I hasten to reply "Certainly not! We want no Hitler or Mussolini types of administration to cut short that liberty of thought and speech, and freedom of action which are the proud heritage of every subject of the British Empire."

No. I have never advocated, nor do now advocate, any restraint of financiers and bankers. They have played a most important part in the development of India and the Empire. What I am now urging is that Government should no longer stand aside, and allow one of its most important functions, (the making, issue, and control of currency and credit), to be neglected till it becomes atrophied and useless. Money and credit, being as vitally important to civilised human beings as light and air, should not be allowed to become the monopoly of private traders; but should be supervised and issued as required by

Government (a "Statutory Board of Currency," I have suggested). This does not mean any direct interference with financiers and bankers, although *at first*, they might not welcome the activities of an all-powerful alternative supplier of money and credit.

#### INCREASED ACTIVITY.

But a little more foresight and experience of the new conditions would soon enable them to realise that the quickened and increased activities in all departments of human endeavour resulting from Government's resumption of its money and credit functions, would bring to them—the bankers and financiers—greatly increased opportunities. Now, the bankers and the resources they control, are suffering from insufficient employment just as the great mass of the people in both hemispheres suffer; and the unemployment in both cases arises from the same cause—inefficient money management by Government, and by those who advise Government.

So much for that point. There next come "Ex-Official" who wants a later and larger example of successful use of National Credit than that of the Guernsey Market; and "Business is Business" who thinks he is beginning to see the light, and, in effect asks for my confirmation.

#### "BRADBURY'S"

Perhaps the most recent, greatest, most effective, and thoroughly authenticated example of the use of National Credit was seen in 1914, and the following decade. On the outbreak of the Great War in August 1914, the gold monetary standard of the Bank of England broke down (for the fifth time in its history). The Bank could not pay out all the gold due to the public, and which the public demanded. Happily Mr. Lloyd George, an extremely astute and far-seeing Chancellor of the Exchequer was then in office. He at once authorised the issue of "One Pound" and "Ten Shilling" Government Notes. An Official of the Treasury (by name J. S. Bradbury) signed the Notes, and they very quickly came to be known as "Bradburys". They were made legal tender, and were at once freely accepted by the public in place of golden sovereigns.

#### INCREASED CURRENCY.

In all, some £475,000,000 were issued. So-called "securities" of various kinds, and of varying amounts were taken and held against the issues of Bradburys; but the real security, as



everybody knew, was the CREDIT of the British Government. That security remained thoroughly good and reliable throughout the period of the War and for several years after.

But as soon as the war was brought to a victorious conclusion so far as the British Empire and its Allies were concerned, great financial interests, headed by the Bank of England, took steps to regain control of the finances of the Empire. The Cunliffe Committee (a committee of bankers), in 1918 recommended a return as soon as possible to the gold monetary standard of pre-war days, which meant the withdrawal of the "Bradburys" the reintroduction of the sovereign, and the supremacy, as before, of the Bank of England. It is not necessary to explain here the disastrous results of this policy of credit restriction and currency contraction; suffice it to say that the utilisation of the National Credit in 1914-18 in the form of £475,000,000 Bradbury's (together with the credits facilitated thereby) enabled an unparalleled productive effort to be successfully made and the greatest war in history brought to the conclusion at which that effort aimed.

#### THE USE OF SERVICE NOTES.

For the rest it is only necessary to say that "Business is Business" has quite correctly grasped my idea which is to make use of the Paper Currency, and additions to Currency which I will call Service Notes, for the construction of reproductive Public Works, care being taken gradually to cancel all Service Notes year by year from the income from the Public Works should a noxious rise in the average level of prices in general, warn the Statutory Board of Currency (who would control these matters), that such a check to expansion of the currency was necessary.

The scheme is thoroughly sound; and it is for the general public—especially the public of Sind who need several reproductive Public Works,—to call upon Government to make a start with this important measure of monetary development.

## APPENDIX IV

## AN INSPIRING MESSAGE FOR INDIA

TO THE EDITOR,

"THE DAILY GAZETTE", KARACHI.

Sir,— As a student of economics I have been closely following the vigorous campaign which Sir Montagu Webb has been waging through your columns on behalf of Better Money. However much people may advance in knowledge, there is something conservative in human nature which makes them fight shy of changing their old lamps for new ones. To most of us the idea of utilising National Credit looks like a talisman almost too good to be true. Sir Montagu meets our scepticism by asking a simple question : "If the talisman has been actually tried in times of emergency and not found wanting, why should it not be applied in times of peace ?" To this, the old-world philosophers have yet to give a convincing reply. Perhaps the bankers and financiers who are at present rough-hewing the economic policy of nations, are afraid that "the nightingale, if she should sing by day, would be thought no better a musician than the wren !"

It is this bankruptcy of human adaptability against which Sir Montagu has taken arms. As he has protested again and again, it is simply monstrous that in spite of soil and industry yielding a super-abundance of raw materials and finished products there should be so much hunger and want stalking the world. In "India's Plight," a work which entitles him to our lasting gratitude, Sir Montagu bids us listen to what, President Roosevelt said on the subject in his first Presidential address :

"We cannot allow our economic life to be controlled by that small group of men whose chief outlook upon the social welfare is tinctured by the fact that they can make huge profits from the lending of money and the marketing of securities."

All men of goodwill who cherish the cause of peace and prosperity will support Sir Montagu's plea that unless this out-of-date monopoly be surmounted and conquered, national and international well-being will be long delayed. As he urges with all the force at his command, it is the essential duty of the State to overcome this monopoly.

The people of Sind have their own financial worries. Shall their leaders manfully face those troubles, and by opposing, end them ? Let them hearken to the cries of the suffering men and women of the province whilst plutocrats roll in their gilded Juggernauts and men

in public life manoeuvre for position. A band of earnest workers making it their business to study the financial problems of Sind as suggested by Sir Montagu can do untold good in their own day, and to generations yet unborn.

And India, a subject country whose finances are still governed by a Secretary of State and a Parliament sitting thousands of miles away,—is she entirely helpless in the matter? We do not yet possess Swaraj, but we already have our moral voice. To us, the offspring of the soil, Sir Montagu Webb has addressed the following message in words that will glow for many a long year to come :

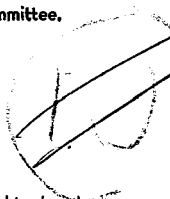
**“India cannot wait for other nations to compose their monetary differences. No world monetary conference has ever succeeded yet ; and never will. Let us lead the way. India is strong,—strong in her comparative freedom from unremunerative debt—strong in the wonderful richness of her soil—strong in the steady industry of her vast populations. And being strong, she can give the world a lead. Let us act together, and all go forward. ADVANCE INDIA !”**  
(Speech delivered at Cawnpore on December 22, 1933).

Karachi, March 11, 1938.

P. C. TARAPORE.

# National Planning Committee

Being an abstract of Proceedings and other particulars  
relating to the National Planning Committee.



NOTE: An attempt has been made in this brochure to collect information relating to the National Planning Committee for the use of the members of the Committee, the members of the Sub-Committees appointed by the Committee, and the general public. The Committee's work is in its early stages. This collection, it is hoped, will help those who are interested in following its subsequent activities. The General Secretary of the National Planning Committee will gladly send additional information to those who ask for it. The office of the Committee is situated in the Old Customs House, Bombay.

PUBLISHED BY K. T. SHAH, HONORARY GENERAL SECRETARY,  
NATIONAL PLANNING COMMITTEE, BOMBAY.

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**List of Members of the  
National Planning Committee**

Including Representatives of Governments :

Jawaharlal Nehru (*Chairman*)

Sir M. Visvesvaraya	Dr. V. S. Dubey
Sir Purshottamdas Thakurdas	Ambalal Sarabhai
Dr. Meghnad Saha	Prof. J. C. Ghosh
A. D. Shroff	J. C. Kumarappa
K. T. Shah	Walchand Hirachand
A. K. Shaha	Dr. Radha Kamal Mukerjee
Dr. Nazir Ahmad	N. M. Joshi

- 
- Hon. Mr. V. V. Giri, *Minister for Industries, Madras.*  
Hon. Mr. L. M. Patil, *Minister for Industries, Bombay.*  
Hon. Dr. Syed Mahmud, *Minister for Education and Development, Bihar.*  
Hon. Mr. C. J. Bharuka, *Minister for Industries, Central Provinces*  
P. B. Advani, *Director of Industries, Bombay.*  
M. B. Pillai, *Director of Industries, Bihar.*  
M. Khurshid, *Director of Industries, Assam.*  
Shuaib Qureshi, *Minister-in-Charge, Bhopal.*  
A. Mohiuddin, *Director of Industries, Hyderabad, Dn.*  
M. S. Ramachandra Rao, *Director of Industries, Mysore.*  
S. M. Pagar, *Development Commissioner, Baroda.*  
C. A. Mehta, *Director of Industries, Baroda.*

**Provincial Governments and States  
Co-operating with the National  
Planning Committee.**

**Provincial Governments**

Madras  
Bihar  
Bombay  
United Provinces  
Central Provinces  
Punjab  
Assam  
N. W. F. Province  
Sind

**Orissa.**

**States**

Hyderabad  
Mysore  
Baroda  
Bhopal  
Travancore  
Cochin  
Aundh  
Khairpur  
Cambay

---

The Provincial Government of Sind has agreed to co-operate but answers to the questionnaires have not so far been received from them.



## **Resolutions of the National Congress relating to planning, industries and Fundamental Rights.**

The A. I. C. C. at its meetings held in May 1929, at Bombay, passed the following resolution :—

In the opinion of this Committee, the great poverty and misery of the Indian people are due, not only to foreign exploitation in India but also to the economic structure of society, which the alien rulers support so that their exploitation may continue. In order therefore to remove this poverty and misery and to ameliorate the condition of the Indian masses it is essential to make revolutionary changes in the present economic and social structure of society and to remove the gross inequalities.

---

### **Resolution on Fundamental Rights and Economic Programme passed at the Karachi Congress, 1931, and as subsequently varied by the All India Congress Committee at its meeting in Bombay in August 1931.**

This Congress is of opinion that to enable the masses to appreciate what "Swaraj" as conceived by the Congress, will mean to them, it is desirable to state the position of the Congress in a manner easily understood by them. In order to end the exploitation of the masses, political freedom must include real economic freedom of the starving millions. The Congress, therefore, declares that any constitution which may be agreed to on its behalf should provide, or enable the Swaraj Government to provide for the following.

#### **FUNDAMENTAL RIGHTS AND DUTIES**

- (i) Every citizen of India has the right of free expression of opinion, the right of free association and combination, and the right to assemble peacefully and without arms, for purposes not opposed to law or morality.
- (ii) Every citizen shall enjoy freedom of conscience and the right freely to profess and practise his religion, subject to public order and morality.
- (iii) The culture, language and script of the minorities and of the different linguistic areas shall be protected.
- (iv) All citizens are equal before the law, irrespective of religion, caste, creed, or sex.

(v) No disability attaches to any citizen, by reason of his or her religion, caste, creed or sex, in regard to public employment, office of power or honour, and in the exercise of any trade or calling.

(vi) All citizens have equal rights and duties in regard to wells, tanks, roads, schools and places of public resort, maintained out of State or local funds, or dedicated by private persons for the use of the general public.

(vii) Every citizen has the right to keep and bear arms, in accordance with regulations and reservations made in that behalf.

(viii) No person shall be deprived of his liberty nor shall his dwelling or property be entered, sequestered, or confiscated, save in accordance with law.

(ix) The State shall observe neutrality in regard to all religions.

(x) The franchise shall be on the basis of universal adult suffrage.

(xi) The State shall provide for free and compulsory primary education.

(xii) The State shall confer no titles.

(xiii) There shall be no capital punishment.

(xiv) Every citizen is free to move throughout India and to stay and settle in any part thereof, to acquire property and to follow any trade or calling, and to be treated equally with regard to legal prosecution or protection in all parts of India.

#### LABOUR.

2. (a) The organisation of economic life must conform to the principle of justice, to the end that it may secure a decent standard of living.

(b) The State shall safeguard the interests of Industrial workers and shall secure for them, by suitable legislation and in other ways, a living wage, healthy conditions of work, limited hours of labour, suitable machinery for the settlement of disputes between employers and workmen, and protection against the economic consequences of old age, sickness and unemployment.

3. Labour to be freed from serfdom and conditions bordering on serfdom.

4. Protection of women workers, and specially, adequate provision for leave during maternity period.

5. Children of school-going age shall not be employed in mines and factories.

6. Peasants and workers shall have the right to form unions to protect their interest.

#### TAXATION AND EXPENDITURE.

7. The system of land tenure and revenue and rent shall be reformed and an equitable adjustment made of the burden on agricultural land,

immediately giving relief to the smaller peasantry, by a substantial reduction of agricultural rent and revenue now paid by them, and in case of uneconomic holdings, exempting them from rent, so long as necessary, with such relief as may be just and necessary to holders of small estates affected by such exemption or reduction in rent, and to the same end, imposing a graded tax on net incomes from land above a reasonable minimum.

8. Death duties on a graduated scale shall be levied on property above a fixed minimum.

9. There shall be drastic reduction of military expenditure so as to bring it down to at least one half of the present scale.

10. Expenditure and salaries in civil departments shall be largely reduced. No servant of the state, other than specially employed experts and the like, shall be paid above a certain fixed figure, which should not ordinarily exceed Rs. 500/- per month.

11. No duty shall be levied on salt manufactured in India.

#### ECONOMIC AND SOCIAL PROGRAMME.

12. The State shall protect indigenous cloth; and for this purpose pursue the policy of exclusion of foreign cloth and foreign yarn from the country and adopt such other measures as may be found necessary. The State shall also protect other indigenous industries, when necessary, against foreign competition.

13. Intoxicating drinks and drugs shall be totally prohibited, except for medicinal purposes.

14. Currency and exchange shall be regulated in the national interest.

15. The State shall own or control key industries and services, mineral resources, railways, waterways, shipping and other means of public transport.

16. Relief of agricultural indebtedness and control of usury—direct and indirect.

17. The State shall provide for military training of citizens so as to organise a means of national defence apart from the regular military force.

---

At its sitting in July, 1934, at Benares, the Working Committee passed the following resolution :—

#### 1. SWADESHI

Doubts having arisen on the Congress policy in regard to Swadeshi, it has become necessary to reaffirm the Congress position on it in unequivocal terms.

Notwithstanding what was done during the civil resistance struggle, no competition is permissible on Congress platforms and in Congress exhibitions between mill-made cloth and hand-spun and hand-woven khadi. Congressmen are expected to use and encourage the use of only hand-spun and handwoven khadi to the exclusion of any other cloth.

In regard to articles other than cloth, the Working Committee adopts the following formula for the guidance of all Congress organisations :—

“The Working Committee is of opinion that the activities of Congress organisations relating to Swadeshi shall be restricted to useful articles manufactured in India through cottage and other small industries which are in need of popular education for their support and which will accept the guidance of the Congress organisations in regulating prices and in the matter of the wages and welfare of labour under their control.”

This formula must not be interpreted to mean any modification of the unbroken policy of the Congress to promote the Swadeshi spirit in the country and to encourage the personal use of only Swadeshi articles. The formula is a recognition of the fact that the large and organised industries which can or do command State aid are in no need of the services of Congress organisations or any Congress effort in their behalf.

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At its meeting of October, 1934, at Bombay, the Indian National Congress passed the following resolution :—

**THE ALL INDIA VILLAGE INDUSTRIES ASSOCIATION.**

Whereas organisations claiming to advance Swadeshi have sprung up all over the country with and without the assistance of Congressmen and whereas much confusion has arisen in the public mind as to the true nature of Swadeshi and whereas the aim of the Congress has been from its inception progressive identification with the masses and whereas village reorganisation and reconstruction is one of the items in the constructive programme of the Congress and whereas such reconstruction necessarily implies revival and encouragement of dead and dying village industries besides the central industry of hand-spinning, is possible only through concentrated and special effort unaffected by and independent of the political activities of the Congress, Shri J. C. Kumarappa is hereby authorised to form, under the advice and guidance of Gandhiji, an Association called the ALL INDIA VILLAGE INDUSTRIES ASSOCIATION as part of the activities of the Congress. The said association shall work for the revival and encouragement of the said industries and for the moral and physical advancement of the villages, and shall have power to frame its own constitution, to raise funds and to perform such acts as may be necessary for the fulfilment of its objects.

---

**Resolution on Agrarian Programme passed by the Lucknow  
Congress in April 1936.**

This Congress is of opinion that the most important and urgent problem of the country is the appalling poverty, unemployment and indebtedness of the peasantry fundamentally due to antiquated and repressive land tenure and revenue systems and intensified in recent years by the great slump in prices of agricultural produce. The final solution of this problem inevitably involves the removal of British imperialistic exploitation, a thorough change of the land tenure and revenue systems and a recognition by the State of its duty to provide work for the rural unemployed masses.

In view, however, of the fact that agrarian conditions and land tenure and revenue systems differ in the various Provinces, it is desirable to consult the Provincial Congress Committees and such peasant organisations as the Working Committee considers fit, in the drawing up of a full All India Agrarian Programme as well as a programme for each Province. This Congress, therefore, calls upon each Provincial Congress Committee to make recommendations in detail to the Working Committee by August 31, 1936, for being considered and placed before the All India Congress Committee having particular regard to the following matters :—

1. Freedom of organisation of agricultural labourers and peasants.
2. Safeguarding of the interests of peasants where there are intermediaries between the State and themselves.
3. Just and fair relief of agricultural indebtedness including arrears of rent and revenue.
4. Emancipation of the peasants from feudal and semi-feudal levies.
5. Substantial reduction in respect of rent and revenue demands.
6. A just allotment of the State expenditure for the social, economic and cultural amenities of villages.
7. Protection against harassing restrictions on the utilisation of local natural facilities for their domestic and agricultural needs.
8. Freedom from oppression and harassment at the hands of Government officials and landlords.
9. Fostering industries for relieving rural unemployment.

---

**Extract from Congress Election Manifesto issued in August 1936.**

At the Karachi session of the Congress in 1931 the general Congress objective was defined in the Fundamental Right Resolution. That general definition still holds. The last five years of developing crisis have however necessitated a further consideration of the problems of poverty and

unemployment and other economic problems. With a view to this the Lucknow Congress laid particular stress on the fact that "the most important and urgent problem of the country is the appalling poverty, unemployment and indebtedness of the peasantry, fundamentally due to antiquated and repressive land tenure and revenue systems, and intensified in recent years by the great slump in prices of agricultural produce," and called upon the Provincial Congress Committees to frame full agrarian programmes. The agrarian programme which will be drawn up by the A. I. C. C. on the basis of these provincial programmes will be issued later.

Pending the formulation of a fuller programme the Congress reiterates its declaration made at Karachi—that it stands for a reform of the system of land tenure and revenue and rent, and an equitable adjustment of the burden on agricultural land, giving immediate relief to the smaller peasantry by a substantial reduction of agricultural rent and revenue now paid by them and exempting uneconomic holdings from payment of rent and revenue.

The question of indebtedness requires urgent consideration and the formulation of a scheme including the declaration of a moratorium, an enquiry into and scaling down of debts and the provision for cheap credit facilities by the State. This relief should extend to the agricultural tenants, peasant proprietors, small landholders, and petty traders.

In regard to industrial workers the policy of the Congress is to secure to them a decent standard of living, hours of work and conditions of labour in conformity, as far as the economic conditions in the country permit, with international standards, suitable machinery for the settlement of disputes between employers and workmen, protection against the economic consequences of old age, sickness and unemployment and the right of workers to form unions and to strike for the protection of their interests.

---

**Resolution on Agrarian Programme passed by Faizpur  
Congress in December 1936.**

The Congress, at its last session, being fully conscious of the fact that the most important and urgent problem of the country is the appalling poverty, unemployment and indebtedness of the peasantry, called upon the Provincial Congress Committees to make recommendations to enable the All India Congress Committee to draw up an All-India Agrarian Programme. Many P. C. Cs have not yet submitted their recommendations for such a programme. The Congress regrets this delay but realises that the subject is a vast and intricate one, requiring close study and investigation. It trusts that such P. C. Cs as have not reported so far will take early steps to send in their recommendations.

The Congress is convinced that the final solution of this problem involves the removal of British Imperialistic exploitation and a radical

change in the antiquated and repressive land tenure and revenue systems. It feels, however, that the deepening crisis has made the burden on the peasantry an intolerable one and immediate relief is urgently called for. Pending the framing of an All-India Agrarian Programme, therefore, the following steps are necessary.

1. Rent and revenue should be readjusted having regard to present conditions and there should be substantial reduction in both.
2. Uneconomic holdings should be exempted from rent or land tax.
3. Agricultural incomes should be assessed to income tax like all other incomes, on a progressive scale, subject to a prescribed minimum.
4. Canal and other irrigation rates should be substantially lowered.
5. All feudal dues and levies and forced labour should be abolished, and demands other than rent should be made illegal.
6. Fixity of tenure with heritable rights along with the right to build houses and plant trees should be provided for all tenants.
7. An effort should be made to introduce co-operative farming.\*
8. The crushing burden of rural debt should be removed. Special tribunals should be appointed to inquire into this and all debts, which are unconscionable or beyond the capacity of peasants to pay, should be liquidated. Meanwhile a moratorium should be declared and steps should be taken to provide cheap credit facilities.
9. Arrears of rent for previous years should generally be wiped out.
10. Common pasture lands should be provided, and the rights of the people in tanks, wells, ponds, forests and the like recognised, and no encroachment on these rights should be permitted.
11. Arrears of rents should be recoverable in the same manner as civil debts and not by ejection.
12. There should be statutory provision for securing a living wage and suitable working conditions for agricultural labourers.
13. Peasant unions should be recognised.

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At its sitting in August 1937, the Working Committee adopted the following resolution :—

The Working Committee recommends to the Congress Ministries the appointment of a Committee of Experts to consider urgent and vital problems the solution of which is necessary to any scheme of national reconstruction and social planning. Such solution will require extensive surveys and the collection of data, as well as a clearly defined social

objective. Many of these problems cannot be dealt with effectively on a provincial basis and the interests of the adjoining provinces are inter-linked. Comprehensive river surveys are necessary for the formulation of a policy to prevent disastrous floods, to utilise the water for purposes of irrigation, to consider the problem of soil erosion, to eradicate malaria, and for the development of hydro-electric and other schemes. For this purpose the whole river valley will have to be surveyed and investigated, and large-scale State planning resorted to. The development and control of industries require also joint and co-ordinated action on the part of several provinces. The Working Committee advises therefore that, to begin with, an inter-provincial committee of experts be appointed to consider the general nature of the problems to be faced, and to suggest how, and in what order, those should be tackled. This Expert Committee may suggest the formation of special committees or boards to consider each such problem separately and to advise the provincial governments concerned as to the joint action to be undertaken.

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The Working Committee in July last (1938) adopted the following resolution :—

“ With reference to the resolution passed by the Working Committee at Wardha on August 14-17, 1937, relating to the appointment of an Expert Committee to explore the possibilities of an All India Industrial Plan, it is resolved that as a preliminary step the President be authorised to convene a conference of the Ministers of Industries at an early date and call for a report of the existing industries operating in different provinces and the needs and possibilities of new ones. ”

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**Resolutions passed at the Conference of Ministers of  
Industries held in Delhi on the 2nd and 3rd October  
1938 under the Chairmanship of Sjt. Subash  
Chandra Bose, President of the Indian  
National Congress :**

1 This Conference of the Ministers of Industries is of the opinion that the problems of poverty and unemployment, of National defence and of the economic regeneration in general cannot be solved without industrialisation. As a step towards such industrialisation, a comprehensive scheme of national planning should be formulated. This scheme should provide for the development of heavy key industries, medium scale industries and cottage industries, keeping in view our national requirements, the resources of the country, as also the peculiar circumstances prevailing in the country.

The scheme should provide for the establishment of new industries of all classes and also for the development of the existing ones.

**LARGE SCALE INDUSTRIES :**

2 This Conference having considered the views of several Provincial Governments, is of the opinion that pending the submission and consideration of a comprehensive industrial plan for the whole of India, steps should be taken to start the following large scale industries of national importance on an All-India basis and the efforts of all provinces and Indian States, should as far as possible, be co-ordinated to that end :

- (a) Manufacture of machinery and plant and tools of all kinds ;
- (b) Manufacture of automobiles, motor boats, etc., and their accessories and other industries connected with transport and communication ;
- (c) Manufacture of electrical plant and accessories ;
- (d) Manufacture of heavy chemicals and fertilisers ;
- (e) Metal production ;
- (f) Industries connected with power generation and power supply.

**PLANNING COMMITTEE :**

3 With a view to doing preliminary work for giving effect to the resolutions 1 and 2, this Conference appoints a Planning Committee, the personnel of which will be announced later by the Congress President.

To enable this Committee to commence work forthwith, the different Provincial Governments are requested to make suitable financial contributions. The Committee will submit its report to the Congress Working Committee and to the All-India National Planning Commission provided for hereafter within four months of the commencement of its sitting.

4 This Conference is further of opinion that a Commission, fully representative of all-India, including the British Indian provinces and the Indian States, should be appointed for the purpose of giving effect to resolutions 1 and 2 after due consideration of the recommendations of the Planning Committee. The Commission to be called the All-India National Planning Commission, shall consist of the following members with powers to co-opt :—

- (a) One nominee of the Government of each province or State co-operating in this work ;
- (b) Four representatives of the Federation of Indian Chambers of Commerce ;
- (c) A representative of the All-India Village Industries Association and
- (d) All members of the Planning Committee mentioned in Resolution No. 3.

#### Expert Advisers :

The Planning Committee and the All-India National Planning Commission shall have a paid non-member Secretary with the necessary staff. The Commission shall at its first meeting, frame rules for its own procedure.

The Commission may appoint a Sub-Committee or sub-Committees of experts to report to it on technical or financial aspects of any industry under consideration and may, for expert investigation, employ suitable technicians.

The Commission shall submit interim reports on each industry by definite dates to be fixed by the Commission at its first meeting.

#### FIRST MEETING :

The first meeting of the All India National Planning Commission shall be presided over by the President of the Indian National Congress. At that meeting the Commission shall elect its own Chairman, who if not already a member of the Commission, shall, ex-officio, become a member of that body.

The Commission shall in its report, formulate complete schemes including recommendations on the following points :—

- (a) Place or places where a particular industry shall be established with due regard to all relevant circumstances, such as the

supply of raw materials, natural and local advantages, facilities, etc. ;

- (b) Method of organisation of industry, whether it should be under complete State control or under private enterprise and, in the latter case, the mode of State aid ;
- (c) The method of financing the industry and its management.

Each co-operating Province and State shall make an initial financial contribution to the Commission to meet all necessary expenditure.

As soon as the All-India National Planning Commission comes into existence, the Planning Committee provided for in Resolution No. 3, will be absorbed in the Commission and will place before the Commission all the facts, materials, reports, etc., collected or drawn up by it.

Mr. V. V. Giri, Minister of Industries, Madras, will take the necessary steps in bringing into existence the All-India National Planning Commission and will also convene the first meeting of the Commission.

#### POWER ALCOHOL :

5. This Conference is of opinion that it is of national importance that industrial and power alcohol should be manufactured in India and the necessary raw material, chiefly molasses, now available in India in huge quantities which is at present being wasted, should be fully utilised. This Conference has heard with satisfaction that the Governments of the Provinces of U. P. and Bihar, Bombay, Madras, have schemes for the manufacture of power and industrial alcohol under their consideration. This Conference is of opinion that all the provinces and States should fully co-operate and assist in the establishment and development of such an industry on an all-India scale, and to that end this Conference strongly recommends that, necessary legislation should be enacted throughout India, to make illegal the sale of petrol unmixed with power alcohol for purposes of automobile fuel.

#### AUTOMOBILE INDUSTRY.

(6). This Conference resolves that all the Provincial Governments and Indian States should co-operate with and assist one another in matters of marketing, industrial research, compilation and distribution of commercial and industrial intelligence, expert advice and technical and vocational education.

(7). This Conference favours the Automobile Project placed before it and recommends that the Planning Committee should examine the whole scheme in all its details and make its recommendations to the National Planning Commission.

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### **Congress President's nominations of the members of the National Planning Committee.**

Pursuant to the Resolution passed at the Conference of the Ministers of Industries held in Delhi on the 2nd and 3rd October 1938, Shri Subhas Chandra Bose, President of the Indian National Congress, nominated the following Members to the National Planning Committee :

1. Jawaharlal Nehru, ( Chairman )
2. Sir M. Visvesvaraya
3. Sir Purshottamdas Thakurdas
4. Dr. Megh Nad Saha
5. A. D. Shroff
6. K. T. Shah
7. A. K. Shaha
8. Dr. Nazir Ahmed
9. Dr. V. S. Dubey
10. Ambalal Sarabhai
11. Dr. J. C. Ghosh

Subsequently J. C. Kumarappa, representing the All-India Village Industries Association, and N. M. Joshi, representing Labour Organisations, were co-opted to the Committee.

Prof. Radha Kamal Mukerji was co-opted as a Member at the instance of the United Provinces Government. Walchand Hirachand was also co-opted.

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## **First Session of the National Planning Committee December 17, 1938.**

The National Planning Committee met for the first time on December 17, 1938 in the Committee Room of the Bombay Secretariat at 12 noon, under the Chairmanship of Shri Jawaharlal Nehru. Shri Subhas Chandra Bose, Congress President, inaugurated the proceedings. The Chairman then made his introductory speech.

2. The Committee sat daily from December 17 to December 21, 1938. The following members and representatives of Provincial Governments and States attended these sessions :

Jawaharlal Nehru (Chairman),  
Hon. Mr. V. V. Giri, Minister for Industries, Madras,  
Hon. Mr. L. M. Patil, Minister for Industries, Bombay,  
Hon. Mr. C. J. Bharuka, Minister for Industries, C. P.  
Sir Purshottamdas Thakurdas,  
Sir M. Visveswaraya,  
A. D. Shroff,  
Ambalal Sarabhai,  
Dr. V. S. Dubey,  
Dr. Nazir Ahmed,  
A. K. Shaha,  
Prof. K. T. Shah,  
Walchand Hirachand,  
J. C. Kumarappa,  
P. B. Advani, Director of Industries, Bombay,  
A. Mohiuddin, Director of Industries, Hyderabad,  
M. S. Ramachandra Rao, Director of Industries, Mysore,  
S. M. Pagar, Development Commissioner, Baroda.

3. The first business of the Committee was to organise an office and to prepare a budget. The Hon'ble Mr. L. M. Patil was appointed the Honorary Treasurer of the Committee.

4. The Committee authorised the Chairman to co-opt. to the Committee representatives of the All-India Village Industries Association and of Organised Labour. Prof. Radha Kamal Mukerji and Shri Walchand Hirachand were also co-opted as Members.

5. It was decided that the Ministers of Industries of the Provinces co-operating with the Committee should be ex-officio members of the Committee.

6. The Chairman was given power to co-opt. members on the National Planning Committee whenever he considered necessary.

7. The following resolution was adopted by the Committee on River Commissions :

“The Planning Committee is of the opinion that the various Provincial Governments should create Provincial and, where necessary, inter-provincial River Commissions for the regulation, development and control of the various rivers and waterways for the purpose of providing :—

- ( i ) water for agriculture and industries ;
- ( ii ) hydro-electric power ;
- ( iii ) cheap transport ;
- ( iv ) prevention of erosion silting and floods ; and
- ( v ) safeguarding the health of the people.

The Commission should also consider and deal with problems of shifting of river beds.”

8. The Questionnaire which was to be issued on behalf of the Committee was agreed to.

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## **Questionnaire on National Planning for India.**

### **EXPLANATORY MEMORANDUM**

The sub-joined Questionnaire has been issued in order to collect the material data, and obtain helpful suggestions, necessary for the preparation of a comprehensive Plan for the economic development of India. It is addressed, mainly, to Provincial Governments, Indian States, Organisations of Trades, Industries, Commerce, Labour and Agricultural interests; firms and corporations, as well as to individuals, who have devoted thought and study to the general question of an all-round national planning for the economic regeneration of the country. While material data are needed to provide the basis for Plan, opinions and suggestions from interested organisations or experienced individuals are expected to prove helpful to the National Planning Committee in formulating a comprehensive Plan for the economic development of India, with due regard to its social reactions.

It is not absolutely necessary that every Government, organisation, or individual addressed should answer every question contained in the Questionnaire. Only those questions may be answered by the persons and bodies mentioned above which may interest them, and in which they may have definite suggestions to make or information to supply. In answering these questions, however, it would be needless repetition, if those answering the Questionnaire were to build up the body of their answers out of authoritative documents easily accessible to anyone inquiring into such matters. Such sources of information, for example, as the periodical Census Reports, or the Reports of the Royal Commissions on Agriculture, Industries, or Irrigation; or of the Banking Inquiry Committee, the Fiscal Commission, the Railway-Road Competition Committee, etc., need only be referred to rather than textually quoted. Only new or additional material bearing on these matters which have been collected by, or become available to, the various Provincial and State Governments and organisations or individuals concerned, or the summary of any action taken, or measures adopted since any of these matters had been officially investigated into and reported upon, may be added.

The object of a comprehensive National Planning is to improve the well being of the community, principally by intensifying the economic development of the community concerned on an all-round basis, in an ordered, systematic manner, so as to observe a due proportion between the various forms of producing new wealth, its equitable distribution amongst the members of the community, and to secure such adjustment between the interests of Producers and Consumers, individuals and the community

collectively, the present and succeeding generations, as to maintain a proper balance between these several interests. In order to achieve this, it would be necessary to define clearly certain leading conceptions included in the Questionnaire, to lay down the standard or degree of development expected, as also the basic purpose of planning as a whole. The Questionnaire has, in several places, included, wherever the Committee felt it necessary to add, a definition of the principal terms not as officially accepted formulæ, but rather as a convenient means to focus and concretise ideas, and so help those answering the Questionnaire to make their answers more concise and precise. The standard of achievement, and the period within which that achievement is to be made, may, for the sake of illustration, be laid down as at least to double the present standard of living, including not only the absolute necessities, but also the amenities of civilized existence, to be achieved in a definite period of 5 (or 10) years at most. Emphasis may differ in the different stages of a planned scheme being worked out according to the differing urgency of the different activities comprised in planning, but the main aim will remain unaffected. In view of the vastness of the problem, and the heavy handicaps imposed upon the Indian people by the existing Constitution, the solution of the problem of National Planning and Development would naturally require more time than in another community where the power and authority of the people is not so narrowly circumscribed. But some clear objective like the one mentioned above, is necessary to measure the scale of achievement desired and so to enable a concrete Plan to be achieved in a prescribed period in every direction being formulated, with due correlation as between the various sections of the Plan considered as a whole.

The Questionnaire does not, naturally, refer to any particular industries, though groups of mutually connected industries have been mentioned. But this has been done more by way of illustration than with a view to restrict the Governments, organisations or individuals answering the Questionnaire. It may be quite possible that investigation into the conditions and means of establishing or developing particular industries in the country may need special investigation, either by a Sub-Committee of the Planning Committee, or by experienced individual specially concerned with particular industries or activities. But even at the present stage those answering this Questionnaire or any section of it need not feel themselves precluded from answering with reference to the particular industries, aspects or activities included in a comprehensive Plan.

*N. B.—Though the Questions in terms appear to address themselves mostly to provincial Governments, it is understood that Governments of Indian States, Departments of the Central Government and others interested in the subject-matter of the Questionnaire are equally invited to reply to them.*



## I.—OBJECTIVES AND REQUIREMENTS OF NATIONAL ECONOMIC PLANNING.

1. What do you consider to be an adequate standard of living in your Province? What steps do you consider to be desirable and feasible, (a) by the development of the existing agricultural and industrial resources of the Province, (b) by establishing new industries, (c) by working up to the maximum capacity the existing ones, as well as (d) by improving agricultural production, it may be possible to attain that standard?

How would you provide for measuring the degree of growth from time to time in all these lines of development?

*N.B.—By a standard of living is meant the provision of sufficient food and nourishment, as well as other necessities of life and work, and such other social services and amenities, like Public Education, care of health and sanitation, amusement and recreation, which, between them, make up a reasonable standard of civilised life.*

2. Would you prescribe any definite time limit within which the above-mentioned degree of development may be attained, if all the factors working in the scheme of a scientifically planned development of the province, were properly co-ordinated and functioning as required?

3. How far would it be possible to include in the Plan thus made for an all-round development of the Province, an element of elasticity, so as to enable those who have the conduct and execution of the Plan entrusted to them, to adjust from time to time, any inadequate or excessive development at one point or another, so as to keep the schedule and make simultaneous advance on all fronts?

4. In defining the requirements of the Plan, or prescribing the standard for measuring the achievement of the Plan, what are the heads you regard as important to be emphasised, and specially attended to in formulating and carrying out the Plan?

5. How far should the inclusion of adequate ways and means for the prosecution of the Plan on all fronts necessitate co-ordination between (a) all the units constituting modern India, and (b) departments of Government and public activities, so as to co-ordinate the work and intensify the rate of progress simultaneously in all directions?

6. How far is the problem of scientifically planning the development of the country a problem in (a) increasing the aggregate production of goods and services so as to increase the available "National Dividend", and (b) in simplifying, rationalising and reconstructing the system of distributing such aggregate of the new wealth produced in the country every year?

7. What are the improvements likely to be needed for the proper development of all services and branches of industry or agriculture to the *optimum* degree laid down in the plan ?

## II—CENSUS OF PRODUCTION

8. What are the principal sources of production in your Province in respect of

- (a) agriculture.
- (b) animal husbandry.
- (c) forests,
- (d) mines,
- (e) subsidiary or small-scale cottage industries or handicrafts, and
- (f) large-scale power-driven industry,
- (g) services ?

9. Has any Census of production ever been taken in all these several respects, and, if so, what is the net per capita income in terms of commodities and services reduced to a common denominator, i.e. money ?

10. How far is your Province a deficit or surplus Province, or self-sufficient, in the matter of

- (a) food supply,
- (b) what industries are there for which (i) raw materials are available locally or (ii) have to be imported from outside,
- (c) key industries and essential public utility services, and
- (d) consumption goods ?

*N.B.—By Consumption Goods is meant articles or commodities needed for immediate consumption as distinguished from Production Goods which are articles or commodities needed as implements or machinery or raw material to aid in the process of Production.*

11. What are the principal industries conducted by individual workers in their cottages on a small scale? How far are these industries open to and affected by competition and unable to maintain their existence as against large-scale industry in the same field? What steps have been taken in your Province to co-relate the claims of large-scale as well as small-scale industries—principal or subsidiary? How far have these means been successful ?

12. What are the industries concerned with the production of:

- (a) consumption goods,
- (b) luxury goods,

- (c) Services goods needed for Public Utility Services, now being conducted in your Province ?

To what extent is there room for further development of any such industry for,

- (a) the local market,  
 (b) the all-Indian market, and  
 (c) for export abroad ?

13. Are there any Key Industries in your Province ?

*N. B.—By Key Industries is usually meant industries which are the starting point or the basis for the equipment of other industries, e.g., making of machines, tools, plant needed in Industrial Development.*

14. How far are 'Heavy' Industries already in existence in your Province, and to what extent do these industries compete with corresponding industries within the country, or outside the country ?

*N. B.—By 'Heavy' Industries is usually meant industries concerned in the manufacture of iron and steel and their products, engineering, chemicals, and their like.*

15. What room is there for the further development of these 'Heavy' Industries in your Province, and what steps would you suggest for achieving that end ?

16. How far is your government taking steps to aid, encourage, foster and protect the existing local industries, and develop new industries, which owing to the available supply of raw material, labour and capital, as well as the necessary experience and knowledge, can be said to have a promising future within a definite period ? How far has success attended to the activities of the Government in this behalf ?

### III—RAW MATERIALS NEEDED FOR NATIONAL PLANNING OF INDUSTRIES.

#### (A) Agriculture.

17. What are the principal industrial raw materials, available in your Province from the cultivation of land, on which new industries can be based or from which existing industries can be further developed ?

18. How far are these resources worked up to-day into finished products, and by what agency,—whether individual craftsmen, or small-scale organisations, or large-scale Joint Stock enterprises working with power-driven machinery ?

19. What possibility is there to develop the production of new or additional raw materials, whether available within the province, or imported from the neighbouring provinces, or States, or from foreign countries ?

(B) *Forest Produce.*

20. How far are the products of forests in your Province utilised for the purpose of industrial development, building up new large or small-scale industries, the products of which are in demand in the provincial, national, as well as the world market at the present time? What are the difficulties you have come across for the proper industrial utilisation of these Forest Products in regard to Forest Law, Transport and Game Laws?

21. What steps have been adopted to solve these difficulties?

22. What steps, if any, have been taken or are in contemplation to bring about the reforestation of the denuded or deforested regions in your Province to develop forest industries or to afford protection or to attract rainfall?

(C) *Mineral.*

23. What are the chief mineral resources available in your Province? How far are these resources already being exploited, and developed, and by what agency?

24. What is the room for large-scale mineral, or metallurgical industries in your Province?

25. What is the policy of Government in your Province in regard to the grant of concession for the the exploitation of mineral wealth in your Province?

26. Are there any Industries in your Province for the working up of the mineral raw material found in your Province in the shape of metal sheets and metalware of all kinds?

27. What agencies,—local, Indian, or non-Indian—exploit the mineral resources of your Province, under what form of organisation and on what scale of production?

## IV—OTHER REQUIREMENTS OF INDUSTRIAL DEVELOPMENT

28. What are the handicaps as regards the proper development of the various kinds of industries in your Province, relating to working up the raw materials into finished products of agriculture, forest, mines, animal resources, and "process" industries in regard to

- (a) Capital,
- (b) Skilled workers,
- (c) Adequate labour supply,
- (d) Marketing and other respects,
- (e) Transport?

29. To what extent is capital, needed for such industrial development, available locally in your Province, or attracted from neighbouring provinces, or supplied from non-Indian sources?

30. What are the institutions concerned in the mobilisation, attraction and investment of local or foreign capital? To what extent do these institutions need to be varied, improved or expanded, so as to supply adequately the capital needs of Agriculture, Industry, Commerce and other essential services to secure the *optimum* development of the Province all round?

31. What measures, if any, have been adopted in your Province to control the supply and regulate the conditions of working of foreign capital invested in the industrial concerns operating in your Province?

32. How far is your Province adequately supplied in respect of skilled workmen, technical experience and general industrial or business enterprise and markets within and outside your Province? What steps are taken for making good the deficit, if any, of such requirement of industrial growth?

33. What policy or line of action has been adopted by you for attracting on suitable terms foreign technicians or experts in regard to particular industries? What conditions and restrictions, if any, would your Government desire to apply in regard to the importation of such foreign technicians, scientists, or experts?

34. What is the experience in your Province of the efficiency of available industrial Labour? To what extent do the conditions of work and employment of industrial Labour safeguard on the one hand the worker against undue exploitation, and on the other, the community collectively against inefficiency in Labour?

35. How far, in your Province, are (a) the existing equipment in all large-scale industries, and (b) the actual form of the organisation and management of such industries, sufficient to guarantee a fair degree of industrial efficiency in output, quality, etc.?

36. What are the industries already in existence in your Province, which enjoy in one form or another, protection, aid or Provincial encouragement from the Central or Provincial Government in the shape of:

- (a) Protective customs duty,
- (b) Financial aid, e. g. a direct subsidy or bounty, or guarantee of purchase of a minimum quantity of output at fixed prices,
- (c) Cheap transport rates,
- (d) Supply of useful commercial and technical information concerning such industry,
- (e) Furnishing of skilled, technically trained experts to found and maintain such industries?

37. What agencies conduct such large industries in your Provinces—i. e. private enterprise, non Indian, Indian indigenous to the province, or from outside the province, or any public statutory body within the province?

How far is the development of industries under any of these agencies affected? How would you secure proper co-ordination of all these various agencies?

38. Are there any industries established in your Province conducted directly by foreign capital, recognised and registered in India as Joint Stock Companies, or affiliated to a nominally Indian concern, e.g. by adding the words 'India Ltd.'?

What steps would you suggest to prevent this growing menace of '(India) Ltd.' and what remedies do you suggest and what effective steps you would advise us to take that swadeshi industries as defined by the Congress may grow up in your Province?

39. Are there any industrial concerns in your province operating as part of an international combine regulating that industry or as mere off-shoots if not branches of foreign industrial enterprise? What steps would you adopt to regulate and control the working of such concerns in the best interests of the Province? Would you suggest an All India legislation on this point, and, if so, on what lines?

40. Do you notice any tendency amongst the large-scale industries in your Province combining with corresponding establishments of the same industry within the Province, or within the country, so as to make a substantial monopoly of the industry in hands of that combine? What are the consequences in regard to prices to the consumer within the country, labour conditions, industrial equipment and technique, in regard to such industries?

#### V.—AGRICULTURE INCLUDING ANIMAL HUSBANDRY

41. How far is agriculture in your province able to supply all the food required for an adequate standard of nourishment for the population in your province?

42. What are the staple articles of diet—such as food grains, fish, ghee, butter, oil, etc. (a) which go out of your province, and (b) which are brought in from outside into your province? Please give value and quantity.

43. Is there in your province any area of culturable land which is not yet brought under the plough? What steps have been or are contemplated to be taken for bringing such land under cultivation? What agency and organisation would you recommend for bringing such land into cultivation, and how would you finance it?

44. What are the handicaps which affect the maximum utilisation of the available agricultural wealth and resources of your Province in regard to

- (a) soil,
- (b) water-supply,

- (c) manure,
- (d) mechanical or animal equipment,
- (e) finance and credit,
- (f) marketing,
- (g) taxation,
- (h) organisation of the agriculturists, and
- (i) excessive fragmentation of agricultural land and the scattered character of individual holding?

45. How far is it possible, by reorganisation of the agricultural population, or introduction of some form of compulsory co-operative or collective farming, to remedy the principal handicaps?

46. How far does the yield per unit of area cultivated for different crops within your province compare with the corresponding yield per unit of the same crops in

- (a) the other provinces of India,
- (b) in the other countries of the world?

What steps would you indicate to improve the quality as well as the quantity of this yield?

47. To what extent is the animal wealth of the Province an aid to agriculture, and contributes to the general improvement of the food supply of the community and transport? What steps have been adopted for purposes of establishing new industries, or developing existing ones to their fullest capacity in the Province out of the animal wealth of the country, e.g. meat, dairy, hides, skins, hair, wool, teeth, tissues, hoves, etc.? What measures have been adopted to maintain and increase these sources derived from the animal wealth?

48. Are there any "process" industries in your Province, and what room is there for the increase or further development of such industries?

*N.B.—By processing is meant working up a primary material into the next complete stage where it might be ready for further utilisation as raw material into finished goods immediately ready for consumption, e.g. wheat into flour.*

49. What are the principal risks to which agricultural production in your province is exposed, e.g. from the shortage of rains or inadequate water-supply? What measures have been adopted in the province for insuring against such risks?

50. In what direction is it necessary to extend in your Province the principle of agricultural insurance to guarantee the agriculturist against the main risks of his occupation, e.g. shortage of rains, failure of crops, of fodder, pests, weeds and floods, diseases amongst plants and cattle, etc.?

What policy would you adopt to achieve any effective system of agricultural insurance throughout the province, as a unit by itself, or in collaboration with the rest of the country, applying to all forms of agriculture wealth, e.g. crops, animals, food and water, etc. ?

51. How far is the general level of (a) the health, (b) sanitation, (c) education and cultural growth of the countryside, affected by the adequacy of agriculture and associated subsidiary industries in your province ? What are the steps already adopted or in contemplation for raising the standard of living among the agriculturists in regard to any of the subjects mentioned above ? Would you suggest any definite degree to which the standard may be raised ?

52. Prevention by legislation of fragmentation and division of agricultural holdings below an economic size. Whenever such division becomes necessary as a result of the rights of inheritance under law can the difficulty be got over,

- (a) by the entire management of land being vested in an agency recognised by Government which, after paying itself minimum management charges would divide the proceeds amongst Co-owners, or
- (b) by compelling the inheritors to sell out their respective portions to one of their members at a reasonable compensation—the loan in such a case being made available to the buyer through a Co-operative Society,
- (c) by complete abolition of the existing land revenue system and purchase on hire purchase system over a period of 30 years or so by cultivator,
- (d) by legislation on the lines of the Irish Land Bill, which would make it possible for the actual cultivator to purchase the land from the owner by getting its value assessed through a Government Court—the Government paying out the owner in provincial interminable loan bearing interest at a certain per cent and the Government recovering the amount as suggested above on hire purchase system ?

53. Are there any considerable classes of population in the Province concerned with Agriculture, and yet not having direct rights upon land ? What is the standard of living they can obtain and how can the same be improved to a stated degree, assured as the minimum needed for civilised existence to every citizen within the province ?

54. In what way is the status of the landless agricultural labourer in the Province protected or safeguarded by the provincial government, local bodies, or any other institution concerned therewith ?



55. To what extent has your province experienced the transfer of agricultural land from classes actively and hereditarily connected with agriculture to those who are not principally agriculturists by heredity or temperament, and who, therefore constitute so many parasites upon land, concerned only with the receipt of their rent or revenue from land worked by those who originally owned the land. What steps have been taken or are contemplated to prevent or minimise such a state of affairs?

56. Is there any class of population in your province which derives its living merely from the right of ownership in agricultural land without any active concern with cultivation of such land? How does the share of the aggregate provincial wealth obtained by this class compare with the corresponding share obtained by those who actually cultivate the land as tenants, or hired labourers who have no other rights in land?

57. What steps have been taken or are in contemplation for the organisation of

- (a) agricultural labourers who have no land of their own, nor any sort of ownership rights in land,
- (b) of tenants of agricultural land owned by Zamindars, Taluqdars or other such categories of Landlords,

with a view to secure a more equitable distribution of the annual wealth produced from agriculture, and to assure a guaranteed minimum standard of living for every citizen in the province?

58. What is the incidence of taxation upon land or the agricultural wealth produced every year from land, open or concealed, public or private by way of rent or land revenue in your province? What is the reaction of such burden upon the agriculturist class in general actively concerned with the cultivation of lands?

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#### VI. INDUSTRIES SUBSIDIARY TO AGRICULTURE

59. What are the principal industries which may be regarded as subsidiary or incidental to agriculture now being conducted in your Province? How and by whom are they conducted, and what is the result as regards the income of the community from this course?

*N. B.—Subsidiary Industries are those industries which are dependent upon, or connected with, Agriculture as the Primary Industry, e. g., dairying, fodder-supply, or cattle manure.*

60. What room is there in your province for the increase or expansion of such industries subsidiary to the main industry of Agriculture? How would the Provincial Government aim to develop such new industries?

61. To what extent would it be possible to adjust the working of such subsidiary industries to the convenience of the agriculturists class as a whole in respect of the seasons of work, the necessary raw materials, transport and market for the disposal of the produce?

62. What by-products of agriculture, forestry or mining or industry need to be utilised for the further all round industrial development of your Provinces? What are the handicaps for the fullest utilisation of such by-products?

63. What off-season, part-time occupations of a productive nature, and workable on a scale within the means of an average agriculturist's family in your Province, are available in your part of the country? How would you suggest they be further developed to reach the highest possible level of efficiency and productivity?

64. Is there any industry, large or small, in your Province which deals with fruit cultivation on a commercial scale? How far is canning of fruits, vegetables, or the production out of such articles of ready-made food-stuffs, e.g., Jelly, Pickles, Preserves, Jam, Soups, or dried fruits, conducted as a large-scale industry?

65. To what extent is Horticulture and Market Gardening developed as a special industry in your Province? What is the market in your Province for (a) flower essences and scents, (b) vegetable oils, (c) toilet articles made, flavoured or scented from the same? How far is it possible to develop this industry on a large scale for the local market and for export beyond the Province?

#### VII. MARKETING AND COMMERCE

66. What are the facilities for marketing all the available produce in your province agricultural, industrial, forest or mineral?—Within as well as outside the Province?

67. What is the market for the products of cottage industries, small-scale industries, and large-scale mechanised modern industry in your Province? What room is there for the development of the existing local market for the consumption of the raw materials, as well as for that of the finished products made from the raw materials?

68. What are the impediments in the way of a smooth and rapid marketing of local products in your province, with special reference to

- (a) proper grading and certification of quality,
- (b) adequate storing of quantity,
- (c) financing of the produce awaiting sale,

(d) transport facilities for taking produce of all sorts from the place of production to a central market, where storing and grading may be feasible, and all incidental services readily available?

69. How far is the existing middleman participating in the processes just named likely to cause an excessive burden upon the primary producer, as well as on the consumer?

70. What steps, if any, are adopted in your Province to avoid or minimise the burden thus imposed by the middlemen upon the producer and consumer?

71. What rule would you design for the organisation and proper distribution throughout the province of the middlemen, so as to fit in with the main scheme of the Planned development, and so as to minimise the number of middlemen, the frequency of their intervention in the process of the transfer of goods and services from the producer to the consumer and the consequent burden imposed by them upon the producer and the consumer?

72. How far is it possible for Government to help to organise the system, marketing, or exchange of all commodities within the Province, and remove the impediments in the way of the most effective and economical marketing, so as to secure the maximum proportion of the price obtained from the eventual consumer for the benefit of the primary producer?

73. To what extent have measures been adopted, if at all, for the systematic control and regulation in public interest of the whole volume of internal trade in the Province?

74. How far is it possible within your Province to regulate all prices of all necessaries of life produced or sold in the province in such a manner as to assure a predetermined degree of a profit margin to the primary producer? Do you consider it desirable to have such a policy?

75. To what extent is the reservation, provided for in the Constitution of 1935, of all powers and functions in regard to the control and regulation of credit, currency, and therefore also of prices within the country in the Central Government of India, a factor militating against the success of any scheme of internal fixation or control and regulation of prices within the province by the Provincial Government?

76. In the absence of any control of the currency and credit system of the country, in the hands of the responsible Provincial Governments, how far would it be possible for Provincial Government to introduce a system of internal barter, so as to reduce the importance of the cash nexus in the settlement of any trading transaction in the Province, and thereby avoid the influence of outside factors affecting the general price level?

77. How far would the existence of free and competitive trade—so far at least as foreign trade is concerned—frustrate any attempt at all round price control within the Province?

78. How far is the collective organisation of the village population, or of other primary producers and consumers into compact units, a practical proposition in your Province, and to what extent would it help to achieve minimising the intervention of the middlemen, and consequently, of the toll levied by such middlemen, on the producers as well as consumers in the determination of the price-level within the Province?

79. What is the extent of the aggregate trade of your province with (a) other provinces and states in India, (b) outside India?

80. What are the principal articles of imports and exports, classifying them as (i) food-stuffs, (ii) industrial raw materials, (iii) finished or semi-finished products of industry, (iv) mechanical or other equipment for industry, (v) materials for the conduct, organisation and supply of all accessory articles for such services as Transport, Public Health or Education?

81. To what extent are the articles of agriculture, as well as products of industries, at present imported into the province, possible to be made, or are actually produced, within the province, or which cannot be produced at all on a competitive commercial basis within the province itself?

82. Is there any produce of your province which can be regarded as the exclusive or partial monopoly of the province? How far is such produce at present disposed of to the ultimate consumer? To what extent is such produce worked up into finished products ready for consumption, within the province, or within the country? Or, in the alternative, to what extent is the produce exported abroad?

83. What are the directions in which a wider development of the international or inter-provincial trade of your province, both as regards exports and imports, can be effected?

84. To what extent, and in what manner, would you suggest a close control and regulation of the trade of your Province described in the preceding question?

85. What are the handicaps or impediments in the way of a proper development of the internal trade in the province, of its inter-provincial trade and of its foreign trade in respect of

- (a) financing,
- (b) transport,
- (c) relative stability of the price-level, and
- (d) a proper marketing organisation?

In what way are these handicaps capable of being removed or remedied?

86. How far is it possible to fit in the requirements of the trade and commerce of your province, both within the province itself and outside the province, with the general scheme of Planning for the collective economy of the nation considered in the aggregate?

87. To what extent would the regulation of the foreign and overseas trade of India by such means as specified Trade Treaties with our principal customers in the world benefit your Province?

88. How would a system of imperial preference affect the economic condition and the local, Indian and foreign trade, of your Province?

89. What are the principal agencies conducting the Foreign Trade of your Province? What methods of regulating the trade do you suggest?

90. In what way would the trade of your Province—local, Indian and foreign—be affected by the modification of the principle of private enterprise, in all branches of production and consumption of goods and services?

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#### VIII—TRANSPORT FACILITIES

91. What are the various available transport facilities within your province which are

- (a) within the control of the Provincial Government,
- (b) outside the control of the Provincial Government,
- (c) within the control of local bodies within the province?

92. How far are these existing means adequate for all the movement of men and goods in the province?

93. What is the extent of road mileage, in respect of main trunk roads, provincial roads, and local by-ways in your province? Has there been prepared any programme for increasing this mileage, and distributing throughout the province, that mileage in such a manner as to provide an efficient supply of road service throughout the province?

94. What are the handicaps in the way of increasing the road service within the province, and how does the Government of your province contemplate, if at all, to remove such handicaps?

95. To what extent is your province interested in regard to water transport by river, coastwise, or overseas shipping, including building as well as operating ships?

96. What are the facilities for an efficient water transport service in your province? How far are they developed? What room is there for their further development?

97. How far is it possible to develop and increase these facilities by means of maintaining adequate channels, in the existing rivers, or making navigation canals from the rivers so as to interlink the river system; providing the necessary port and terminal facilities at central points on the rivers, and other such devices suited for the adequate development of cheap, efficient inland water transport within the province?

98. What is the extent of railway mileage in your Province of all gauges? Are there any supplementary tramways or light railways in your Province? How do the rates charged on the goods moved within the Province affect the development of Industry as well as market within the Province?

99. Are there any Railway Workshops or plant making establishment in your Province? To what extent do they provide employment for local labour, capital, skill and experience?

100. Have you had any occasion to make any representation on behalf of the Provincial or any commercial or industrial organisation within the Province in regard to

- (a) policy and incidence of railway rates,
- (b) employment in railway labour,
- (c) development of outlying regions by means of cheap transport facilities. How far is there room for fostering such facilities in your Province?

101. What is the cost of transport, by road, rail or water on these various means or forms of transport in the province as compared to one another? How has the cost of transport affected the development of industries in your Province?

102. What means, agents, or organisations are there for controlling, in the public interest, the cost of transport or the rates, freights, fares, charged by the various agencies for the transport of passengers and goods? How should these be developed if they are lacking at present?

103. What machinery would you provide to regulate as well as to secure speedy and effective settlement of disputes in regard to the rates, freights and fares or charges for the transport service, its efficiency and safety?

104. Are there any industries in the province in relation to any of the means of transport, in the shape of the production and supply of the vehicles or their parts and accessories, including repairs; of the roads, bridges, including the material for the construction and maintenance of the roads, water-ways, rail-roads, tramways, ships and air-way transport?

Are any ships built in your Province? If so, give clear idea as to the nature of the ships built and the extent of these building operations within your Province?

105. What are the raw materials, and other facilities, e.g., draught animals, available within the province to provide the basis for the establishment therein of any industry connected with transport within the Province as described in the previous question such as the production and supply of automobiles, ships, air-planes, rail-road wagons and locomotives, carts or wheels, and other parts and accessories for the same?

106. What are the handicaps in the way of establishing

- (a) a ship-building industry in India sufficient to do all the water transport of goods or passengers on the rivers, along the coasts of India, or in regard to overseas intercourse; and to supply a Navy for India,
- (b) a locomotive and railway rolling stock making industry,
- (c) automobile making industry, including all its parts, engines, accessories, as well as prompt and effective repair of the same,
- (d) making and supply of aviation planes, airships, their parts, engines, and accessories?

What steps would you suggest for developing an Indian ship-building industry both for commercial and for defence purposes?

107. What scope is there for developing adequate industries for the manufacture and supply of the fuel, or motive power for the various means of transport within your province?

108. What facilities are available for repairing and "Servicing" or supplying of parts and accessories of transport within your province? How far is it possible to develop these facilities so as to make the entire business of transport safe, adequate, economical, and efficient in working as a properly co-ordinated, rationalised, and modernised service for the entire province?

109. To what extent would the province be prepared to help to organise or participate in an all-India enterprise, which would supply the materials, parts, accessories, or complete vehicles for the organisation of the entire road, water, and air transport as an industry as well as a service?

110. What are the industries dealing with the production of the means of communications already available in your province in regard to posts, telegraphs, telephones, radio and the like? To what extent is the manufacture and supply of the instruments, apparatus and accessories as well as their repairs necessary for these means of communications possible to establish and maintain within the province, or by means of a national central workshop for the manufacture and supply of all such instruments and apparatus? How far and in what way would your province be able to contribute for starting and working such an enterprise if one were decided upon?

111. To what extent has the Government of your province associated themselves with any private enterprise in the interests of the general public, and for developing the industrial resources of the province including forests as well as mining, by means of cheap and efficient transport?

112. How far do the rivers in your province, if any, give rise to problems of floods, erosion of banks, silting and shifting of the river-bed from time to time? What steps are taken by the Government of your province hitherto, and what new steps are contemplated for solving of any of these?

113. How far is it possible by Government enterprise to develop, organise, and co-ordinate all forms of transport, with a view to the most economical and efficient organisation and working of that service within the province?

114. What are the agencies which to-day operate, or are in any way concerned with the various forms of transport within your province? How far is it possible to co-ordinate these various agencies into a collective or state-controlled enterprise, connected with the supply, or the transport service, or industries in connection with transportation vehicles, etc., so as to provide the most economical, efficient and co-ordinated service, for the transport of goods and passengers?

115. (a) Are there any shipping companies owned, controlled and managed by Indians, plying their ships either in the rivers within your Province, or on the coasts of your Province, or in the overseas trade carried on between your Province and other countries?

(b) Do you consider the present share of the trade on the rivers, coast, or overseas catered for or obtained by the above companies sufficient from the view-point of the economic life of the Province, as well as from the economic and defence necessities of this country? If not what are the difficulties that such Indian enterprise has to meet with in securing their proper share of the trade? What steps do you propose so that these difficulties may be overcome, and an adequate Indian merchant marine may be built up for India?

#### IX.—CONDITIONS AND FIELD FOR EMPLOYMENT

116. To what extent would it be possible to widen the field of employment in the process of developing the Province as indicated above, in regard to establishing or developing the new industries, improving agriculture, exploiting forest resources, developing transport services, marketing of finished products, and the development of all other accessories, such as Banking, Insurance, Transport, Health, Education and the general welfare of the community?



117. What are the average rates of wages or income in the Province for

- (a) wage-earners employed in industrial, commercial or transport services,
- (b) agriculturists with or without any land of their own,
- (c) tenants of agricultural land holding larger land owners,
- (d) those employed in private administrative or public services such as Public Education, Public Health, Communications etc. ?

118. Have any measures been adopted by your Provincial Government to regulate the terms, conditions and hours of work of the working population, and providing amenities of civilised life and safeguards against the risks of working life like insurance against industrial accidents, Old Age Pensions, Unemployment Benefits, Apprenticeship, etc. ? What further measures would you suggest should be adopted in the same direction ?

119. To what extent is industrial labour organised in your Province and how far have such organisations succeeded in improving the conditions of such labour in general ? How far have such organisations been recognized for making effective bargaining with workers and maintaining Industrial peace and harmony ?

120. To what extent Industrial disputes resulted in your Province in the loss of working days and of new wealth in consequence ? What machinery is there to prevent such disputes or to minimise the loss and damage to the workers as well as to the wealth of the Provinces resulting from such disputes ? How far is it possible in the interests of Planned Economy, to insist on a system of compulsory arbitration enforceable on both parties by means of appropriate sanctions ?

121. To what extent is it possible effectively to organise agricultural labour directly owning or holding land of their own, but working for a wage on the land owned or held by another or work for another ?

122. To what extent would it be possible to bring about a transfer of the working population from the primary occupations of agriculture or its subsidiary industries to

- (a) new or developed industries of all kinds on cottage, medium or large-scale operations ;
- (b) commerce and its accessories like transport, banking, etc. so as to be a more planned community, from the standpoint of and even or balanced distribution of the occupation within the country ?

123. What should be the standard of living which you consider to be adequate for the proper maintenance of bodily and mental efficiency of the general mass of population, including workers as well as dependants, and

their cultured growth in your Province? What steps ought to be adopted for improving that level?

124. To what extent is the problem of unemployment prevalent in your Province in regard to

- (a) educated classes,
- (b) uneducated classes in towns,
- (c) agricultural population which has no land of their own?

125. What are the causes of such unemployment with special reference to the

- (a) organisation of industry and agriculture
- (b) education and training of these classes.

What attempts have been made to remedy the same?

126. What organisation is there for the prompt and effective finding of employment for those needing and qualified for it?

127. What steps have been taken by the Provincial Government to relieve the volume of unemployment, and if so, what is the measure of success which has attended those steps?

128. Is there any scheme of Unemployment Relief or Insurance in your Province, if not, would you suggest organising such a system of relief?

129. To what extent is any process of annual or seasonal migration into or from your Province now prevailing? What measures have been adopted to regulate such migration and what is the result of such regulation or control? Consider the ways and means for the development and consolidation of the economic and trading relations with adjacent countries to their mutual benefit.

130. Is there any organisation or machinery in your Province which will act as Labour Exchange serving to record the employment needs and qualifications of workers as also of employers and adjusting the mutual requirements of workers and employers so as to minimise the volume of current unemployment at any time; would you make it a Public Institution or allow organisations of labour like Trade Unions to start their own Exchanges, with or without, official recognition and support?

#### X.—TECHNICAL AND VOCATIONAL EDUCATION

131. To what extent are facilities already available in your Province for the proper education, or vocational training, in the various branches of agriculture, forestry, mining industry, and all forms of business including banking, insurance, transport, marketing etc.? In what direction is it possible to improve the existing facilities in this connection, and what is

the *optimum* degree of progress in this regard which would be necessary for the proper execution of a Planned Programme of Provincial and National Development ?

132. What new or further development in other forms of education—general, commercial or professional,—would also be necessary, so as to keep pace with the Programme of Planned Development of the Province and of the country ?

133. How far is it feasible, and if so to what extent would your Province be prepared to make its contribution to establish a Central Technological or Polytechnical Institute where

- (a) all the varieties of specialised skill, training and experience in practical work in the different branches of Agriculture, Forestry, Industry, Mining and Commerce may be provided ;
- (b) which would serve as a sort of a Central Labour Exchange for Technicians of the highest order in every Department of Productive and Distributive character ?

#### XI.—FINANCE

134. What are the means now available in your Province for the financing of—

- (i) existing industries, whether large-scale or small-scale,
- (ii) new industries of a mechanised, large-scale nature;
- (iii) new industries likely to be carried on by small-scale workers in their own cottages,
- (iv) assembly and repairing work in regard to such matters as automobiles, radio instruments, gramophones, electric light and power apparatus etc.
- (v) improvement, development, and removal of the handicaps in Agriculture,
- (vi) exploitation of Forest and Mineral Resources,
- (vii) improving and organising transport and communication services,
- (viii) providing Public Utility Services like education, sanitation, insurance, marketing etc.

135. What are the possibilities of attracting Investment Capital from

- (a) other provinces,
- (b) other countries

to and in the process of carrying out the programme of Planned Economy as applied to your Province ? On what terms and conditions would you consider the attraction of such outside capital for such a purpose ?

136. What are the banking facilities available in your Province? To what extent would it be necessary to improve the industrial and agricultural financing now done in your Province and to improve the credit of industrial workers in general?

137. How far have the Institutions named below succeeded in mobilising the Capital Resources of your Province?

- (a) Co-operative Societies.
- (b) Post Office Savings Bank.
- (c) Postal Cash Certificates.
- (d) Savings Department of ordinary banks.

138. How far is it possible for the Provincial Government directly by themselves to finance the establishment of new industries in regard to the fixed as well as working capital, or in association with private enterprises?

139. In the event of the Provincial Government or any Local Body, working in partnership with private enterprise, any provincial industry, utility or service, what should be the terms and conditions of such partnership especially in regard to

- (a) general supervision over the conduct and management of the concern,
- (b) treatment of labour,
- (c) interests of consumers,
- (d) provisions of reserves,
- (e) sharing of profits and
- (f) eventual acquisition of the entire enterprise by Government?

#### XII.—SOURCES OF FUEL, POWER & ENERGY

140. What are the sources of power supply in your province, apart from human labour in respect of

- (a) animal power,
- (b) mechanical power, and
- (c) electrical energy?

How far have they been adequately developed?

141. In what direction is it possible to develop these sources so as to distribute additional power supply with a view to make it available on the cheapest possible way?

142. Are there any mines in your Province for the production of coal, petroleum, or natural gas? To what extent are these sources of power supply worked in your Province, and by what agency? What are

the directions of Government control over these agencies for the proper development and economical working of these sources of power supply ?

143. Is there any other source or material ( molasses, prickly pear, etc. ) from which new power may be obtained on a considerable scale ? How far are such sources already investigated ? What steps would you suggest for developing these sources of additional Power in your Province ?

144. What facilities have been provided for the development of technical research in regard to the most economical and efficient use of the available fuel supply, and other sources of energy ?

145. What facilities have been provided in your province to encourage technical industrial research, so as to make the conduct of agriculture, industry and all forms of business the most economical and efficient as well as progressive ?

### XIII.—INDUSTRIAL AND COMMERCIAL STATISTICS

146. What are the means available in your Province for the collection, compilation and publication of any economic information relating to industries, agriculture, commerce, transport, banking, etc., ( concerning the Province of your own ) ?

147. How far are the statistical material reports and bulletins published by the Central Government relating to your province accurate and up-to-date, as well as of direct interest and service to active industrialists, agriculturists and businessmen in your Province.

148. Are there any organisations of Trade, Commerce, Industry or Labour as well as of Agricultural interests, which collect, compile and discriminate statistics and information relating to these respective interests ? What steps do you suggest to improve, develop and popularise such information.

149. What material or facilities are available within the Province relating to technological information concerning new discoveries, Patents or Inventions which relate to Industrial Processes, Business organisation, Agricultural methods and improvements and their like ? What means do you suggest to make such information if available widely popular ?

150. What steps are necessary to co-ordinate the information mentioned in the preceding question relating to your Province, and the corresponding information affecting the whole of the country ?

151. How far are facilities available in your Province in respect of an efficient Press as well as Publication and Propaganda Service ? To what extent has experience shown it to be necessary to develop these services still further to make the country self-supporting in regard to the case ?

## XIV.—ADMINISTRATION

152. What administrative organisation has been set up in your province to control, regulate, supervise, or in other way to foster and promote the industrial and commercial activities and the general economic life within the Province ?

153. What steps should be adopted to establish an All-India Industrial or Economic Council for the promotion of control, supervision, and regulation of all-India Industries, and the economic relations as between the States and Provinces arising out of the Programme of Planned development so as to maintain a uniform rate of even Progress simultaneously on all fronts, avoid friction, and make the working of the Planned Programme, of local as well as National development effective ?

154. What should be the constitution and functions of such an All-India Council of Economic Development, whether purely advisory or partially executive ? How far and in what way could such an institution be made responsible to safeguard the Co-operation between States and Provinces and the various classes and interests within.

155. What are the means now adopted in your Province to secure an adequate and constant co-operation between your Province and the neighbouring States and Provinces in regard to economic and social development affecting both these classes.

156. To what extent is there a real or imagined conflict of interest between the industrialised and agricultural provinces of India, between provinces with finance, capital and enterprise and those with raw materials of industry or mineral resources awaiting development.

## XV.—INTERPROVINCIAL ECONOMIC RELATIONS

157. What are the industries, and other forms of production of new wealth in your province, which compete with

- (a) corresponding industries and other forms of producing new wealth in other provinces in India ? and
- (b) similar industries in other countries.

158. Have any steps been taken for the provincial regulation and control of such competition, with a view to its being avoided ?

159. What are the ways in which any unfair, undesirable, or uneconomical competition between provinces in the production of the same forms of material wealth seeking consumption in mutual markets, be avoided ?

160. In the development of new industries common to the whole country, what share has your province taken so far, and what further share does it contemplate to take in the development of new industries

on an all India basis with a view to avoid the mutual jealousy between the provinces ?

161. To what extent is it desirable to frame a programme of industrial development in the country by establishing important industries.

- (a) in different regions as far as possible according to the available facilities in the shape of raw material, labour supply, capital or any other similar pre-requisite for a successful development of the industries or
- (b) planned on the basis of all India and located and operated from some common centre ?

#### XVI—MISCELLANEOUS

162. What measures have been adopted for securing a guaranteed standard of quality in the industrial and agricultural product within the Province, as well as of the processes and raw materials required in the prosecution of a Planned Programme of National Development ?

163. How far is it advisable to depend upon imported raw materials for the development of industries within the country for which there is a considerable local market, and which are necessary to the very existence of the nation ?

164. What would be the agency and the general policy under which you would recommend the establishment and development of industries relating to National Defence, including provision for Munitions and Armaments of all kinds for the use of the various defence services ?

165. What are old and indigenous Cottage Industries of your province? Which of them have been abandoned and why? What measures do you suggest should be taken to protect the existing ones and revive those that were abandoned ?

166. What kinds of articles are imported into the villages of your province? Is it possible to manufacture them locally or in the surrounding districts ?

167. What are the raw materials available for starting new cottage industries? In what directions do you suggest steps should be taken to foster new cottage industries ?

#### SUPPLEMENTARY QUESTIONNAIRE

##### I.—MANUFACTURE OF GOODS AT PRESENT IMPORTED

1. Has there been ever any attempt to manufacture in this country any of the following articles, at present imported?

( See table I )

2. What steps have the various departments of Industries taken from time to time to draw public attention to these items and have them manufactured here?

#### II.—FAILURE OF INDIAN INDUSTRIES

3. What are those industries which, although they were started here, could not be carried on further and had to be subsequently closed down or are working at a great loss?

4. Which of the following causes do you ascribe to the failure or imperfect working (both financially and technically) of each of the industries thus affected?

- (a) Want of fluid capital
- (b) Want of technical efficiency
- (c) Policy of not employing properly trained technicians although they were available in the country.
- (d) Inability to utilize the process to Indian raw materials.
- (e) Inability to cope with the advances made in the line in foreign countries and with the changes in taste.
- (f) Inability to avoid excessive waste as compared with other countries.
- (g) Inability to utilize for other purposes the waste products of the industries.
- (h) Location of the industries at a place far from the raw materials and the markets.
- (i) Due to lack of sympathy on the part of the Government or failure to protect them against unfair foreign competition, i.e., absence of beneficial legislation.

#### III.—QUALITY OF PRODUCTS OF INDIAN INDUSTRY

5. How do the products of Indian manufacture compare in their prices and other technical features with the imported goods? (Please give the information of as many products from the list (table 1) as you know. Do not reply to this question from a general view point illustrating by one or two industries).

6. How have these products been comparing with the imported goods ever since their manufacture in India?

#### IV.—MARKETS

7. Please give details of the various markets in the country of the following imported goods (Table I) giving your information on the following model.

- (a) The local market and the approximate area it serves.
- (b) The port from which it is served.



- (c) Classify each kind of goods as much as you can (e.g., In case of an electric motor, please classify with respect to its being A.C. or D.C., with respect to voltage, revolutions per minute, shunt and series winding and the winding of the armature, etc.).
- (d) The number of goods of each class consumed at particular markets each year. (Please give such data for the last five years).
- (e) The railway freight for each class of goods from the port to the market.
- (f) The place where the important raw material for the production of each class of article is available and its distance by road and the railway to the market.
- (g) The price of coal, petroleum fuel and electricity (for industrial purposes) both at the markets and where the raw materials for the production of each of the articles are available.

#### V.—POWER

8. What have been the prices of coal, petroleum fuel and electricity at the places where the various industries exist or ever existed (give the figures for the last five years) ?

9. How do the prices at the various hydro-electric schemes compare with each other and with that charged by other electric supplies in this country ?

10. What is the cost of the generation of electricity per unit at the various places and how does it compare with each other and with the cost in the foreign countries ?

11. What are the causes that have contributed to the high cost of production of electricity in India as compared to the foreign countries? Had they been visualised at the time the various schemes of electricity production were worked out and what were the various steps taken to overcome them ?

12. What steps have been taken to reduce the cost of production of electricity since the working of the various schemes ?

13. What are the advantages and disadvantages of the two schemes of electricity production (i) grid scheme, (ii) Isolated stations scheme, and why has one or the other scheme been adopted at different places in India ?

14. What information has been collected by various parties both Government and private, as to the suitability of different schemes of electricity production and distribution (grid and isolated station schemes, hydro, steam power and oil power generation) and to the best location of the

generating stations? Please place all this information at the disposal of the National Planning Committee.

15. What organisations are at present working or propose to work in future to collect the above mentioned information and data?

16. What steps have been taken or are proposed to be taken to start a net-work of industries producing goods which are imported at present and which are consumed in a particular area, as a preliminary to the electrification of that area, in view of the aims of electrification being the creation and regeneration of industries?

#### VI.—PROTECTED INDUSTRIES AND THEIR PART IN INDUSTRIAL DEVELOPMENT

17. What industries have been enjoying protection and bounties from the State?

18. What steps have they taken or propose to take and what percentage of their profit (which has accrued to them due to bounties and protection) have they spent or propose to spend on developing other important and KEY industries which were closely connected with their industries? e. g., what steps have been taken by the Iron & Steel Industries to develop the metallurgy, casting technique and heat treatment of ferrous alloys which are the most vital processes in the manufacture of machines and tools and what steps have been taken by the Sugar industry in the utilization of molasses, in the preparation of alcohol for use as fuel or in the preparation of acetic acid for use as an important ingredient in the manufacture of artificial silk and other chemical industries?

19. (a) What steps have the Government taken to impress on the industries enjoying such State help that they are thus assisted because they are vital to national interests and they must devote their time, energy and facilities in developing attached and allied vital industries and to see that it is done?

(b) If no steps have been taken up till now in this direction, what do you think would be the best way of achieving this object?

20. What steps would you suggest to ensure a co-operation in this direction between the Government, industries, universities, technical institutes and engineering colleges?

#### VII.—KEY INDUSTRIES

21. Do you agree with the following definition of Key industries? If not, give your own definition.

*Key industries are those which aim at producing the means of production.*

22. What do you say to the following list of KEY industries? Would you like to amend it? If so, please give your amendment and the reasons for it.

( Table II )

23. Which of these industries are not working in India and which would you like to be started? Give your reasons.

24. How many and which industries should be started at once in this country and what pace would you set for them? Please draw a scheme as to the location of the industries, providing factories with the workmen, technical staff, raw materials and the preliminary and fundamental tools and implements, the provision of organisation to help in the overcoming of difficulties arising in the course of production and to help in fixing the standards which the produced goods must conform to?

25. Even if it be thought that due to the hostility on the part of the Central Government or the British Government it will not be possible to start in right earnest any major key industries at once, do you not think that it would be advisable to start all the key industries on a small scale at once as it would help in the accumulation of technical experience and trained technicians?

26. For raising capital what objection do you think lies in the procedure adopted in collecting funds for Jubilee Celebration or some such activity? Why should not such a system be adopted for raising funds for starting key industries in this country?

#### VIII—INDIAN COMPETENCE IN TECHNICAL MATTERS.

27. Why is it that people including industrialists, politicians and Congressmen think that Indian youngmen cannot do much in industrial and technical lines?

28. Why do they give preference to raw foreigners over comparatively experienced Indians for technical jobs?

29. Is it due to some sort of inferiority complex or merely due to slavish mentality on the part of our people?

30. What steps do you suggest to overcome this mentality? Do you think that a greater knowledge on the part of people in general as to the scientific achievements (though academic) of Indians in spite of severe handicaps in the form of poor laboratories and want of tradition will conduce to overcome this mentality?

31. Do you not think that the training of proper technicians by sending on a planned basis and for a definite purpose well-educated and intelligent young men to foreign countries (e.g. America, France, Russia, Germany and England, etc.) to learn the various main technical operations will go a long way to dispel the general misgiving?

## IX.—FOREIGN TECHNICIANS AND EXPERTS

32. Do you not think that the import of specialists and technicians from foreign countries suffers from two main difficulties :—(i) Either the people, you import, are academic and raw and are, therefore, of not much use to the country, or (ii) they are experienced, being connected with some manufacturing concern, but will have so much interest in that concern that they will devote more of their attention to pushing the products of that concern and earn their salary rather than teach the actual processes of manufacture to Indians ?

33. What steps are to be taken in order that the proper type of foreign experts are taken ?

34. Do you not think that it would be better to import foreign specialists to give a finishing touch to the training of Indians who have themselves had some preliminary training in foreign countries, rather than to train absolutely raw Indians ?

35. Do you not think that these trained Indians will be better able to utilize the foreign experts than the untrained Indians can do ?

36. How many foreign experts have come to this country (i) for the various governments, (ii) for the various industries ; and how many young men have they really trained ?

37. Do you think it politic or advisable to put foreign experts at the head of departments or organisations ?

## X.—TECHNICAL TRAINING

38. How many scholarships have so far been awarded for industrial research and training by the various governments ? Please furnish a list of the individuals who were sent out, with their qualifications, the places of training, factories and workshops of apprenticeship, the subjects in which they were trained, the place of subsequent employment and the work they had to do during their employment period ?

39. Has any difficulty been experienced in getting them admitted to the various factories and workshops for training in various processes ?

40. Has any attempt been made to have these men trained in countries other than England, when such facilities were refused or not accorded to in practice, although such facilities existed in other countries in a better degree ?

41. What steps were taken to induce such concerns to afford facilities to train young Indians in actual operation ?

42. When purchasing goods from both foreign and local manufacturing firms, what attempts were made to insist on them the necessity of training young Indians ?

43. Even if Indians were admitted to the factories, what facilities were actually accorded to train them in actual operations and if not, what steps did the Governments take to rectify the defects?

44. Will you please give a list of the firms both foreign and Indian which have supplied goods to the Governments and the Indian market with their value within the last ten years and also what facilities and to whom were accorded for training in actual operations when asked? If not, why such contracts were not withdrawn from them?

45. If manufacturing firms supplying such goods to India refuse to accord proper facilities in training for actual manufacture, do you propose that the Government should not place their contracts with them?

46. What steps have the various governments taken to utilize the technical knowledge and accumulated experience of the various factories and workshops in this country both under Indian and foreign management in training personnel and utilizing their facilities for helping in the promotion of key industries? If no such steps have been taken, will you suggest any steps?

47. Do you agree that a sub-committee appointed by the National Planning Commission should induce the importers of goods manufactured by such firms as do not agree to accord facilities for training to Indians, to stop their import and make a propaganda against their goods?

48. What steps do you propose with a view to ensuring the employment, retention and subsequent efficient working of the people in the very industries of which they have been trained abroad?

#### XI—TECHNICAL ASSISTANCE AND INDUSTRIAL RESEARCH BY THE STATE

49. What technical assistance has been given by the Government of India or provincial governments from time to time both in the starting of new industries and in the efficient running of old ones?

50. Are you satisfied with the amount and quality of such assistance? If not, what do you ascribe the failure to (i) to the policy of the Government or (ii) to the defective machinery of giving such assistance and wrong type of men put to run it? What improvements do you suggest?

51. (a) Are you aware of the existence of the following institutions? (b) What is your opinion on the effectiveness of each one of them in helping the industries of the country? (c) What is the present method of setting out a working policy of the respective institutions and that of planning and supervising the technical work of each of them?

- (1) Geological Survey of India.
- (2) Forest Research Institute.
- (3) Research Laboratory Soft Coke Cess Committee.
- (4) Research Laboratory Indian Central Cotton Committee.

- (5) Research Laboratory Indian Central Jute Committee.
- (6) Industrial Research Bureau.
- (7) Imperial Council of Agricultural Research with its various laboratories especially the Imperial Institute of Sugar Technology, Cawnpore, Imperial Institute of Veterinary Research, Mukteswar, Imperial Institute of Animal Husbandry, Izatnagar, the Govt. Dairy Institute, Bangalore.
- (8) Indian Institute of Science, Bangalore.
- (9) Research Laboratories of the Army Dept.
- (10) Lac Research Institute, Ranchi.
- (11) Indian School of Mines.
- (12) Applied Physics, Applied Chemistry, and Technological Departments of various universities, e.g., Calcutta, Benares, Lahore, Bombay, Nagpur, Andhra.
- (13) Government Test House, Alipore.
- (14) Metallurgical Inspectorate at Tatanagar.
- (15) Harcourt Butler Technological Institute, Cawnpore.
- (16) Industrial Research Laboratory, Bengal.
- (17) Madras Industrial Institute.
- (18) Industrial Research Laboratory, Lahore.
- (19) Industrial Research Laboratory of the Supdt. of Industries, Delhi.
- (20) Technical Staff and the attached laboratories of the Provincial Industries Departments.
- (21) Research Laboratory, All India Radio.
- (22) Engineering and fuel research laboratory of the Railway Board ( Central Standardisation office ) and of the individual railways.
- (23) Science and Engineering faculties of Indian Universities and colleges.
- (24) Road Research Laboratory of Indian Roads Fund.
- (25) Drug Control Laboratory, Calcutta.

52. Are you satisfied that each one of these institutions has worked to its maximum capacity and effectiveness and has been busy with the real problem of the industry? If not, what do you ascribe the failure to?

53. Are you aware of the fact that the Federation of the Indian Chambers of Commerce offered in April 1937 to the Government of India to have a cess levied on some of the Industries and have industrial research carried out from the funds so obtained with the active co-operation of the Industries and of the fact that the Government rejected the proposal on

the ground of its being impracticable? If so, would you please state how it was impracticable and how to make it practicable? What steps have been taken to make the proposal practicable?

54. Are you aware of any research laboratories and institutes attached to or financed by the various industries? If so, can you furnish a list of them as well as the type of work they handle? What amount of co-operation has there been between such laboratories or institutes which are interested in similar activities, irrespective of their being maintained by the Government, the industries or the universities?

55. With the solitary exception of Imperial Council of Agricultural Research, do you not think that the technical judges of the technical activity and efficiency of the Government technical Departments are the departments themselves? Do you not think that such a system gives rise to inefficiency and snobbery?

If so, what effective methods do you suggest to overcome this—if not, what and how effective is the present system of checking?

56. Do you know that Indian Scientists of great reputation and eminence have very unsparingly criticised the inactivity of such Government Technical Departments as the Industrial Research Bureau?

57. Do you not think it absolutely imperative for national well-being that all the diverse activities mentioned above should be thoroughly co-ordinated and their future policy should be well planned? What in your opinion are the ways and means to achieve this end?

58. Who, in your opinion, should be in charge of the policy of working these institutions and who in charge of its technical development and subsequent checking?

59. Do you not think that a body similar to the Department of Scientific and Industrial Research of England with a constitution and composition similar to that of the Agricultural Research Council be set up in this country and all the above mentioned activities be put in its charge? What steps should be taken to bring about the setting up of such a body?

60. What steps do you propose to keep and retain efficient scientific workers for the above mentioned bodies and eliminate the inefficient ones? What is your opinion about the application of the British system in this country?

61. Do you think that the workers concerned with the actual carrying out of research work should have a right to publish their papers in journals specially suited for the nature of their work?

62. Do you think that for efficient and enthusiastic working research workers should have proper credit for the work they do and such as the authorship of the papers and a considerable sharing of patent rights and other emoluments?

63. What steps should you propose to supply and maintain the proper type of research workers needed for such activities ?

64. Do you suggest that all the workers in the various institutes referred to above should be enjoying similar scale of salaries and should be transferable from one place to another including those establishments which are maintained by the industries so as to enable the employment of the right type of person for each job ?

## XII.—STANDARDISATION

65. Do you realise that to introduce an economy in the productive capacity of the industries and to bring about a simplicity and efficiency in the use of the various articles, there should be a thorough standardisation of the types of goods manufactured ?

66. Are you aware that there is no such *independent* but thoroughly representative, efficient and responsible body in India which should be in charge of standardisation for this country, although there exists such a body in every civilized country ?

67. Are you also aware that the few standards that do exist here are but a copy of British standards and do not effectively serve the needs and demands of the country ?

68. Do you not think that a body similar to the British Standards Institution be set up in this country with a thorough technical representation of the producers and consumers and other Scientists and Technicians and a procedure of setting up standards be adopted similar to that of the British body ? If not, what system do you propose ?

69. Do you not think that an independent laboratory be maintained to check and evolve the various standards and work in general as a standardisation laboratory and testing laboratory ?

70. (a) What do you say to making such necessary changes in the working, organisation and status of the Government Test House so as to enable it to serve an independent standardisation laboratory instead of a minor establishment of the Indian Stores Department ?

(b) Do you not think that such a reformed test house will ultimately serve the purpose for this country as does the National Physical Laboratory for England or the Bureau of Standards for U. S. A. ?

*The following questions are meant to clarify and extend the scope of those already included in the present questionnaire. The numbers within brackets are the serial numbers of the question (as they appear in the questionnaire already issued) to which additions are to be made.*

[Q. 42.] What steps have been taken or are proposed to be taken to ensure that the quality and flavour of these articles maintain during transport and storage ? Is any scientific work being done in this direction ?



[ Q. 62 ] Please give a comprehensive list of all such by-products or waste products and mention against each the quantity available, the various articles it can be made into and the consumption of such articles in the particular region.

[ Q. 158 ] Is it conducive to the interests of the entire nation, taken as a whole, that such a regulation or control of competition should not be undertaken at all? What attitude should be adopted that the future development of industries in this country should go towards fostering the national spirit rather than give rise to separatist tendencies and interprovincial rivalries? Do you think the provinces should be allowed to impose interprovincial custom duties?

[ Q. 163 ] Will you please give a list of such imported raw material and state the finished product which it will give rise to? How far has the separation of Burma affected the self-sufficiency of India as a manufacturing country?

How far will it be advisable to work out some processes by which it will be possible to eliminate altogether the use of such material and substitute in its place material available in this country?

[ Q. 64 ] What is the demand for such articles in the region?

[ Q. 94 ] Would you like to have the means of producing very cheap cement from say iron slag be investigated by scientific institutions (e. g. Industrial Research Bureau and Universities) in order to bring about a great increase in the road mileage with the same funds?

[ Q. 152 ] How far have these organisations succeeded in achieving the ends for which they were set up?

How far has the failure been due to (i) the defective policy of the Governments concerned, (ii) the organisations being in charge of gentlemen administrations (e. g. members of the Civil Service, both provincial and Indian) rather than being in charge of scientists, industrialists or economists? What proposals you want to make for the reform of Industries Department?

[ Q. 152 ] If industries are to develop in this country, social welfare demands that they should be largely controlled from the consumer's point of view. This requires that industries would be under strict state control, and if this is to be properly done, Government should have a very efficient civil service with a first-hand knowledge of and training in industry. Do you not think that the present system of recruitment of and training given to the civil service be modified so that they may have first hand knowledge of working of industries and thus may be better fitted to control the industries from the public point of view?

Should not the Industries Ministers have some sort of "brain trust" consisting of such Scientists, Economists and Industrialists who do not depend for their promotion or prospects in life on the favour of the Government?

TABLE I

1. Arms, ammunition and Military stores.
  - (a) Cartridge Cases:
    - Filled;
    - Empty.
  - (b) Explosives;
    - Blasting fuse;
    - Blasting gelatine;
    - Dynamite;
    - Gelatine dynamite;
    - Other Nitro-compound explosives;
    - Detonators;
    - Others.
  - (c) Fire arms.
  - (d) Parts of fire arms.
  - (e) Gun Powder;
    - Black;
    - Smokeless;
    - Others.
  - (f) Other sorts of military stores.
2. Asbestos;
  - (a) Raw.
  - (b) Manufactures:
    - Asbestos packing;
    - Sheets, slates etc. of asbestos cement;
    - Other manufactures.
3. Belting for machinery.
  - (a) of cotton.
  - (b) of hair.
  - (c) of leather.
  - (d) of other materials (including coir).
4. Bristles and fibres for brushes.
5. Brushes and brooms.
  - (a) Paint and varnish brushes.
  - (b) Toilet brushes.
  - (c) Other brushes.
  - (d) Brooms.
6. Building and Engineering materials.
  - (a) Asphalt.
  - (b) Fire bricks.
  - (c) Cement.
  - (d) Tiles.
  - (e) Other kinds of material.
7. Buttons of all sorts.
  - (a) Metal.
  - (b) Non-Metal.
8. Candles of all kinds.
9. Chemicals and chemical preparations.
  - (a) Acids:
    - Acetic;
    - Catbolic;
    - Citric;

- Hydrochloric ;
- Nitric ;
- Oxalic ;
- Sulphuric ;
- Tartaric ;
- Other sorts.
- (b) Alum.
- (c) Aluminous sulphates
- (d) Ammonia and its salts :
  - Anhydrous ammonia ;
  - Ammonium carbonate and bicarbonate
  - Ammonium chloride ;
  - Other ammonium salts.
- (e) Arsenic and its oxides.
- (f) Bleaching materials :
  - Bleaching powder ;
  - Other kinds.
- (g) Calcium carbide.
- (h) Calcium chloride.
- (i) Chlorine, liquid.
- (j) Copperas ( ferrous sulphate ).
- (k) Copper sulphate.
- (l) Disinfectants :
  - Naphthalene ;
  - Other kinds.
- (m) Glycerine.
- (n) Lead compounds :
  - Acetate ;
  - Litharge ;
  - others.
- (o) Magnesium compounds :
  - Chloride ;
  - Sulphate ;
  - others.
- (p) Phosphorus, all kinds.
- (q) Potassium compounds :
  - Bichromate ;
  - Chlorate ;
  - Cyanide ;
  - other sorts.
- (r) Sodium compounds :
  - Bicarbonate ;
  - Bichromate ;
  - Borax ;
  - Cyanide ;
  - Carbonate ;
  - Caustic Soda ;
  - Hydrosulphite ;
  - Hyposulphite ;
  - Silicate ;
  - Sulphate ;
  - Sulphide ;
  - other salts.

- (s) Sulphur.
- (t) Zinc compounds:
  - Chlorides;
  - Others.
- (u) Other sorts of chemicals.
- 10. China Clay.
- 11. Clocks and watches and parts thereof.
- 12. Cutlery.
  - (a) Pruning knives.
  - (b) other kinds.
- 13. Drugs and medicines.
  - (a) Camphor.
  - (b) Cocaine.
  - (c) Cod-liver oil.
  - (d) Morphia.
  - (e) Preparations of Opium and Morphia.
  - (f) Quinine salts.
  - (g) Saccharin.
  - (h) other sorts of drugs.
- 14. Dyeing and tanning substances.
  - (a) Barks for tanning.
  - (b) Cochineal.
  - (c) Cutch and gambier.
  - (d) Dyes from coal-tar.
    - (A) Alizarine
      - Dry;
      - Not exceeding 40% ;
      - Exceeding 40% ;
    - Moist;
      - Not exceeding 16% ;
      - Over 16% but not exceeding 20% ;
      - Exceeding 20%.
    - (B) Congo red.
    - (C) Coupling dyes of the naphthol group :
      - Naphthols;
      - Rapid fast colours (rapid salts);
      - Bases;
      - other salts.
    - (D) Vats :
      - Indigo;
      - Carbazole blue;
      - other sorts.
      - Paste;
      - Powder.
    - (E) Metanil Yellow.
    - (F) Sulphur black.
    - (G) Auramine of Concentration of 15% and less.
    - (H) Rhodmines (Carthamines) of concentration of 15% and less.
    - (I) Aniline salts.
    - (J) Other sorts.
  - (e) Saffron.
  - (f) other sorts (including lac-dye).

15. Earthenware and porcelain.
  - (a) Earthenware:
    - Sanitary ware;
    - other kinds.
  - (b) Porcelain:
    - Electrical;
    - other kinds.
16. Electroplated ware.
17. Fire works.
18. Glass and glass-ware.
  - (a) Bangles.
  - (b) Beads and false pearls.
  - (c) Bottles and phials.
  - (d) Funnels, globes and glass parts of lamps.
  - (e) Scientific glass ware.
  - (f) Sheet and plate.
  - (g) Tableware (including decanters, tumblers etc.)
  - (h) other glass ware.
19. Glue.
20. Graphite crucibles.
21. Gums and Resins.
  - (a) Arabic.
  - (b) Benjamin.
  - (c) Dammar (resins)
  - (d) Olibanum or frankincense.
  - (e) Rosin.
  - (f) other sorts.
22. Hair and manufactures of hair.
  - (a) Hair of all kinds.
  - (b) Manufactures of hair (other than toilet requisites).
23. Hardware (excluding cutlery and electroplated ware).
  - (a) Agricultural implements.
  - (b) Buckets of tinned or galvanised iron.
  - (c) Builder's hardware.
  - (d) Domestic hardware, other than enamelled iron ware.
  - (e) Enamelled iron ware.
  - (f) Gas mantles.
  - (g) Implements and tools other than agricultural implements and machine tools.
    - Grub (Moomooties or Powralis);
    - others.
  - (h) Lamps;
    - Metal;
    - Glass;
    - Parts of lamp other than glass.
  - (i) Hand pumps.
  - (j) Safes and strong boxes of metals.
  - (k) Stoves.
  - (l) Other sorts.
24. Instruments, apparatus, and appliances and parts thereof.
  - (a) Electrical including telegraph and telephone apparatus not being machinery;

- (A) Electrical fans and parts thereof.
  - (B) Electric wires and cables ;
    - Rubber insulated ;
    - Insulations other than rubber ;
    - Telegraph and telephone wires and cables ;
    - Bare copper wire (electrolytic) other than telegraph and telephone wires.
  - (C) Telegraph and telephone instruments and apparatus.
  - (D) Electric lamps and parts thereof Electric glow lamps ;
    - Gas filled electric bulbs ;
    - Vacuum electric bulbs.
    - Electric bulbs for automobiles ;
    - Electric bulb for torches ;
    - Electric lamps other sorts ;
    - Parts and accessories of electric lamps Batteries ;
    - For flash lamps ;
    - For others.
  - (E) Carbons, electric (including furnace electrodes).
  - (F) Accumulators (including parts).
  - (G) Condensers, electric.
  - (H) Electric Bell apparatus (not telegraphic or telephonic).
  - (I) Electric lighting accessories and fittings (including switches)
  - (J) Electrical instruments (other than telegraphic and telephonic):
    - Meters.
    - others.
  - (K) Electro-medical apparatus (including X-ray apparatus).
  - (L) Switch Boards (other than telegraph and telephone).
  - (M) Electrical goods and apparatus, not enumerated.
- (b) Optical.
  - (c) Photographic .
    - (A) Cinema projecting apparatus and parts and accessories.
    - (B) Sound recording apparatus and parts and accessories.
    - (C) Cinematograph films—Raw.
    - (D) All others
  - (d) Scientific.
  - (e) Surgical.
  - (f) Wireless apparatus :
    - (A) Complete wireless receivers.
    - (B) Valves.
    - (C) Component parts of wireless receivers other than valves.
    - (D) Others.
25. Machinery and Mill-work.
- (a) Prime-movers (other than electrical).
    - (A) Locomotives :
      - Oil engines ;
      - Parts of oil engines ;
      - Steam engines ;
      - Parts of steam engines ;
      - Railway locomotive engines and tenders and parts ;
      - others,
    - (B) Other than locomotives ;
      - Gas engines ;
      - Parts of gas engines ;

- Oil engines :  
 For marine purposes ;  
 others.  
 Parts of oil engines ;  
 Steam engines ;  
 Parts of Steam engines ;  
 others.
- (b) Electrical machinery of all kinds.  
 (A) Control and switch gear.  
 (B) Generators, alternators and dynamos.  
 (C) Motors.  
 (D) Transformers.  
 (E) Turbo-generating sets.  
 (F) others.
- (c) Machinery (not being Prime-movers or electrical machinery).  
 (A) Aerated water making machinery.  
 (B) Agricultural machinery :  
 Agricultural tractors and parts ;  
 Ploughs and parts ;  
 other sorts.  
 (C) Coilers.  
 (D) Boot and shoes manufacturing machinery  
 (E) Leather tanning and curving machinery.  
 (F) Metal working machinery (including machine tools) :  
 Machine tools (e.g. drilling, grinding, milling, planing and  
 sharpening machines and lathes) ;  
 others.  
 (G) Mining machinery.  
 (H) Oil crushing and refining machinery.  
 (I) Paper-mill machinery.  
 (J) Pumping machinery.  
 (K) Refrigerating machinery :  
 Domestic ;  
 others.  
 (L) Rice and Flour-mill machinery ;  
 Flour-mill machinery ;  
 Rice-mill machinery.  
 (M) Saw mill and wood-working machinery.  
 (N) Sewing and knitting machines and parts thereof :  
 Sewing machines ;  
 Knitting machines ;  
 Parts of Sewing and Knitting machines.  
 (O) Sugar machinery.  
 (P) Tea machinery.  
 (Q) Textile machinery.  
 Cotton :  
 Bleaching and dyeing machinery ;  
 Printing machinery ;  
 Spinning machinery ;  
 Weaving machinery ;  
 other sorts.  
 Jute machinery ;  
 Shuttles (excluding those for sewing machines) ;

- Wool machinery ;  
other sorts.
  - (R) Type-writers :  
parts of type-writers and accessories.
  - (S) other sorts of machinery.
26. Manures.
- (a) Nitrogenous.
    - (A) Nitrate of Soda.
    - (B) Sulphate of ammonia.
    - (C) others.
  - (b) Potassic.
    - (A) Muriate of Potash.
    - (B) others.
  - (c) Phosphatic.
    - (A) Superphosphate.
    - (B) others.
  - (d) Compounds.
    - (A) Ammonium phosphate.
    - (B) Fish manures.
    - (C) others.
27. Matches.
- (a) Safety.
  - (b) other sorts.
28. Metals and Ores.
- (a) Aluminium :
    - (A) Unwrought (ingots, block, bars).
    - (B) Wrought :
      - Circles ;
      - Sheets ;
      - other manufactures.
  - (b) Antifriction metal.
  - (c) Brass, bronze and Similar alloys.
    - (A) Unwrought.
    - (B) Wrought :
      - Yellow (or mixed) metal sheets ;
      - Yellow metal circles.
    - (C) Rods.
    - (D) Sheets.
    - (E) Tubes.
    - (F) Wire.
    - (G) Wood Screws.
    - (H) other sorts.
  - (d) Copper.
    - (A) Old for remanufacture.
    - (B) Unwrought.
    - (C) Wrought :
      - Brazers ;
      - Rods ;
      - Sheets ;
      - Tubes ;
      - Wire excluding wire of telegraph and telephone ;
      - other manufactures.



- (e) Ferroalloys.
- (f) German-silver (including nickel silver).
- (g) Iron :
  - (A) Pig ;
  - (B) Manufactures :
    - Angle, tee, bolt and rod ;
    - Bars and channels ;
    - Rice Bowls.
  - (C) Steel :
    - Angle and Tee ;
    - Spring ;
    - Bars (other than cast steel) under  $\frac{1}{2}$ " round or square ;
    - others.
  - (D) Cast steel :
    - Tool steel ;
    - High speed ;
    - Carbon ;
    - Cast steel bars ;
    - other cast steel ;
  - (E) Steel Ingots, blooms, billets and slabs.
  - (F) Iron or steel anchors or cables.
  - (G) Beams, channels, pillars, girders and bridgework (iron or steel).
  - (H) Bolts and nuts (iron or steel).
  - (I) Fencing material (including fencing wire).
  - (J) Hoops and strips.
  - (K) Nail, rivets and washers (other than wire nails).
  - (L) Old (iron or steel) for re-manufacture.
  - (M) Pipes and fittings, Cast.
  - (N) Rails, chairs and fishplates (including those for railways).
  - (O) Screws :
    - Wood screws ;
    - Metal thread screws.
  - (P) Sheets and Plates :
    - Galvanised ;
    - Corrugated ;
    - Plain.
    - Tinned ;
      - Tin plates ;
      - other sorts.
    - Not galvanised or tinned :
      - Sheets upto  $\frac{1}{8}$ " thick ;
      - Plates over  $\frac{1}{8}$ " thick ;
      - other sorts.
  - (Q) Sleepers and Keys of steel or iron for railways.
  - (R) Tubes, pipes and fittings, wrought up to 6" in diameter.
    - others.
  - (S) Wire nails.
  - (T) Wire rope.
    - Black, galvanised ;
  - (U) Wire other than fencing wire.
  - (V) other manufactures.
- (h) Lead.
  - (A) Unwrought :

- Ore;
  - Pig;
  - other sorts.
  - (B) Wrought:
    - Sheets;
    - Pipes and tubes;
    - other sorts.
  - (l) Mercury.
  - (j) Solder.
  - (k) Tin.
    - (A) Unwrought (blocks, ingots, bars and slabs).
    - (B) Wrought:
      - Tin foils;
      - other sorts.
  - (l) Zinc or Spelter.
    - (A) Unwrought.
    - (B) Wrought or manufactured.
    - (C) other sorts.
  - (m) Metal unenumerated.
  - (n) Ores unenumerated.
  - (o) Mica.
    - (A) Blocks.
    - (B) Splittings.
29. Oil cloth and floor cloth.
30. Packing, engine and boiler, of all kinds.
31. Paints and Painters' material.
- (a) Paints and colours.
    - (A) Barytes.
    - (B) Blue paint or Paris blue.
    - (C) Graphite.
    - (D) Red lead.
      - Genuine dry;
      - Reduced dry.
    - (E) White lead:
      - Genuine dry;
      - Genuine moist;
      - Reduced moist.
    - (F) Lithophone:
      - Dry;
      - White moist.
    - (G) Zinc white:
      - Genuine dry;
      - Genuine moist.
    - (H) other sorts:
      - White dry;
      - Coloured dry;
      - White moist;
      - Coloured moist.
  - (b) Painters' materials (other than Paints and colours).
    - (A) Turpentine:
      - Genuine;
      - Substitute.

- (B) Varnishes:
    - Enamels;
    - Lacquers;
    - other kinds.
  - (C) other kinds of painters' materials.
32. Paper and Paste board.
- (a) Paper.
    - (A) Packing and wrapping paper:
      - Kraft, including imitation Kraft;
      - Brown wrapping, other sorts;
      - Coloured machine glazed pressings;
      - Manilla, machine glazed or unglazed and sulphite envelope;
      - Fancy, including embossed paper;
      - Oiled, waxed and other waterproof wrapping;
      - other sorts.
    - (B) Printing Paper:
      - Machine glazed poster paper;
      - News printing;
      - other printing paper.
    - (C) Writing paper and envelopes;
      - Azurelaid or wove and ledger;
      - Cream;
      - other sorts of writing paper;
      - Writing pads;
      - Boxed stationery.
    - (D) Blotting paper.
    - (E) Old newspaper in bales and bags.
    - (F) other kinds of paper.
    - (G) Paper manufactures.
  - (b) Pasteboard, mill board and card board.
    - (A) Straw board.
    - (B) other kinds.
    - (C) Manufactures of pasteboard, millboard and card board.
  - (c) Paper making materials.
    - (A) Pulp of wood.
    - (B) Rag and other material.
33. Paraffin Wax.
34. Pitch and Tar.
35. Polishes.
- (a) Metal.
  - (b) Leather.
  - (c) Wood.
  - (d) other sorts.
36. Printing and Lithographic machinery and materials.
- (a) Printing and Lithographic presses.
  - (b) Printing type.
  - (c) Ink.
  - (d) other materials.
37. Rubber.
- (a) Pneumatic motor cover.
  - (b) Pneumatic motor tubes.
  - (c) Pneumatic motor cycle covers.

- (d) Pneumatic motor cycle tubes.
  - (e) Pneumatic cycle covers.
  - (f) Pneumatic cycle tubes.
  - (g) Solid rubber tyres for motor vehicles.
  - (h) other manufactures (except apparel, Boots and shoes).
  - (i) Boots:
    - Rubber solid;
    - All rubber.
38. Soaps.
39. Starch, Dextrine and Farina.
40. Stationery.
- (a) Pencils.
  - (b) other sorts.
41. Tallow and Stearine.
- (a) Tallow.
  - (b) Stearine.
  - (c) other animal fats and greases.
42. Tea chests, entire or in sections.
43. Textile.
- (a) Cotton.
    - (A) Fine Twist and yarn, Grey, white, coloured, mercerised.
    - (B) Lace and net.
    - (C) Piece-goods, grey, white coloured, printed or dyed.
    - (D) Sewing or yarning thread.
  - (a) Flax, raw and manufactured.
  - (b) Haberdashery and millinery.
  - (c) Silk, raw and manufactured.
  - (d) Wool, raw and manufactured.
  - (e) Artificial silk, yarn, hosiery and piecegoods.
  - (f) Staple fibre and yarn.
44. Tobacco.
- (a) Unmanufactured.
  - (b) Manufactured.
    - (A) Cigars.
    - (B) Cigarettes.
    - (C) Tobacco for pipes and cigarettes.
    - (D) other sorts.
45. Toys and requisites for games and sports.
- (a) Toys.
  - (b) Playing cards.
  - (c) other sorts.
46. Umbrella and umbrella fittings.
- (a) Umbrellas.
  - (b) Umbrella fittings.
47. Vehicles.
- (a) Carriages and carts not mechanically propelled and parts thereof (excluding railway carriages, trucks etc.)
  - (b) Parts of carriages and carts (excluding rubber tyres).
  - (c) Perambulators and children's go-carts and parts thereof,
  - (d) Cycles, and their parts and accessories.
  - (e) Aircraft, and parts thereof.
  - (f) Carriages and parts (for railways).
  - (g) Wagons and parts (for railways).

- (h) Motor cars (including taxi cabs).
  - (i) Motor cycles (including scooters).
  - (j) Motor omnibuses, motor vans and motor lorries.
  - (k) Parts of mechanically propelled vehicles and accessories, other than aircraft.
  - (l) Ships, parts thereof.
48. Wax of all kinds, other than paraffin wax (excluding candles).

### ‘Mother’ Industries and Accessories

1. POWER	...	Electrical	...	{ Hydro-Electric. Thermal.	
		{ Coal	...	{ Distillation Products—Gas and Low boiling portions. Steam Engines and Turbines.	
2. FUEL	...	{ Oil	...	{ Furnaces and Metallurgical Processes. Oil Engines.	
		{ Trade Waste	...	{ Alcohol.	
		{ Wood	...	{ Cast Iron Wrought Iron	
			...	{ Steel	{ Modern Engineering Practice, Specially Automobiles, Aircrafts and Armaments.
3. METAL	...	{ Ferrous	...	{ Alloy Steel Ferro Alloys	
		{ Non-Ferrous (Base)	...	{ Aluminium, Lead, Copper, Zinc, Manganese, Tungsten, Nickel, Chromium, Magnesium, etc.	
		{ Non-Ferrous (Noble)	...	{ Gold, Silver, Platinum, and Alloys.	
			...	{ Steam Engines. Turbines.	
		{ Power Machinery	...	{ Generators. Diesel Oil and Petrol Engines. Industrial Alcohol Engines.	
4. MACHINES	...	{ Engineering Machinery	...	{ Locomotive Automobile Aircraft Industrial	{ Textile. Sugar. Paper. Mining. Metallurgical. Chemical. Electrical Machines.
			...		
5. MACHINE TOOLS	...	{ High and Low Speed Tools. Lathes, Drilling Machines, Shearing Machines. Machine Shop Practice.			
6. INSTRUMENTS (Measuring).	...	{ Commercial and Industrial Standard (Precision)	...	{ Pressure Gauges, Weighing Machines, Pyrometers, Automatic Controls, etc. Attachments to various pieces of Armaments and Aircrafts Range Finders and Geometrical Boxes, and Scientific Appliances.	

				<ul style="list-style-type: none"> <li>Sulphuric Acid.</li> <li>Caustic Soda.</li> <li>Magnesium Sulphate &amp; Chloride.</li> <li>Soda Ash.</li> </ul>
		Heavy Chemicals	...	<ul style="list-style-type: none"> <li>Bleaching Agents.</li> <li>Ammonia, Nitric Acid, Urea.</li> <li>Dyes, Pigments.</li> <li>Chemicals for Warfare.</li> <li>Commercial Solvents.</li> </ul>
		Light Chemicals	...	<ul style="list-style-type: none"> <li>Small Industrial uses, Medical Preparations and Household uses.</li> </ul>
7. CHEMICAL	...	Fertilisers.		
		Synthetic Products	...	<ul style="list-style-type: none"> <li>Artificial Silks, Nitrocellulose.</li> <li>Synthetic Rubber.</li> <li>Plastics.</li> </ul>
		Glass, Refractories, Ceramics.		
		Wood Pulp	...	<ul style="list-style-type: none"> <li>Paper.</li> <li>Celluloid.</li> <li>Alcohol.</li> </ul>
		Starch.		
		Landways	...	<ul style="list-style-type: none"> <li>Cements, Bricks &amp; Bridgework, Automobiles &amp; Road Material.</li> <li>Locomotives, Wagons, Carriages.</li> </ul>
		Railway	...	<ul style="list-style-type: none"> <li>Track, Bridges.</li> <li>Signalling Materials.</li> </ul>
8(a) TRANSPORT	...	Waterway	...	<ul style="list-style-type: none"> <li>Ships</li> <li>Launches. ... .. { Steam.</li> <li>Dredgers.</li> <li>Port and Harbour Equipments.</li> <li>Oil.</li> </ul>
		Airways	...	<ul style="list-style-type: none"> <li>Air Ships.</li> <li>Flying Boats &amp; other Equipments.</li> </ul>
AND				
8(b) COMMUNICATION		Electrical	...	<ul style="list-style-type: none"> <li>Telegraph.</li> <li>Telephone.</li> <li>Radio.</li> </ul>

For the 'Nursing' of the above Industries ...

A. TECHNICAL EDUCATION	Engineering Colleges and	{ Engineers, Designers.
	Technological Institutes and Universities	... { Chemists, Chemical Engineers & Physicists.
	Technical Schools	... { Foreman, Superiors.
	Workers' Schools	... { To train the Industrial workers—compulsory training in Drawing, Lathe working and in Graduation work of at least one Precision Instrument. To train industrial workers in Chemical plants with special knowledge of one chemical process.
B. TECHNICAL RESEARCH AND PROPAGANDA.	Research Laboratories and Institutes	... { <i>Pilot Plant Sections.</i> To start new industries & processes & rectify defects of industries.
	Departments of Invention and Rationalisation	... { Standardisation of Machines and Instruments.



### Chairman's Note on Congress Policy.

The resolutions passed at the Conference of Ministers in October 1938, in pursuance of which this Planning Committee is being held, definitely approve of large scale industries. They indicate that a planning scheme which should include the development of heavy key industries, medium scale industries and cottage industries, should be drawn up.

A question is raised, however, as to whether it is open to the Planning Committee to consider the establishment or encouragement of large scale industries, except such as may be considered key industries, in view of the general Congress policy, in regard to industry. This Congress policy, as is well known, shows a strong bias towards the development of cottage industries, specially of handspinning and hand-weaving. It follows that the Congress would disapprove of any policy which came in the way of its development of cottage industries. But there appears to be nothing in the Congress resolutions against the starting or encouragement of large scale industries, provided this does not conflict with the natural development of village industries.

Since 1920, Congress has laid stress on hand-spinning and hand weaving and that emphasis continues. In May 1929, the All India Congress Committee passed a resolution to the effect that "in order to remove the poverty and misery of the Indian people and to ameliorate the condition of the masses, it is essential to make revolutionary changes in the present economic and social structure of society and to remove the gross inequalities." This resolution indicates an approval of socialistic theories, but apart from this general approval and some further advances in subsequent resolutions, the Congress has not in any way accepted socialism.

In March 1931, the Karachi Congress passed an important resolution on fundamental rights and economic programme. This resolution contained the following clause :

"The State shall own or control key industries and services, mineral resources, railways, water-ways, shipping and other means of public transport."

This was stated with reference to the future Swaraj Government which the Congress envisaged.

In July 1934, the Working Committee passed a resolution at Benares in which stress was laid on Congressmen using only hand spun and hand woven khadi to the exclusion of any other cloth. Further it was stated that the "activities of Congress organisations relating to Swadeshi shall be restricted to useful articles manufactured in India through cottage and other similar industries." It was further stated in this resolution that "large and organised industries are in no need of the services of Congress organisations or of any Congress effort on their behalf."

Three months later at the Bombay Congress the All India Village Industries Association was formed. It is clear that the Congress considered it unnecessary to push large scale industries through its organisation and left this to the State as well as to their own resources. It did not decide in any way against such large-scale industry.

Now that the Congress is, to some extent, identifying itself with the State it cannot ignore the question of establishing and encouraging large scale industries. Every provincial government has to face this issue and it was because of this that the Working Committee, as early as August 1937, recommended to the Congress Ministries the appointment of Expert Committees for purposes of national reconstruction and social planning. The Working Committee evidently had in mind large scale State planning which included big industry as well as cottage industry.

As no action was taken by the Congress Ministries on this resolution for nearly a year, a second resolution was passed by the Working Committee in July 1938, authorising the President to convene a Conference of the Ministers of Industries. It was as the result of this resolution that the Delhi Conference was held, and the resolution under which this Planning Committee is functioning was passed.

It is clear therefore that not only is it open to this Committee and to the Planning Commission to consider the whole question of large scale industries in India, in all its aspects but that the Committee will be failing in its duty if it did not do so. There can be no Planning if such Planning does not include big industries. But in making our plans we have to remember the basic Congress policy of encouraging cottage industries.

21st. December, 1938.

JAWAHARLAL NEHRU

**List of Governments, public bodies, Universities and private individuals who have replied to the Questionnaire.**

1. Imperial Council of Agricultural Research,
2. Governments of Bombay, Madras, United Provinces, Punjab, Assam, Bihar, Central Provinces & Berar & N. W. F. P.
3. Governments of Mysore, Cochin, Baroda, Aundh, Khairpur and Cambay States,
4. Prof. S. K. Iyengar, Nizam's College, Hyderabad Deccan,
5. Prof. P. S. Narayan Prashad, Poona,
6. Prof. S. G. Beri, Sydenham College of Commerce, Bombay,
7. Prof. N. S. Pardasani, Bombay,
8. The Principal, Willingdon College, Satara,
9. Dr. P. Kalukaran, Presidency College, Madras,
10. Prof. Dey, Prof. Dam, Dr. Chaudhri, }  
Dr. Junnarkar, Prof. K. B. Saha } Dacca University,
11. Forman Christian College, Lahore,
12. Andhra University,
13. Engineering College, Madras,
14. Dr. B. K. Seth, Dhera Dun,
15. Allahabad University,
16. Dr. Godebole, Benares,
17. Prof. Puxley, St. John's College, Agra,
18. Prof. S. K. Roy, Indian School of Mines, Dhanbad,
19. Indian Institute of Science, Bangalore,
20. Mr. B. Govinda Rao, Hindu College, Guntur,
21. Alembic Chemical Works, Baroda.
22. All India Marwari Federation, Calcutta,
23. Bengal Mill-owners Association, Calcutta,
24. Grain Merchants' Association, Bombay,
25. Gwalior Chamber of Commerce, Lashkar, Gwalior,
26. Marwari Chamber of Commerce, Calcutta,
27. The Punjab Federation of Industries, Amritsar,
28. Indian Merchants' Chamber, Bombay,
29. Bombay Millowners Association, Bombay,
30. Ahmedabad Millowners Association,
31. Mysore Chamber of Commerce, Bangalore,

32. Mysore Silk Association, Bangalore,
33. Buyers' and Shippers' Chamber, Karachi,
34. Indian Chamber of Commerce, Calcutta,
35. U. P. Merchants' Chamber,
36. Andhra Chamber of Commerce,
37. Karachi Indian Merchants Association,
38. Indian Chemical Manufacturers' Association,
39. Tata Sons Limited, Bombay,
40. Canara Bank Ltd., Mangalore,
41. Mr. M. P. Das, Speaker, Orissa Legislative Assembly, Orissa,
42. Dewan Nanakchand, Lahore,
43. Mr. G. D. Joshi, Delhi,
44. Mr. P. A. Ramalinga Chettiar, Mysore,
45. Mr. R. Suryanarayana Rao, Servants of India Society, Madras
46. Dr. C. A. Mehta, Director of Industries, Baroda.

## Second Sessions of the National Planning Committee, June 1939.

The National Planning Committee began its second sessions on Sunday, June 4, 1939 in Bombay, and sat daily (except on June 15th) till 17th June 1939. On the first day Shri Rajendra Prasad, the Congress President, was present at the meeting. Shri Jawaharlal Nehru presided at all the meetings and the following members and representatives of Provincial Governments and States attended these sessions :

Jawaharlal Nehru,  
Hon. Mr. V. V. Giri, Minister for Industries, Madras,  
Hon. Mr. L. M. Patil, do. do. Bombay,  
Hon. Dr. Syed Mahmud, do. Bihar,  
Sir Purshothamdas Thakurdas,  
Sir M. Visveswaraya,  
Dr. Megh Nad Saha,  
A. D. Shroff,  
K. T. Shah.  
A. K. Shaha,  
Dr. Nazir Ahmed,  
Dr. V. S. Dubey,  
Ambalal Sarabhi,  
Dr. J. C. Ghosh,  
J. C. Kumarappa,  
Walchand Hirachand,  
Dr. Radha Kamal Mukerji,  
N. M. Joshi,  
Shuaib Qureshi, Minister-in-Charge, Bhopal,  
P. B. Advani, Director of Industries, Bombay,  
M. B. Pillai, Director of Industries, Bihar,  
M. Khurshid, do. do. Assam,  
A. Mohiuddin, do. do. Hyderabad  
M. S. Ramachandra Rao do. Mysore,  
Dr. C. A. Mehta, do. Baroda,

2. The Committee considered and approved of a memorandum by the Chairman dated June 4th on the approach to and the guiding principles involved in a planning scheme.

3. The following Resolution on licensing was passed :—

“ This Committee is of the opinion that no new factory should be allowed to be established and no existing factory should be allowed to be extended or to change control without the previous permission in writing of the Provincial Government. In granting such permission the Provincial Government should take into consideration such factors as desirability of location of industries in a well distributed manner over the entire province, prevention of monopolies, discouragement of the establishment of uneconomic units, avoidance of over-production and general economic interest of the province and the country. The various provincial Governments should secure for themselves requisite powers for the purpose, if necessary, by undertaking suitable legislation. ”

4. The following budget of expenditure for six months ending 31st December 1939 was passed :—

Office Establishment... ..	14,490
Travelling Expenses of Staff and Committee and Sub-Committee Members and other Expenses of Sub-Committee Members ...	19,000
Printing, Postage & Stationery ...	6,100
Library and Reference books ...	1,000
Contingencies & Miscellaneous ...	9,000
	<hr/>
	49,590

The Chairman was given authority to pass additional expenditure if necessary and to engage additional members of the Staff.

5. The Committee appointed Prof. K. T. Shah as Honorary General Secretary of the Committee, and, as such, the executive head of the Office and organisation. He was requested to keep in touch with all the sub-committees and co-ordinate their activities, keeping in view the general directions issued by the Committee. For this purpose he was to be an ex-officio member of all the sub-committees appointed by the National Planning Committee.

6. Tentative lists of Key and Defence industries and Public Utilities were prepared, as also a list of such cottage industries as have to meet the competition of large scale industries.

It was resolved to forward these lists to the sub-committees concerned for their consideration.

7. The Committee appointed twenty-nine sub-committees to investigate and report on various problems and formulated detailed terms of reference for each of these. A general Note for the guidance of these sub-committees was also approved of and passed.

8. It was decided that in the event of any reference being made by a sub-committee, this should be decided by the Chairman and the General Secretary in consultation with the Chairman of the sub-committee concerned.

9. The Committee was of opinion that the sub-committees on allied or over-lapping subjects should co-ordinate their activities as far as possible and for this purpose their Chairmen and Secretaries might meet together whenever necessary. It should be the function of the General Secretary and of the office to help in such co-ordination.

10. In order to facilitate the co-ordination of the work of all sub-committees, a meeting of all the Chairmen and Secretaries of sub-committees should be held on a suitable date in the second or third week of July 1939 in Bombay. The General Secretary will convene this meeting.

11. Each sub-committee should be asked to send a brief abstract of their report and recommendations together with their full report.

12. Resolved that the Bombay Members of the National Planning Committee do form a Publicity sub-committee to keep the public informed of the activities of the National Planning Committee and its sub-committees. The General Secretary to be the convener of this sub-committee.

13. The Committee was of opinion that the forthcoming Census operations should be utilised for the purpose of collecting additional information of various kinds which is necessary for effective planning. It was resolved that letters to this effect be sent to the Government of India, and the Provincial and States Governments.

14. It was resolved to hold the next sessions of the National Planning Committee during the Puja holidays in the second half of October 1939, the exact dates being fixed later.

## **Chairman's Memorandum dated 4th June, 1939.**

The first meeting of the National Planning Committee took place five and a half months ago in December last. A questionnaire was drafted at this meeting and this was sent to various Governments, universities, public bodies, chambers of commerce, trade unions, firms and individuals. It was hoped that the next meeting of the Committee might take place by the end of March but repeated requests were made by those to whom the questionnaire was issued for an extension of time. These requests were not unreasonable as the questionnaire was a difficult and exhaustive one and required considerable labour if satisfactory answers were to be given. An extension of time was therefore granted and this has led to a delay in our holding our second sessions. I trust the Committee will excuse this delay.

2. In the resolution of the Conference of Ministers of Industries by which this Committee was appointed, it was laid down that the Committee was to submit its report to the Congress Working Committee and to the All India National Planning Commission within four months of the commencement of its sitting. That period is already over and we are far from the report stage yet. We have now received a considerable number of answers to our questionnaire and we have to consider them. We may have to appoint a number of sub-committees to investigate each individual problem separately, and then we have to meet again to consider the reports of these sub-committees. I do not think that at this stage these sub-committees will be required to make very detailed investigations and they should submit their reports within a reasonably short time.

3. I should like the preliminary report of the Planning Committee to be ready for presentation to the Congress Working Committee by October next at the latest. This report will of course not embody the full planning scheme in all its details. For this further investigations will be necessary. This might be undertaken by this Committee or by the Planning Commission which it is proposed to set up. In any event it becomes necessary to request the Congress Working Committee to grant us an extension of time, and I would suggest that the 31st October 1939 would be a suitable time limit.

4. We have been asked to draw up a National Plan for India, or at any rate to indicate the general nature of such a Plan, the details of which



can be filled in from time to time. Before we formulate such a Plan of national development, which is likely to cover all branches of material and cultural life of the country, we must be clear in our minds about our objective and the basic considerations which should govern such a Plan. It is clear that the drawing up of a comprehensive national Plan becomes merely an academic exercise, with no relation to reality, unless the Planning authority, or those to whom it is responsible, are in a position to give effect to that Plan. If this authority is powerless or is circumscribed and restricted and its activities limited, it cannot plan.

5. It follows, therefore, that the National Authority which plans must also have full power to give effect to its planning. An essential prerequisite for planning is thus complete freedom and independence for the country and the removal of all outside control. This implies that the country possesses in itself full sovereign authority to take any measures, adopt any policies, and form any relations with other countries as may seem best to its governing authority in the interests of the country and its people.

6. It is possible that in the event of the formation of a world union of free and equal nations, this sovereign authority might be voluntarily limited to some extent by each component unit in the interests of world planning and co-operation. But such a development would not come in the way of national planning. If it takes place on right lines, it might even help the planning within a nation. In any event we need not take this, for the present, remote possibility into consideration.

7. National independence is thus an indispensable preliminary for taking all the steps that might be found necessary for carrying out the plan in all its various aspects. It is not even possible to draw up a plan on any other basis. At the present moment it is clear that not only have we in India no national independence, but we are hedged in and obstructed by numerous restrictions, limitations, safeguards and reservations which block our path to planning and progress.

8. Our Plan for national development must therefore be drawn up for a free and independent India. This does not mean that we must wait for independence before doing anything towards the development of planned economy. Even under existing conditions we must make every effort to adopt all measures and policies which develop the resources of the country and raise the standard of our people. All such efforts, however, must be directed towards the realisation of the Plan we have drawn for a free India. They should neutralise, as far as possible, the force of the existing restrictions on our constitutional powers, and should not create new vested interests, or further erroneous policies, which might form new obstacles in the achievement of our goal and the realisation of our full plan.

9. We have thus to draw up a full Plan which would apply to a free India and at the same time indicate what should be done now, and under present conditions, in the various departments of national activity.

10. The ideal of the Congress is the establishment of a free and democratic State in India. Such a full democratic State involves an egalitarian society, in which equal opportunities are provided for every member for self-expression and self-fulfilment, and an adequate minimum of a civilised standard of life is assured to each member so as to make the attainment of this equal opportunity a reality. This should be the background or foundation of our Plan.

11. The Congress has, in view of present conditions in India, laid great stress on the encouragement of cottage industries in India. Any planning must therefore take note of this fact and base itself on it. This does not necessarily mean a conflict between cottage industries and large-scale industries. A large number of essential industries, which are necessary for the independence and well-being of the country, must inevitably be on a large-scale. The very resolution appointing the Planning Committee calls upon us to provide for the development of heavy key industries, medium scale industries and cottage industries. It lays down that the economic regeneration of the country cannot take place without industrialisation. We have thus to expedite this industrialisation and to indicate how and where key and basic industries are to be started. We have to demarcate, in so far as is possible, the domains of large-scale and cottage industries, and where the latter have been especially fostered by the national movement, to give them every protection and encouragement.

12. The Congress has laid down in its Karachi resolution on Fundamental Rights that the State shall own or control key industries and services, mineral resources, railways, waterways, shipping and other means of public transport. This general indication of Congress policy is of vital importance and applies not only to public utilities but to large-scale industries and enterprises which are likely to be monopolistic in character. A legitimate extension of this principle would be to apply it to all large-scale enterprises. It is clear that our Plan must proceed on this basis and even if the State does not own such enterprises, it must regulate and control them in the public interest.

13. It may be impracticable to insist on State management of existing industries in which vested interests have already taken root. But wherever even an established industry, under private control, receives aid or protection from the State, or tends to develop into a monopoly, or comes into conflict with the general policy of the State in regard to workers or consumers, the State should take necessary steps to assure conformity in all such ventures with its basic policy and with the objective laid down in the Plan.

14. The Karachi congress resolution on Fundamental Rights further laid down that :

- (a) The organisation of economic life must conform to the principle of justice, to the end that it may secure a decent standard of living.
- (b) The State shall safeguard the interests of industrial workers and shall secure for them, by suitable legislation and in other ways, a living wage, healthy conditions of work, limited hours of labour, suitable machinery for the settlement of disputes between employers and workmen, and protection against the economic consequences of old age, sickness and unemployment.

15. The resolution appointing this Committee does not mention agriculture as such, but it is impossible to conceive of any scheme of national planning in any country, and least of all in India, which does not include agriculture. Agriculture is and will remain the largest single industry of this country, and it is associated with a host of subsidiary industries. Any improvement of or variation in agriculture has far-reaching results in the economy of the nation. Cottage industries are intimately connected with it, more especially as providing suitable occupations for the spare time of the agriculturists. Agriculture must therefore inevitably be considered by this Committee in its scheme of national planning.

16. I suggest that some of the points noted above, and others of a like nature, might be considered by the Committee before we proceed to a detailed examination of the answers to our questionnaire and other problems. This will enable us to lay down our general policy and indicate our method of approach to the problem. It will also prevent a repetition of arguments on the same subject. We have to remember that the Plan must be a comprehensive programme of national development, each part fitting in to the other. It has to be viewed in this perspective and drawn up as such.

17. Prof. K. T. Shah has, at my request, very kindly prepared a rough sketch of a draft plan. I requested him to do so as I felt that some such draft would help us to view the subject as a whole and to consider its various aspects. This draft has been circulated to the members.

18. After we have discussed and laid down these points of basic policy, and examined briefly the replies to the questionnaire, we might proceed to the appointment of sub-committees. These sub-committees would then be guided by this policy as well as such further terms of reference as we might lay down. I think it is important that the sub-committee should meet soon and report as early as possible. We cannot afford to lengthen out our work. It is possible that some of the sub-committees might even report before our present session ends. We have asked the members of the Committee to come prepared to stay here for a fortnight.

19. We shall have to reorganise our whole office and make further arrangements about our finances. Work has grown and will grow rapidly and our present staff is unable to cope with it. I suggest that we appoint a sub-committee to go into this matter and report to us within a few days.

20. Our finances are at present low and Provincial Governments and States who are co-operating with us should be requested to send further and substantial contributions. The work this Committee is doing is essentially their work and they should not grudge us help. On our part we must organise our work as economically as possible. Although we are supported by various Provincial Governments and States we need not, and indeed we cannot afford to, fall into the bad habits of official committees and commissions which are notorious for spending on themselves large sums of public money. We should rather try to observe the standards laid down by the Congress for its committees.

JAWAHARLAL NEHRU.

## **Note for the Guidance of Sub-Committees of the National Planning Committee.**

1. The National Planning Committee has been entrusted with a task which is vast in its scope, vital in its significance and intimately connected with the progress and future well-being of the people of this country. In order to have the fullest assistance and co-operation of others in this task, the committee has appointed a number of sub-committees consisting of eminent and distinguished experts in various fields of national activity. Planning is a much used word in the world today; yet in India this is the first attempt to plan on a national basis and to co-ordinate the manifold activities of the nation. Many fundamental questions arise as to the nature of this Planning, the objective in view and the methods to be adopted. Final decisions on most of these questions will have to be taken at a later stage by the Planning Committee and the ultimate acceptance of those decisions and their application will lie with the representatives of the people. But there cannot even be an approach to planning without some clarification of the objectives and the methods to be employed.

2. The Chairman of the Planning Committee in a memorandum which he presented, drew the attention of the Committee to some of the guiding principles and objectives which should govern national planning. A copy of this memorandum is attached to this note and the particular attention of all members of sub-committees is invited to it. This note has been prepared in further amplification of the Chairman's memorandum for the guidance of the sub-committees. It is of the essence of planning that there should be co-ordination between various activities, and it thus becomes necessary that the various sub-committees should have a common purpose governing their outlook and should co-operate together in building a National Plan which is an organic whole, each part of it having its proper place and fitting in with the other parts.

3. What is planning? Planning under a democratic system may be defined as the technical co-ordination, by disinterested experts, of consumption, production, investment, trade and income distribution in accordance with social objectives set by bodies representative of the nation. Such planning is not only to be considered from the point of view of economics and the raising of the standard of living, but must include cultural and spiritual values and the human side of life.

4. Such a plan thus requires a social objective and the power and authority to give effect to the Plan. If this power is limited in any way or there are other restrictions, political or economic, which come in the way of the working out of the Plan, no comprehensive planned economy can develop. Real Planning can only take place with full political and economic freedom, and a national plan must therefore be based on India having sovereign authority. At the same time, in view of present circumstances prevailing in the country, and the restrictions that have been imposed upon us, the Plan must also indicate what is immediately feasible and what steps should be taken, even under existing conditions, to work towards the realisation of the Plan and to secure the fullest possible utilisation of the national resources for raising the standard of life. Such steps must be in keeping with the scheme of a planned economy, and in no event must anything be done which might come in the way of that Plan.

5. There is a large measure of agreement in the country about our social objectives and yet there are vital differences also. It is possible that many of these differences might be resolved as a result of this enquiry. To some extent these objectives have been indicated by the National Congress in a number of resolutions and by the general policy it has pursued. We must adhere to this general policy and keep these objectives in view. Reference has been made to these in the Chairman's memorandum.

6. The Congress has laid stress for many years on the development of cottage industries and has sought to direct the attention of the country to the condition of the villagers. We cannot forget that emphasis or ignore the fact that all progress in India must be measured in terms of raising the standards of India's millions. An apparent conflict has arisen in the minds of some between the claims of cottage industries and those of large scale industries. This conflict is largely one of emphasis. It is clear that in India today the development of cottage industries on a vast scale is essential for the well-being of the masses. It is equally clear that the rapid development of large scale machine industry is an urgent need of the country. Without industrialisation no country can have political or economic freedom, and even cottage industries cannot develop to any large extent if economic freedom is absent. Without industrialisation also the rapid and effective raising of the standard of the people is not possible. Key industries, defence industries and Public Utilities must be developed on a large scale. Even the development of cottage industries is helped greatly by the supply of cheap power and suitable machinery for cottage use which are obtainable from the working of large scale enterprises. To some extent handicrafts and large scale industrial enterprises are complementary to each other. The problem before the country, therefore, is one of co-ordinated growth in both directions and the avoidance, so far as is possible, of conflict between cottage industry and large scale industry.

7. The emphasis of the congress on cottage industries is chiefly due to its desire to have a more equitable system of distribution and to avoid the evils that have resulted from indiscriminate and uncontrolled industrialism. Distribution is the vital corner-stone of any planned economy and the evils of industrialism can and should be avoided if there is an equitable system of distribution. In the national Plan for India a proper scheme of distribution must therefore be considered as essential.

8. The resolution of the Delhi Conference of Ministers of Industries which led to the formation of the National Planning Committee, is a clear direction to the Committee to hasten industrialisation, and calls for the development of heavy Key industries, medium scale industries and cottage industries. These are the terms of reference of this Committee. It should be further remembered that the Congress has laid down in its resolution on Fundamental Rights that "The State shall own or control Key Industries and Services, Mineral Resources, Railways, Waterways, Shipping and other means of Public Transport."

9. The principal objective of planning the national economy should be to attain, as far as possible, national self-sufficiency and not primarily for purposes of foreign markets. This does not exclude international trade, which should be encouraged, but with a view to avoid economic imperialism. The first charge on the country's produce, agricultural and industrial, should be to meet the domestic needs of food supply, raw materials and manufactured goods. But outlets for surplus goods may be explored to meet the requirements of India's international indebtedness.

10. The fundamental aim to be kept in view is to ensure an adequate standard of living for the masses. An adequate standard of living implies a certain irreducible minimum plus a progressive scale of comforts and amenities. Estimates of economists in different parts of India put down this irreducible minimum at figures varying from Rs. 15 to Rs. 25 per capita per month in the present value of the rupee. The expression in terms of money is only used for the sake of convenience, the real measure being in terms of goods and services. An approximate estimate puts the average annual income per capita at Rs. 65. This includes the rich and the poor, the town-dweller and the villager. The average of the villager is estimated to be somewhere between Rs. 25 and Rs. 30 per annum per capita. This implies not only a considerable deficit in food supply but also in the other essential requirement of human existence. The national income must therefore be increased greatly during the next ten years to ensure an irreducible minimum standard for everybody. In order to secure this minimum standard not only will it be necessary to increase production but also to bring about a more equitable distribution of wealth.

11. A really progressive standard of life will necessitate the increase of the national wealth five or six times. But for the present the minimum standard which can and should be reached is an increase of national wealth of between two and three times within the next ten years. It is with this object in view that we should plan now.

12. Planned advance has to be measured by certain objective tests from year to year. These may be laid down as follows :—

- (i) The improvement of nutrition from the standard of an irreducible minimum requirement of proteins, carbohydrates and minerals (as well as necessary protective foods) having a calorific value of 2400 to 2800 units for an adult worker.
- (ii) The improvement of clothing from the present consumption of about 15 yards on an average to at least 30 yards per capita per annum.
- (iii) Housing standards to reach at least 100 sq. ft. per capita.

13. Viewed from another standpoint the following indices of progress should be borne in mind :—

- (i) The increase in agricultural production ;
  - (ii) The increase in industrial production ;
  - (iii) The diminution of unemployment ;
  - (iv) The increase in per capita income ;
  - (v) The liquidation of illiteracy ;
  - (vi) The increase in public utility services ;
  - (vii) Provision of medical aid on the basis of one health unit for 1000 population ;
  - (viii) The increase in the average expectation of life.
- } To meet at least the requirements laid down in 12 (i) and (ii) above.

Statistical data have to be collated and compared with a view to measure the progress of the Plan from time to time. The development of statistical work will be necessary to keep pace with the development of planning.

14. The different sectors of the Plan have necessarily to be co-ordinated. The essence of planning is an advance on all fronts. There must be agricultural planning, the object being that the country should be at least self-sufficient as regards food stuffs measured in terms of the food index given above, and as regards the quantity of raw materials, this should be raised by a pre-determined percentage. Soil conservation, afforestation grass land management, flood control and river management and improvement of inland navigation and transport, improvement of live stock and



fodder supply, are items in the planned programme which have not yet been taken up systematically. Power development and the conservation and development of coal and other kinds of fuel for industrial power also demand planning. More important is the planning of different kinds and types of industries, large, medium and cottage, which alone may effectively mitigate the present pressure of population on the soil. Within a decade the aim should be to produce a balanced economic structure in which about half the population would depend on agriculture.

15. Education, general and vocational, and developmental research also have to be included in a planned programme. The place and organisation of public services should be in keeping with the requirements of the Plan.

16. No planning can succeed if the rate of economic progress is outrun by the rate of increase in population. In the planned economy of India emigration shall not be based on the deliberate policy of developing population so as to create a surplus to settle in other countries but such surplus may be allowed to emigrate through agreements with other countries with due regard to the rights of such settlers in those parts.

17. A ten year limit for the accomplishment of the Plan with control figures for different periods and different sectors of economic life should be laid down.

18. Defence industries should be owned and controlled by the State: Public Utilities could be owned or controlled by the State but there is a strong body of opinion which is in favour of the State always owning Public Utilities. Other Key industries should be owned or controlled by the State.

19. Other conditions, such as availability of raw materials and resources and ready access to large consuming centres, being equal, special attention should be devoted in the Plan to the development of industrially backward regions. In recommending the distribution of the several industries all over the country, care should be taken to see that full opportunity is available to every Province and State to develop, as far as possible its raw materials, employ its labour, and invest its capital.

20. Labour legislation and codes, health, sickness and unemployment insurance, national housing and social welfare schemes will have to be co-ordinated with the Plan. The Provinces and States will initiate these, but the National Planning Commission should lay down the general policy governing the minimum standard of wages and the employment of labour.

21. Provinces vary in capital resources and in the capacity for industrial experimenting and pioneering. It will be desirable for them to work through the National Planning Commission with its appropriate adjuncts.

22. As regards ways and means for a planned economic development in general the credit of the provincial and central Governments should be

fully utilised to raise necessary finance, and the investment policy of the banking and insurance institutions of the country will have to be changed in order to further industrial planning. Reorganisation and control of the currency system are essential for economic recovery.

23. A complete scheme of planned economy is a vast undertaking requiring full information and data and the willing co-operation of the technical experts, industrialists, administrators and the public at large. It is a progressive scheme being continually adjusted to changing conditions and always taking advantage of the experience gained in its working. The National Planning Committee is obviously not in a position to draw up such a complete scheme nor does it intend to do so at this stage. What is intended now is to lay the foundation of a planned economy on which the future structure can be built. But even at this stage the full picture must be envisaged, a complete outline drawn up, which can be filled in later as opportunity comes and further materials are available. India is one of the very few countries in the world which has practically all the resources within its borders of building up a planned system.

24. The Committee therefore proposes to proceed on the existing data, or on such materials as can easily be obtained, and to draw up a broad outline picture. It is hoped to present early next year a preliminary report which can be the basis for the next stage of planning. The sub-committees are requested to bear this in mind as the time factor is important. All the sub-committees should send their reports to the National Planning Committee by the 31st December 1939 at the latest. It is hoped, however, that such sub-committees as can do so will send their reports by the 31st October or earlier.

25. A schematic outline of national planning is appended herewith.

## APPENDIX.

### SCHEMATIC OUTLINE OF NATIONAL ECONOMIC PLANNING

#### *National Economic Planning.*

Land (1)	Water (2)	National Resources (3)	Labour (4)	Agriculture (5)	Industry (6)	Trade (7)	Credit (8)	Finance (9)	Education (10)
<b>Land Planning (1)</b>									
Soil Conservation		Afforestation and Grass- land Management		Population, Food and Crop Planning		Inter-Provincial Emigration and Re-settlement.		Cattle Improvement, Development of Local Breeds and Elimination of un-economical stock.	
<b>Water Planning (2)</b>									
Flood Control and River Management.		Canalisation and Irriga- tion Development.		Improvement of Inland Navigation.		Development of Fisheries, Marine and Inland.		Bonification and resuscita- tion of dead rivers and water-ways.	
<b>National Resources Planning (3)</b>									
Power and Fuel Development (including hydro- electric development and conservation and development of Coal and other kinds of fuel for industrial power and of allied industries).			Exploration and utilisation of all kinds of raw materials (including forest products).				Utilisation of Mineral Resources.		
<b>Labour (4)</b>									
Labour Code and Legislation.		Organisation.			Health, Sickness and Unemployment Insurance.			Housing and Social Welfare.	

### **Agricultural Planning (5)**

Improvement of Seeds, manures, implements and farming practice.	Co-operation and, if necessary, collectivisation in farming.	Improvement of rural transport and marketing methods linked with rural credit.	Scaling down of Debt and control of Agricultural money-lending.	Revision of land tenure and laws of succession.	Cottage Production and subsidiary employment in connection with Agriculture.
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### **Industrial Planning (6)**

Development of Key and basic industries (chemicals, mining and metallurgical industries, machines, machine tools and prime movers.)	Development of Light Industries.	Development of Agricultural Industries.	Rationalisation of the big organised industries for the prevention of internal competition and better co-ordination between large and small-scale industries and handicrafts.	Co-ordination of the industrial policy of different Provinces as regards control of prices of raw materials, minimum wages and standards of employment of labour.
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### **Planned Trade (7)**

Discriminative Protection	Reciprocal commercial Agreements for the special advantage of Agriculture.
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### **Planned Credit (8)**

Planned Monetary Policy	Co-ordination of different credit agencies under central control.	Organisation of long-period credit in Agriculture.	Improvement of Industrial Banking.
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### **Planned Finance (9)**

Revision of the Tax Burden in favour of the rural masses.	Revision of the Land Revenue Policy.	Expenditure on various works of rural public utility (including development of internal communications, water supply, sanitation and a national rural housing scheme).
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### **Planned Education (10)**

Agricultural Education and propagands.	Technical Education of various grades including education of the workers.	Industrial and Developmental Research.
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## **List of Sub-Committees with their terms of Reference :**

### **GENERAL TERMS OF REFERENCE :**

Each Sub-Committee to read through the replies of the questionnaire dealing with their particular subject, and draw a report to be submitted to the National Planning Committee.

Each Sub-Committee to submit a memorandum in continuation of the report dealing with the present state of affairs within its purview, lay down the objectives to be realised within a specific period and indicate the lines and methods by which the objective is to be achieved.

### **I. Agriculture.**

1. Rural Marketing and Finance.
2. River Training and Irrigation.
3. Soil Conservation and Afforestation.
4. Land Policy, Agricultural Labour and Agricultural Insurance.
5. Animal Husbandry and Dairying.
6. Crops—Planning and Production.
7. Horticulture.
8. Fisheries, ( Marine and Inland )

This group of Sub-Committees deals with matters which are included, generally speaking, in questions Nos. 8-10, 41-65, 66-90 inclusive, of the Questionnaire.

#### **I/1. RURAL MARKETING AND FINANCE.**

This Sub-Committee deals with :—

- (a) organisation and technique of markets in rural areas at convenient centres ;
- (b) storing and grading of commodities ;
- (c) financing of such commodities while being marketed, and devising appropriate institutions and instruments to develop rural credit ;
- (d) place and burden of middlemen in marketing ;
- (e) the necessary transport facilities ;

- (f) method of distributing the portion needed for local consumption ;
- (g) organisation of the village community for efficient distribution of commodities and rapid turnover ;
- (h) regulation and development of local trade, (including advertising) and control and regulation of prices ;
- (i) correlating each unit's trade with the means of production within that unit ;
- (j) organisation of the unit's trade with other units within the country or outside.

### 1/2. RIVER TRAINING AND IRRIGATION.

This Sub-Committee deals with :—

- (a) the care of rivers (including river sanitation and water supply for human consumption) ;
  - (b) training of rivers for development of power ;
  - (c) protection against floods ;
  - (d) utilisation of rivers for navigation ;
  - (e) providing adequate water for agriculture, by canal, well or tank irrigation ;
- and any other questions connected with water supply and conservation.

### 1/3. SOIL CONSERVATION AND AFFORESTATION.

This Sub-Committee deals with :

- (a) the protection against erosion, floods and other detrimental factors affecting the soil ;
  - (b) treating it with manure and fertilisers ;
  - (c) providing drainage and other facilities needed to guard against water-logging, weeds, etc. ;
  - (d) planting of new forests in areas denuded of forests ;
  - (e) care of existing forests and silviculture ;
  - (f) development of forest produce ;
  - (g) establishing or developing industries founded upon forest produce ;
  - (h) provision of transport facilities needed to develop forests ;
  - (i) reclamation of land ;
- and all other pertinent questions connected with silviculture and industries founded on forest produce,

#### I/4. LAND POLICY, AGRICULTURAL LABOUR AND INSURANCE.

This sub-committee deals with :—

- (a) the use and ownership of land and their effects on cultivation and social stratification ;
- (b) measures to be suggested for agrarian reform with a view to bring about an equitable distribution of land resources and their effective utilisation for the maximum benefit of the country ;
- (c) land policy and legislation concerned therewith including the size of economic holdings, with due regard to the numbers to be supported, as well as to the full utilisation of the equipment available ;
- (d) land revenue including Permanent Settlement, agricultural rent, and other customary dues or cesses and charges, legislation affecting tenure of land, inheritance, alienation of agricultural land by sale to non-agricultural classes ;
- (e) supply of cheap power for agricultural purposes ;
- (f) ways and means of bringing under cultivation culturable waste ;
- (g) agriculturists ; co-operation for production and consumption ;
- (h) rural indebtedness in relation to Land Policy ;
- (i) other legislation affecting the life and activities of agriculturists ;
- (j) agricultural labour including wages, hours of work, conditions of employment, efficiency of labour, and legislation affecting the same ; landless labourers, partial owners, and tenants or sub-tenants working on land ; agrestic serfdom ;
- (k) agricultural Insurance, including provision against famine, flood, loss of crops, diseases of cattle, due to particular pests and other contingencies of agricultural life.

#### I/5. ANIMAL HUSBANDRY & DAIRYING.

This sub-committee deals with :—

- (a) Animal husbandry, comprising cattle breeding needed for farm labour, transport and food supply ;
  - (b) fodder for live stock and animal nutrition ;
  - (c) products of animals (hides, horns, hair, bones, guts &c.) and their uses ;
  - (d) animal diseases and elimination of uneconomic stock ;
  - (e) Dairy products, including milk, butter, ghee, cheese, Casein, and products therefrom ;
  - (f) poultry farming ;
  - (g) bee-keeping,
- and any other questions connected therewith.

### 1/6. CROPS—PLANNING & PRODUCTION.

This sub-committee deals with :—

- (a) development of scientific agriculture, with proper attention to bring about a suitable balance between food crops (wheat, rice, millets, pulses etc.) and commercial crops (cotton, jute, tobacco, tea, coffee, oil seeds, &c.)
- (b) fodder crops;
- (c) organisation of the agricultural community so as to utilise most efficiently the time and labour of the population by establishing, encouraging and developing appropriate subsidiary industries dependent on agriculture;
- (d) dissemination of technical information and practical demonstration of improved agricultural methods.

### 1/7. HORTICULTURE.

This sub-committee deals with :—

- (a) market gardening, cultivation of vegetables, fruits, and flowers;
- (b) methods of fruit preservation (canning, making of pickles, etc. refrigerated gas storage of fruits and vegetables);
- (c) other subsidiary industries, e.g. essential oils, scents, attars &c, and any other questions connected therewith.

### 1/8. FISHERIES.

This sub committee deals with :—

- (a) inland fishing;
- (b) coastal fishing,
- (c) deep sea fishing;
- (d) pisciculture;
- (e) fish products including fish oil and fish meal, dried and smoked fish;
- (f) marketing of fresh fish including cold storage and transport facilities;

## II. Industries.

1. Cottage and rural industries, including marketing and finance,
2. Power and fuel,
3. Chemicals,
4. Mining and Metallurgical industries,



5. Engineering industries (machines, machine tools and prime movers &c.) including transport industries,
6. Manufacturing industries,
7. Industries connected with public services such as education (press, cinema), sanitation, making scientific instruments and appliances etc.

This group of sub-committees deals with industries including both small scale (or cottage) industries and large scale industries equipped with power-driven machinery and working for a large market, national or international.

The questions relating to these are comprised in the questionnaire, particularly questions Nos. 10-16, 17-40, 146-151 and in the supplementary questionnaire Nos. 1-6, 17-26, 65-70 inclusive.

The following are the general terms of reference for this group of sub-committees; In addition to these general terms and references, specific terms for each of the special sub-committees will be found under the corresponding heading infra.

- (a) Location of industries, with due regard to the raw materials needed, power supply required, man-power available and market to be supplied. In cases where more than one locality has these facilities for establishing any industry, the problem of location will also comprise the co-ordination and rational distribution of several such establishments, so as to avoid over-production, misdirection of national energy, or internal rivalries. Due regard should be paid to the fullest utilisation by every unit in the country of all locally available raw materials, fuel or labour supply, and local or national market, in order to avoid any chance of monopolies being developed in industries under private ownership and management;
- (b) Conservation and full economic utilisation of natural resources, especially minerals and fuel sources;
- (c) The agency to conduct, control or supervise these industries,—whether individual, partnership firm, joint stock companies, statutory corporations, local bodies, provincial governments or national governments, Indian or non-Indian.

Policy and legislation relating to this question of the agency to conduct, control or supervise particular industries may be enumerated by all the sub-committees in this group sitting together. Ways and means of acquiring industries of national importance by Government if not under public ownership and management from the start.

- (d) Regulation and control of such monopolies including trust and cartels, as may have been developed in any industry (e.g., cement, or shipping, electrical, safety match.)
- (e) Housing of industries in the appropriate buildings, equipment with plant and machinery; size of operations; rationalisation of existing industries, admitting of such improvement;
- (f) Finance of each of these group of industries to be considered in collaboration with special sub-committees dealing with industrial finance, both by way of initial and working capital.
- (g) Marketing of the produce, both in India and outside, with due regard to the maintenance of a reasonable stability of prices;
- (h) Protection, encouragement, assistance or safeguard of such industries by the State in an appropriate form and to an adequate degree; particularly against international combines; consideration of the fiscal policy of the country;
- (i) Industrial Legislation, providing for control and supervision of industry, standardisation, maintenance of efficiency, rationalisation of work, regulation of markets etc., patents (and copy-rights), licensing, and general policy regarding mining concessions;
- (j) Legislation regarding relations of employer and workmen, including the maintenance of industrial peace, together with ways and means for ensuring it;
- (k) Defining general policy affecting competition and co-ordination between cottage industries and industries worked by power-driven machinery;
- (l) to survey the present deficiency of technically trained men in all branches of industry, and suggest measures for making good the deficiency;

*N. B.* The various sub-committees concerned should submit a note on this subject to the Technical Education Sub-Committee.

- (m) to consider measures for manufacture of the necessary machinery and apparatus and submit notes thereon to the Engineering Industries Sub-Committees.

Both (l) and (m) to apply to agriculture as well.

The group of Key Industries is given in an appendix.

*N. B.* No mention is made here of industries concerned with consumption goods and services; but they will have to be taken up later.

## II/1. COTTAGE AND RURAL INDUSTRIES.

This Sub-Committee deals with :—

- (a) the survey of the condition of cottage and village industries, taking into consideration the raw materials available, the reasons for the decay of cottage industries and suggest ways and means by which the proceeds of production may be improved ;
- (b) the problem of marketing and financing ;
- (c) investigation of competition from centralised and foreign products, and from substitutes that have replaced products of cottage industries ;
- (d) noting the change in demand and suggesting methods for improvement in quality and design ;
- (e) measures to be suggested for the promotion and revival of these industries ;
- (f) the incidence of taxation on these industries ;
- (g) ways and means for standardising and regulating prices ;
- (h) definition of cottage industry ;
- (i) how many of these ought to be protected from factory competition ?
- (j) in respect of those that are working for wages in such concerns, what are the conditions of work and wages and how do these compare with those prevailing in other employments in the area ? Are " children " and women employed ?

## II/2. POWER AND FUEL

This Sub-Committee is required :—

- (a) to make a general survey of the present state of power supply from all sources ;
- (b) to obtain information about the cost of production, of power under different headings and of the rates charged for each kind of power supply ;
- (c) to survey the potential resources of generation of power (from water, steam, oil, wood, industrial alcohol and other sources) ;
- (d) to recommend measures for development of cheap and abundant power supply for the work contemplated by the National Planning Committee.
- (e) to examine the present state of the law in regard to electric undertakings and suggest amendments, if necessary.

## II/3. CHEMICALS.

This Sub-Committee is required :—

- (a) to make a census of chemicals including fertilisers, produced in India and imported from abroad ;
- (b) to survey the potentialities for the manufacture of chemicals in India ;
- (c) to form an estimate of the country's requirements in chemicals on a progressive scale for the next ten years ;
- (d) to recommend ways and means for developing chemical industries in order to supply the nation's requirements in the next ten years ;
- (e) to recommend such legislation or special concessions as may be necessary for the encouragement and development of these industries ;
- (f) to review the possibility of export trade in chemicals for the manufacture of which India possesses special advantages.

## II/4. MINING AND METALLURGY

This Sub-Committee deals with :—

- (a) the present mineral production of India ;
- (b) the future possibilities ;
- (c) classification of the mineral resources essential for national defence and non-essential, and recommend the appropriate policy for each ;
- (d) present position of laws of mineral exploitation, and modification of them to suit our goal ;
- (e) present position of metallurgical industry, ferrous and non-ferrous ;
- (f) national policy for use of metals in our industries looking into our national resources ;
- (g) best position of locating these industries and ways and means of developing them ;
- (h) national policy re: import of minerals needed for national defence.

## II/5. ENGINEERING INDUSTRIES &amp; TRANSPORT INDUSTRIES.

Sub-Committee is required :—

- (a) to make a general survey of the present annual imports of machines, machine tools and instruments and prime movers etc.
- (b) to examine the present state of production in India of above ;

- (c) to find out what will be the country's requirements, of machines, machine tools and prime movers, including automobiles, locomotives, wagons, ships, aircraft, and their parts and accessories during the next ten years with due regard to the relative urgency in different cases ;
- (d) to recommend measures which should be taken to manufacture in the country India's requirements under (c) above.

#### II/6. MANUFACTURING INDUSTRIES.

This Sub-Committee deals with :

the general terms of reference and terms of reference under the group ' Industries '. This Sub-Committee may elaborate its own scope of inquiry.

#### II/7. INDUSTRIES CONNECTED WITH PUBLIC SERVICES.

This Sub-Committee deals with :

the general terms of reference and terms of reference under the group ' Industries '. This Sub-Committee may elaborate its own scope of inquiry.

### III. Demographic Relations.

1. Labour (other than agricultural) and unemployment, and efficiency of labour and labour policy.
2. Population.

#### III/1. LABOUR.

This Sub-Committee deals with :

- (a) Labour other than agricultural labour, including the problem of unemployment,
- (b) the general policy relating to labour, with special reference to the terms and conditions of employment, rationalisation of output and efficiency, rates of wages, methods of wage determination, hours and conditions of work in factories, mines, workshops, plantations, railways and transport services, docks etc ;
- (c) insurance against sickness, industrial accidents, old age, maternity, unemployment, and other contingencies of industrial life,
- (d) the problem of employment of women and children,
- (e) measures and legislation for the safety of workers in mines, factories, workshops, plantations etc.,
- (f) adequate provision for their housing, health and sanitation.
- (g) organization of labour,
- (h) provision of apprenticeships for industrial workers,

- (i) other incidents of industrial life, e.g. strike, lock-outs, and labour disputes in general, and the ways and means (including legislation) of settling them by conciliation or arbitration.

### III/2. POPULATION :

This Sub-Committee deals with :

- (a) population, including the problem of numbers and quality of population,
- (b) correlation of population with means of subsistence,
- (c) remedial measures, against over population, e.g. migration within the country and emigration beyond the frontiers, including the desirability thereof,
- (d) legislation or customs regarding age of marriage,
- (e) re-distribution of population within the country and outside the country, by negotiations,
- (f) other questions affecting the numbers, quality, and distribution of population and the rate of its growth.

### IV. Commerce and Finance.

1. Trade (inland and foreign).
2. Industrial finance.
3. Public Finance.
4. Currency and Banking.
5. Insurance.

#### IV/1. TRADE.

This Sub-Committee deals with :

- (a) Trade—local, inter-provincial, inter-regional and international ;
  - (b) the nature, volume and character of our domestic and foreign trade ;
  - (c) the treaties which have hitherto regulated any part of trade with other countries ;
  - (d) India's balance of international payments ;
  - (e) means of regulating and developing such trade so as to minister most effectively to the national prosperity, by means of bilateral trade agreements, and advancement of the cause of Indian traders settled in foreign countries ;
  - (f) of middlemen in trade (domestic or foreign) and the
  - (g) or
- ing facilities.

## IV/2. INDUSTRIAL FINANCE.

This Sub-Committee deals with :

- (a) financing of industries, large, medium, small or cottage, in the different parts of the country, with special reference to the devices or institutions such as industrial bank and co-operative credit societies ;
- (b) attracting foreign capital and its regulation ;

*N.B.* Financing includes both working capital and fixed capital.

## IV/3. PUBLIC FINANCE.

This Sub-Committee deals with :

- (a) the present and prospective scale of expenditure by national as well as provincial and local governments and of the several states,
- (b) their sources of income through taxation, and income from public domain, public enterprise, and other receipts,
- (c) incidence of these burdens,
- (d) development of new sources of public income with a view to aiding the process of planned development and effecting redistribution of national wealth. The Sub-Committee will suggest the maintenance and development Budget for each State and Province to assist effective carrying out of the Plan including the utilisation of Public Credit.

## IV/4. CURRENCY AND BANKING

This Sub-Committee deals with :

- (a) banking and currency, including all forms of legal-tender money as well as deposit currency,
- (b) the credit system of the country in general,
- (c) regulation and control of foreign exchanges,
- (d) regulation and control of the country's metallic reserves and other valuta for the service of foreign exchange ;
- (e) the various types of banking including central banks, industrial banks and commercial banks, co-operative banks, land mortgage banks, postal banking etc.,
- (f) ways and means of mobilising capital within the country and conserving the same for effective employment in the service of the country's agriculture and industry.
- (g) saving and investment habits and
- (h) measures for linking up rural credit with the capital market.

## IV/5. INSURANCE.

This Sub-Committee deals with :—

insurance including Life, accident, fire, marine and general.

*N.B.* : Industrial and Agricultural Insurance has been entrusted to separate Sub-Committees.

## V. Transport

1. Transport services : Railways, Roads, Rivers, Coastal and Overseas Transport and Air.
2. Communications, Telegraph, Telephone and Radio.

## V/1. TRANSPORT SERVICES.

This Sub-Committee deals with :—

- (a) all forms of transport by road, rail, riverways, coastal and overseas shipping as well as by air ;
- (b) their rates, fares or freight charges, with due regard to the development of industries and inland trade ;
- (c) the extension, improvement and increase of these facilities, with special reference to the construction of roads so as to link villages with markets and sub-divisional headquarters throughout the year ;
- (d) co-ordination of road, rail and river traffic.

## V/2. COMMUNICATIONS, SERVICE &amp; INDUSTRY.

This Sub-Committee deals with :—

- (a) the organisation of Communications, including the postal service, telegraphs and telephones, as well as radio :
- (b) industries concerned with the manufacture, and connected with providing, of instruments and apparatus needed for telegraphs, telephones and radio and their parts and accessories :
- (c) encouragement of tourist traffic including hotels, travel agencies and banking facilities.

## VI. Public Welfare.

1. National Housing.
2. National Health.

## VI/1. NATIONAL HOUSING COMMITTEE.

This Sub-Committee deals with :—

- (a) the provision of materials—brick, stone, cement, lime, wood, steel, glass &c, needed for house-building of all kinds, and specialised labour needed.



- (b) prescribing of standards of housing accommodation for rural and urban areas, with due regard to climate, situation, kind of need to be met, with suitable provision of air, light, water, sanitary equipment and labour saving devices.
- (c) consideration of the problem of Town Planning, and the ways and means of relieving congestion of population, with the consequent adequate provision of transport, communications and recreational facilities.
- (d) agency, national, provincial, local or private, to provide housing.
- (e) any other questions connected therewith.

#### VI/2. NATIONAL HEALTH :

This Sub-Committee deals with :—

- (a) prescribing standards of dietary and nutrition for all classes of population ;
- (b) consideration of the nature and incidence of the various epidemics which take a heavy toll of life, and suggestion of ways and means for guarding against these scourges ;
- (c) investigation into the volume and causes of infant mortality, as well as mortality among women and suggestion of ways and means of reducing such mortality ;
- (d) provision of the necessary health units, comprising physicians, nurses, surgeons, hospitals and dispensaries, sanatoria and nursing homes ;
- (e) health insurance ;
- (f) medical training and research ;
- (g) compilation of Vital Statistics, including those of birth and death rates.
- (h) cultivation of the necessary drugs and production of medicines to provide the necessary preventive or curative aid and scientific surgical appliances and accessories of the National Health Services ;
- (i) any other questions connected therewith.

#### VII. Education.

1. General Education—to collate the work of the Wardha Committee and of the Expert Committee appointed in the provinces, mobilisation of labour for social service.
2. Technical education, both industrial and agricultural and Developmental Research.

## VII/1. THE GENERAL EDUCATION SUB-COMMITTEE

deals with :—

- (a) general education of the entire nation in all stages and branches. In this connection, work has already been done by several provincial and national committees specially appointed for the purpose and the results produced by these would need to be collated and a general policy framed for educating the entire nation ;
- (b) the problem of adult education ;
- (c) terms and conditions of employment of teachers ;
- (d) mobilisation of labour for social service.

## VII/2. TECHNICAL EDUCATION ( AGRICULTURAL, INDUSTRIAL AND COMMERCIAL ) AND DEVELOPMENTAL RESEARCH,

This Sub-Committee is required :—

- (a) to review the activities of the existing technical institutions and find out how far the present equipment in men and apparatus are sufficient in turning out men of the engineer foreman and skilled worker class necessary for the industrial and agricultural work at present existing in the country ;
- (b) to find out what improvements are necessary in the existing institutions, and what further training institutions need be started for turning out technicians of different classes to undertake the developmental work contemplated by the National Planning Committee.
- (c) to survey the scope of activities of existing research institutions where researches in agricultural industry are carried out with a view to developing the country's wealth ;
- (d) to co-ordinate training in technical and research institutions with works' experience ;
- (e) to consider the necessity of starting an All India Board of Industrial and Scientific Researches and to recommend a constitution for it ;
- (f) to direct the Stores purchase policy of the Government and of the major industries so as to secure facilities for expert practical training abroad of apprentices and technicians ;
- (g) to prepare a scheme of State technical scholarship in relation to specific developmental programmes to be undertaken.

**VIII. Woman's Role in Planned Economy :—**

This Sub-Committee deals with :—

the place of woman in the planned economy of India, including consideration of her social, economic and legal status, her right to hold property, carry on any trade, profession or occupation, and remove all the obstacles or handicaps in the way of realising an equal status and opportunity for woman.

in particular it will confine itself with :—

- (a) the family life and organisation, and woman's employment in the house, and the change therein in recent years ;
- (b) marriage and succession and the laws governing these ;
- (c) the conditions of industrial employment of women and the protection of working women in mines, factories, plantations, workshops and cottage industries, as well as in domestic employment and retail trade ;
- (d) social customs and institutions which preclude woman from taking her full share in India's planned economy ;
- (e) the types and methods of appropriate education to play her due role in household work, in the profession and in social and national services ;
- (f) any other questions connected therewith.

### **List of Cottage Industries**

1. Textiles ( silk, wool and cotton ) ; cotton spinning and weaving especially up to 30<sup>l</sup>.
2. Dyeing and Calico Printing.
3. Cotton ginning and cleaning for handspinning except pressing.
4. Oil-crushing.
5. Soap and Toilet articles.
6. Furniture and timber works.
7. Paper for use as stationery, ( except paper for news-papers, . art printing, for wrapping and packing etc. etc. )
8. Sugar.
9. Rice husking and milling.
10. Brass, Copper and Silverware.
11. Tallow, Guts and glue.
12. Tanning and shoe-making.
13. Pottery and ceramics phials.
14. Glass bangles.
15. Beads.
16. Polishes, paints and varnishes.
17. Locksmithy.
18. Nails.
19. Blacksmithy.
20. Cutlery.
21. Hemp, Coir and jute.
22. Bristles and fibres.
23. Bricks.
24. Tiles.
25. Gold and silver threads.
26. Salt.
27. Toys.
28. Umbrella.

29. Gums.
30. Resins.
31. Matches.
32. Carts.
33. Country crafts.
34. Tailoring.
35. Embroidery.
36. Hosiery.
37. Buttons.
38. Carpets.
39. Confectionery.
40. Fruit preserves and syrups.
41. Dairying.

The above list of cottage industries is not intended to be a comprehensive one. There are, as is well known, many hundreds of cottage industries. This list was prepared tentatively with a view to mentioning some industries which are or may be both cottage and large-scale, and where there might be a conflict or overlapping between these two methods of production. No decisions were taken on the list. It was resolved to forward it to the sub-committees concerned for their consideration.

## **List of Defence Industries, Key Industries and Public Utilities.**

### **Defence Industries :**

1. Fire arms ( land, air and marine ) and their parts.
2. Munitions, cartridges, explosives, shells, torpedoes, etc.
3. Tanks and armoured cars and other forms of mechanical equipment especially designed for military purposes.
4. Warships of all types including submarines.
5. Military Air-craft of all kinds.
6. Gases for warfare and gas-masks.

*Note:* Warships and military air-craft can also be made in ordinary peace time establishments.

### **Key Industries**

1. Power—Hydro and thermal ( generator ).
2. Fuel, coal and fuel wood, mineral oil, power alcohol, natural gases.
3. Metals, ferrous and important non-ferrous, including winning of ore for them.
4. Industries for the making of machine tools.
5. Industries for the making of machinery and machinery parts.
6. Heavy engineering industries for the building of ships, locomotives, waggons, automobiles, air-craft and the like (*vital*).
7. Instruments and apparatus,—commercial, industrial and scientific. ( standards )
8. Chemicals, heavy chemicals, fine chemicals including dyes (*some vital*), fertilisers and refractories.

### **Public Utilities.**

1. Distribution of electricity, gas and other forms of energy.
2. Public transport and communication services.
3. Water supply.
4. Sanitation.

Banking and Insurance were reserved for consideration later.

The above list is a tentative one which might be added to or varied in future. It was resolved to forward it to the sub-committees concerned for their consideration.

## **National Planning Committee :**

### **Note for Provincial and State Governments.**

1. The National Planning Committee have just concluded their second series of meetings lasting two weeks. As the Committee surveyed the full extent of the problem of National Planning, the subjects they had to deal with grew in number, as each was inter-related to the other, and none could be wholly ignored if a full scheme of Planning was to be drawn up in order to investigate these separate subjects and branches of national activity more fully, and later to endeavour to co-ordinate them, a large number of sub-committees have been set up. These sub-committees consist of experts and public men including representatives of Governments and States.

2. The Committee have had the advantage of receiving the full co-operation of most of the Provincial Governments and several important States. During the sessions just concluded, the Ministers of Industries of Bombay, Madras and Bihar, as well as special representatives from several Provincial Governments, attended and took part in the Committee's deliberations. Representatives from the States of Hyderabad, Mysore, Baroda and Bhopal also participated and helped the Committee with their advice. The Punjab Government sent answers to the Committee's questionnaires and have promised their full co-operation in future. The Bengal Government have so far not sent an answer to the invitation sent to them seeking their co-operation, but it is hoped that they will agree to co-operate with the Committee's work. It is hoped also that many more States will join in this work, notably Kashmir, Travancore, Cochin and Patiala, whose resources enable them to take an effective part in the development of their own and the national wealth. Travancore and Cochin have already promised their co-operation. In the drawing up of a National Plan, it is important that the needs and capacities of all provinces and States should be considered, in order to avoid a lop-sided development which might be unfair to a Province or a State. The presence of the representatives of all the Provinces and of the principal States is thus necessary so that no interests are ignored or overlooked and a proper equilibrium is established.

3. The co-operation of the Government of India and their experts is also very necessary, both in order to obtain all the available information and data, as well as to have the benefit of their advice and suggestions.

•

4. The sub-committees appointed by the National Planning Committee contain the names of a considerable number of officials of the Government of India, the Provincial Governments and the States. These official members can only join the sub-committees with the permission of their respective Governments. We hope that this permission will be readily given. We realise that high officials are busy men and cannot easily be spared for any length of time. It is not intended to take too much of their time and every attempt will be made to have the meetings of the sub-committee concerned at such place or time as to suit them. Even if they cannot always attend, their general guidance will be helpful.

5. Many Provincial Governments and States have recently had their own enquiries and have drawn up their own programmes or plans of development. All such as have done so are requested to send these plans to the Office of the National Planning Committee in Bombay, so that the Committee might try to fit these plans in so far as is possible, with the general scheme. It is important that no Provincial or State view-point is ignored. In the case of Provinces and States where no such enquiry has so far taken place we would suggest that steps might now be taken to have an inquiry and to collect materials and information for planning.

6. The National Planning Committee will gladly give all the assistance in their power to Provinces or States who institute such enquiries. Where desired special investigators can be sent.

7. Many Provincial Governments and States have also recently passed or initiated legislation relating to land and agriculture, industries, social services, and like subjects. The Committee will be grateful if all such legislation, whether proposed or already passed is sent to them by the Governments concerned.

8. It would greatly facilitate the work both of the National Planning Committee and the Provincial Governments and the States concerned, if each Government appointed a special officer to keep in touch with the Planning Committee, to gather the information required for the purposes of planning, and to keep the Committee informed of his Government's view-point and activities. Such an Officer would lighten the burden of the various Government Departments concerned and would save the time of the Governments and the Committee. It is not suggested that he should leave his Province or State except perhaps for an occasional visit. He should ordinarily remain at the headquarters of his Government. The General Secretary of the National Planning Committee or other representative could visit the headquarters of the Province or State and confer with such officer and suggest to him the type of information required. This direct and personal contact would be of great help to all concerned and would enable us to avoid needless delay. Such a special officer need only be appointed for six months for the present.



9. The National Planning Committee have suggested to the Government of India and the Provincial and State Governments that the forthcoming Census in 1941 might be utilised in so far as is possible, for the collection of additional information for the purposes of planning. A detailed recommendation to this effect will follow. This additional information will not be available for the use of the Committee but it will be of the greatest use for the future development of planning to all Governments concerned. The Census operations offer an opportunity when this might be done without great additional expense. To endeavour to collect this information later separately will involve the setting up of a new organisation at vast expense. An attempt should also be made to follow international standards in the collection of information through the Census and other means. This enables us to fit in this information in international charts and tables.

10. The scope of the work of the National Planning Committee is great and will inevitably involve considerable expenditure. We propose to do it as economically as possible but we do not want the work to suffer for lack of funds. A Budget of expenditure for the next six months ending 31st December 1939 amounting to Rs. 50,000/-, has been sanctioned by the Committee. This sum has to be collected from contributions from Provincial Governments and States. Some of these have already contributed generously to our funds and we hope that there will be no difficulty in getting the full sum required. The work that the Planning Committee is doing, whatever it may ultimately lead to, will in any event be of very great help to all the Provincial and State Governments.

11. The Committee proposes to pay the travelling expenses of its members as well as the members of its sub-committees, such expenses not exceeding second class railway fares. In the case of Government or State representatives on the Committee or the sub-committees it is hoped and expected that the Provincial or State Government concerned will pay the travelling expenses.

12. The Committee have their office and headquarters in Bombay and Prof. K. T. Shah, the Honorary General Secretary of the Committee is in charge of the Office and organisation. Our Office will gladly give every assistance in its power to Provincial and State Governments in the work of planning. The General Secretary will also endeavour to meet the wishes of any Government if they desire him to visit their headquarters to discuss the work of the National Planning Committee.

13. It is proposed to issue soon, on behalf of the National Planning Committee a book containing full information about the Committee and their work. This book will be sent to Provincial and State Governments and to all members of sub-committees,

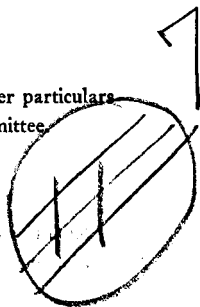
JAWAHARLAL NEHRU,  
*Chairman.*

June 20, 1939.

# National Planning Committee

No. 2.

Being an abstract of the Proceedings and other particulars  
relating to the National Planning Committee.



PUBLISHED BY K. T. SHAH, HONORARY GENERAL SECRETARY,  
NATIONAL PLANNING COMMITTEE, BOMBAY.

*May 1940.*

**NOTE :** In this Handbook, No. 2, of the National Planning Committee, has been collected all information relating to the activities of the National Planning Committee and its several sub-committees, from the end of the second sessions of the National Planning Committee in June, 1939, to the end of the third sessions in May, 1940.

Since the issue of the first Handbook, the Office of the National Planning Committee has been shifted to the Council Hall Building, Apollo Bunder, Bombay.

Printed by M. N. KULKARNI at the KARNATAK PRINTING PRESS,  
Chira Bazar, Bombay 2.

**List of Members of the  
National Planning Committee**

(including representatives of Governments.)

Jawaharlal Nehru (*Chairman*).

Sir M. Visvesvaraya (*resigned*).  
Sir Purshottamdas Thakurdas,  
Dr. Megh Nad Saha,  
A. D. Shroff,  
K. T. Shah,  
A. K. Shaha,  
Dr. Nazir Ahmad,  
Dr. V. S. Dubey,  
Ambalal Sarabhai,  
Dr. J. C. Ghosh,

J. C. Kumarappa (*resigned*),  
Walchand Hirachand,  
Dr. Radha Kamal Mukerjee,  
N. M. Joshi,  
Hon'ble Mr. Shuaib Qureshi,  
Rani Lakshmbai Rajwade,  
Abdul Rahman Siddiqi,  
Gulzari Lal Nanda,  
Mrs. Vijayalakshmi Pandit.

V. V. Giri, (*Convener*)  
L. M. Patil,  
Dr. Syed Mahmud,  
C. J. Bharuka,  
Dr. K. N. Katju,

} *Ex-Ministers of Provinces*  
under Congress administration.

P. B. Advani, *Director of Industries, Bombay.*  
A. Mohiuddin, *Director of Industries, Hyderabad Dn.*  
Dr. C. A. Mehta, *Director of Industries, Baroda.*  
A. B. Thadani, *Director of Industries, Sind.*

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**A brief account of the activities of the National Planning  
Committee from the end of its second sessions in June,  
1939 till the end of its third sessions in May, 1940.**

1. After the meetings of the National Planning Committee, which ended on the 17th June 1939, the Chairman addressed letters to the Governments of the various Provinces and States, as well as to the Government of India, who, it was hoped, would co-operate with the work of the National Planning Committee, informing them about the arrangements made for carrying out the work entrusted to the National Planning Committee. (Vide pp. 103-105, Handbook No. 1.)

2. The task was expected to be a very onerous one, and likely to continue for a period of at least six months, for which the following Budget was prepared by the Committee, assuming that the organisation would be run on the most economic lines :

Budgeted receipts from contributions by Provincial and State Governments during six months July-December 1939	Rs. 53,500/-
Budgeted expenditure during the same period	Rs. 49,590/-

(For details, see p. 70, of Handbook No. 1.)

3. In addition, Rs. 7,000 were received from some Provincial Governments between January 1939 and June 1939 to meet the preliminary expenses during that period. Rs. 4,500 was spent out of this amount upto the end of June 1939. Owing to the magnitude of the task, as well as because of the intervention of the War, and the consequent dislocation of work, the time factor originally allowed had inevitably to be considerably extended. The resignation of the Governments in many of the Provinces also tended in the same direction. Nevertheless, as the accounts given at the end of this booklet show, the work has been conducted with the utmost economy, so that a Budget made for six months has sufficed for twice that period, even though the amounts actually received by way of contributions from the several Provinces and States from July 1939 have been Rs. 35,500 as against the anticipated amount of Rs. 53,500/-, as mentioned above.

4. When the National Planning Committee met in June 1939, only the following Governments had promised to co-operate, or send their representatives to attend the meetings of the Committee.

**Provincial Governments.**

Madras,  
 Bihar,  
 Bombay,  
 United Provinces,  
 Central Provinces,  
 Assam,  
 N. W. F. Province,  
 Sind,  
 Orissa.

**States.**

Hyderabad,  
 Mysore,  
 Baroda,  
 Bhopal,  
 Travancore,  
 Cochin,  
 Aundh,  
 Khairpur,  
 Cambay.

Since that time, however, the Governments of the Punjab, as well as Bengal, have agreed to co-operate and make their contributions, both by way of direct payment, as well as indirectly by agreeing to bear the travelling expenses of their various officers permitted to serve as Chairmen, Secretaries, or Members of the several sub-Committees. From each of the major Provinces a contribution of Rs. 5,000/- was budgeted, and many of them, including Bengal, have paid it already.

5. The Punjab Government, it may be mentioned, have, in pursuance of the suggestion made by the Chairman of the National Planning Committee in his Note to the Government dated the 20th June 1939 (Vide pages 103-105, Handbook No. 1), invited Mr. K. T. Shah to draw up a Plan for the industrialisation of that province. If such a Plan were prepared for each unit, the task of the National Planning Committee would be considerably simplified and facilitated.

6. The Office of the National Planning Committee was organised and placed on a regular footing, under general instructions from the Chairman. In accordance with the decisions of the Committee, Mr. K. T. Shah was placed in charge of the Office as Honorary General Secretary, and three Joint Secretaries were appointed to assist him in the task. One of these, Mr. H. V. Kamath, had been conducting the work of the National Planning Committee since January 1939; he, however, resigned his Office in June 1939. Mr. Guha, another of the Joint Secretaries, retired on the 30th

of April 1940, because of his being appointed Director of Industries in the Central Provinces & Berar. Neither of these posts have been filled in by fresh appointments, mainly for reasons of economy.

7. The National Planning Committee had, as mentioned in the booklet issued last, appointed twenty-nine sub-committees for carrying out the various facets of the work involved in national planning. In addition to these twenty-nine sub-committees, the National Planning Committee had also appointed two more sub-committees, one on Census and Statistics, and the other on Publicity. Owing to the absence, however, of the Census Commissioner to the Government of India on leave out of India, the work of the Census and Statistics Sub-Committee was, under competent advice not deemed so urgent as to proceed immediately. This sub-committee has not, therefore, been very active, though some memoranda on the reference made to it have been prepared. The opening address of the Chairman at the sessions of the National Planning Committee, on the 1st May 1940, makes specific mention of the Notes sent to him by Prof. Mahalanobis, Secretary, Indian Statistical Institute, in regard to proper statistical organisation needed in careful planning. It is to be hoped that the establishment of a Bureau of Statistics will be given a prominent place amongst the recommendations of the National Planning Committee.

8. The names and addresses of the Chairmen, Secretaries, and Members of the various Sub-Committees could not be incorporated in the previous Handbook, as acceptances had not been received from most of the Members in time. Some of them could not accept, while some additional Members had to be co-opted to several sub-committees. A printed list of the names and addresses when all acceptances had been received was sent to all the Members of the National Planning Committee, and of the various sub-committees, in July last. Several changes have taken place since then; and an up-to-date list is appended herein. (See pages 85-103).

9. The following Members have resigned from the National Planning Committee :—

Shri J. C. Kumarappa,  
Sir M. Visvesvaraya,

and the following additional Members have been co-opted :—

Rani Lakshmbai Rajwade (to represent Women)  
Shrimati Vijayalakshmi Pandit (to represent Women)  
Mr. Abdul Rahman Sidiqi (representing the Bengal  
Government)

Shri Gulzari Lal Nanda.

10. A meeting of the Chairmen and Secretaries of the various Sub-Committees was held at Bombay on the 14th July 1939, to discuss the pro-



cedure etc. to be followed by the Sub-Committees. Another meeting of those Chairmen and Secretaries, who could not attend the July meeting in Bombay, was held at Allahabad on the 13th of August 1939, for the same purpose. The work of these meetings is summarised on pages 5-9.

11. The Chairman of the National Planning Committee, Pandit Jawaharlal Nehru, was absent from India on a visit to China, from the latter part of August. While he was away, the European war broke out; and the work of the National Planning Committee was, as already noted, made considerably more difficult than had been anticipated by the events which followed. The Chairman returned to India in September, and steps were taken to deal with the situation, so far as the National Planning Committee was concerned, as indicated in his letter dated the 26th October 1939. (See pp. 10-13).

12. In the meanwhile, the Sub-Committees which had been organised had begun their work, and have made progress as the tabular statement appended to this booklet shows (See pages 79-83). In each case, however, it was felt from the very start that the time assigned for completing the work entrusted to the sub-committee was utterly inadequate; and request was, therefore, made to extend it. In accordance with this request, the Chairman extended the limit, first up to the end of November 1939, or, at the latest, December, 1939, for the preliminary report, and the end of January, 1940, or, at the latest, the end of February for the final, and subsequently up to the end of March, 1940.

13. Despite all these extensions, however, several Sub-Committees had not completed even their preliminary labours for presenting an interim report by the time the National Planning Committee met on the 1st of May 1940. The tabular statement, already referred to, appended to this booklet, shows the progress of the work done by the various sub-committees upto the end of the 3rd sessions of the National Planning Committee, on May 15, 1940. (See pages 79-83).

14. The third meeting of the Chairmen and Secretaries of the Sub-Committees was called on the 12th February, 1940, to consider certain specific issues raised in connection with the reference made to them by the Sub-Committee on Manufacturing Industries. (See pages 16-19.)

15. The work done by the National Planning Committee, during its sittings from May 1, to May 14, is summarised on pp. 37-68. Before the Committee ended its sittings, it was decided to call the next sessions of the Committee on the 21st June, 1940, and the days following, to consider the Reports, interim or final, which had not been considered at the sittings held in May, 1940, or which might be submitted subsequently.

**Proceedings of the meeting of the Chairmen and Secretaries of  
the Sub-Committees, held at Bombay on the 14th July, 1939,  
as contained in the Chairman's letter dated the 14th  
July 1939, addressed to the Members of the  
National Planning Committee**

Old Custom House,  
Bombay, July 14, 1939.

**To all the Members of the National Planning Committee.**

Dear Friend,

I have been in Bombay for two days and have put myself in touch with the work of the Office of the National Planning Committee. To-day a meeting was held of those Chairmen and Secretaries of Sub-Committees who live in Bombay or in the neighbourhood. We all met at the Secretariat and discussed the future work. Many of those present were non-members of the National Planning Committee and were not fully acquainted yet with what we had done. The little red book of the National Planning Committee was given to them and some discussions took place with a view to elucidate many problems.

As it was considered necessary for the sub-committees to keep in touch with the Central Office as well as to some extent with each other, it was decided that the minutes of each meeting of the sub-committee should be forwarded to the central office who would communicate it to other sub-committees. Further, in order to help a co-ordinated scheme being evolved it was decided that each sub-committee should supply a brief report of the lines of their work within two months to the Central Office. This brief report is to be sent to all sub-committees so that they might know how the general work was likely to proceed. It is understood that this report will be brief and general and liable to change later on.

It was also agreed that joint meetings of connected sub-committees should take place whenever necessary.

You will remember that the National Planning Committee decided that a meeting of all Chairmen and Secretaries of sub-committees should take place in the third week of July. It appears that such meeting will not be easily feasible. It is probably more convenient to have more than

one meeting in different areas. We have had a meeting in Bombay which comprised a large number of Chairmen and Secretaries of sub-committees. It is now proposed to hold another such meeting in Allahabad on August 3rd. Allahabad will be a suitable centre for North India and Bengal. I hope this is found convenient by the Chairmen and Secretaries in Calcutta and elsewhere. A formal notice to this effect will be issued soon from the Office. It is not necessary for Members or Chairmen or Secretaries of sub-committees in Western or Southern India to attend this meeting, though if any of them desires to come he will be welcome. It is hoped, however, that the Ministers of Industries or their representatives of Bengal, U. P., Bihar, Punjab and Orissa will be able to attend. Probably the meeting will not last more than a day or two.

I am sorry that there has been some delay in announcing the personnel of sub-committees. This delay has been due to the non-receipt of answers of many of the persons concerned. So far as the Chairmen and Secretaries are concerned a large number of them have agreed. We have not had answers from eight of them. Eight have been unable to accept owing to their absence from India, ill health or other causes. These eight are Sir A. R. Dalal, Lt. Col. Chopra, Shri G. D. Birla, Mr. P. B. Advani, Mr. Adarkar, Mr. M. S. Patel and Mr. Jabir Ali. Sir C. V. Raman is also doubtful if he will be able to do the work. We are requesting these gentlemen again to re-consider their decision wherever possible, but some of them cannot obviously accept as they are leaving India. It is necessary to fill their place immediately. To refer the matter to the Members of the National Planning Committee will delay matters. I consulted a number of Bombay Members of the National Planning Committee to-day on the subject and they agreed that I should nominate new Chairmen and Secretaries wherever necessary. I hope you agree to this proposal. I shall act accordingly and you will be informed of the new selections.

Yours sincerely,  
**JAWAHARLAL NEHRU.**  
*Chairman.*

**Proceedings of the meeting of the Chairmen & Secretaries of the  
various sub-committees, held at Allahabad on 13th  
August 1939, at 11 a.m.**

A meeting of the Chairmen and Secretaries of the various sub-committees was held at the Senate House, Allahabad, on 13th August 1939 at 11 a.m.

The following members were present :

Pandit Jawaharlal Nehru (Chairman),  
Prof. J. N. Mukherji,  
The Hon'ble Mrs. Vijayalakshmi Pandit,  
Shri M. K. Ghosh,  
Shri S. K. Mitra,  
Dr. M. N. Saha,  
Dr. V. S. Dubey,  
Prof. S. P. Agharkar,  
Dr. Bholanath Singh,  
Dr. Radha Kamal Mukherji,  
Dr. Sudhir Sen,  
Dr. B. C. Guha,  
Shri A. K. Shaha,  
Shri S. K. Kripalani,  
Shri E. W. Aryanayakam,  
Shri S. C. Das Gupta,  
Dr. Tara Chand,  
The Hon'ble Mr. K. N. Katju,  
Prof. K. T. Shah, (Hon. Gen. Secretary)  
Dr. C. A. Mehta, and  
Prof. Gyan Chand.

Pandit Jawaharlal Nehru was in the chair.

1. The Chairman opened the meeting by explaining the objects of the National Planning Committee. He stated that we should aim at an ideal plan, forgetting for the moment the present restrictions imposed by foreign authorities and large vested interests. But, at the same time, he continued, we must make concrete suggestions, bearing in mind the present perspective. These suggestions, however, should not come in the way of

the ultimate plan, but should go to bring about a gradual realisation of that aim. It was not possible to submit a detailed plan, as it required considerable investigation and collection of new data. We have to work on the existing data more or less, and produce a scheme which should embody the whole of India. Planning pre-supposes control. In this respect, we should bear in mind the policy of the Congress as embodied in the various resolutions of the Indian National Congress.

The Chairman further stated that there had been considerable discussion on the question of Congress policy towards cottage industries. But he felt that there was no inherent conflict between large scale and cottage industries. There may be some conflict in case of particular industries.

The Chairman regretted Hon'ble Dr. Syed Mahmud's absence due to serious illness.

2. The General Secretary gave a brief review of the work done at the various informal meetings of the sub-committees in Bombay. He described the procedure hitherto followed and suggested that the same procedure should be followed in case of other sub-committees.

3. It was agreed that the minutes of each sub-committee meeting should be circulated amongst the other sub-committees through the central office.

4. It was also decided that each sub-committee should send a brief preliminary report of their method of work and the objectives that they were aiming at by the end of September. This brief report was to be circulated to all the sub-committees for their information. This report was not to be an abstract of the future report, but an indication of the general outlook, objectives and methods of work. It was, however, not to be considered as binding.

5. It was further decided that sub-committees dealing with allied subjects should hold joint meetings whenever required.

6. The sub-committees were requested that the final report should have an abstract of the same attached to it.

7. The office was requested to send a list of Chairmen and Secretaries to the Government of India, with a request to supply information to these persons whenever requested by any of them.

8. The Secretaries of the various sub-committees were requested to arrange the meetings of their sub-committees as convenient to them. They were, however, requested to inform the Central Office the time, place and date fixed for the meeting.

9. After general discussion the meeting adjourned for lunch at 12.45 p.m.

The members met again at 2.15 p.m.

10. The Hon'ble Dr. Katju addressed the meeting. He drew the attention of the meeting to the resolution passed at the Ministers' Conference at Delhi and suggested that though he personally welcomed the enlargement of the scope of work by the Planning Committee, he was anxious that the Planning Committee should give its earnest and immediate attention to the six industries enumerated in the second resolution of the Ministers' Conference. After general discussion it was felt that the Planning Committee had rightly enlarged its scope, because it was impossible to push ahead without some idea of a general plan. It was however agreed that the planning committee should take as short a time as possible in preparing its report.

11. The various chairmen and secretaries present raised particular difficulties concerned with their sub-committees. Prof. J. N. Mukherji, Prof. Gyan Chand, Dr. S. K. Mitra, Dr. V. S. Dubey, Dr. Sudhir Sen, Dr. R. K. Mukherji, Shri Aryanayakam, Shri S. C. Gupta and others took part in the discussion.

12. The meeting adjourned at 5.30 p.m.

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Joint letter issued by the Chairman and the Honorary General  
Secretary to the Members of the National Planning  
Committee and the Chairmen and Secretaries of  
the Sub-Committees, dated the 26th  
October, 1939

**THE NATIONAL PLANNING COMMITTEE**

Old Custom House,  
Bombay, 26.10.1939

To,

The Chairmen and Secretaries of Sub-Committees.

Dear Colleague,

We enclose copy of a letter which we have sent to the members of the National Planning Committee, so that you might be kept informed of the present position and of possible developments.

You will notice that the present activities of the National Planning Committee consist chiefly of the work of the sub-committees and this must be carried on with intensity. In order to give your full attention for this work to be done with thoroughness, we have extended the time for your report.

We would beg of you to economise to the fullest possible extent in the work of the sub-committees. We do not, however, wish that the work should suffer in any way because of this. Much of the work could be carried on by correspondence.

Yours sincerely,  
JAWAHARLAL NEHRU.  
*Chairman.*

K. T. SHAH.  
*Hon. Gen. Secretary.*

Joint letter issued by the Chairman and the Honorary General  
Secretary to the Members of the National Planning  
Committee and the Chairmen and Secretaries of  
the Sub-Committees, dated the 26th  
October, 1939

**THE NATIONAL PLANNING COMMITTEE**

Old Custom House,  
Bombay, 26th October 1939.

To,

ALL THE MEMBERS OF THE NATIONAL PLANNING COMMITTEE.

Dear Colleague,

On the last day of the June session of the National Planning Committee it was resolved to hold the next session during the Puja holidays in the second half of October 1939. Accordingly the next meeting was fixed for the 25th October 1939 but many members expressed their inability to attend on this date. Several Ministers of Industries also informed us that the date did not suit them as they had to attend another meeting about this time. Thereupon the 24th November was fixed and notices were issued. Again protests came from some members, who found this date unsuitable. November 9th was suggested by some.

We have now considered this matter fully and we feel that no meeting of the N. P. C. need be held in the near future. This is not because of the difficulty of finding a date which is convenient to all members. That difficulty has always to be faced. But the N. P. C. if it meets soon will not be in a position to consider any report of sub-committees as no such report has been received so far or is likely to be received in the near future. The N. P. C. would thus have to discuss certain general principles without the data which is being collected. The general principles are no doubt of great importance, but it will be desirable to consider them at a later stage when we have facts before us.

Another difficulty in the way of holding a meeting of the N. P. C. soon is the uncertainty in regard to political conditions. Various Provincial Governments are expected to resign within a week or so and this will neces-

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sarily be followed by considerable changes. While these changes and developments take place many of our members will be occupied by them and will be unable to give much time to N. P. C. meetings.

We feel, therefore, that no useful purpose will be served by having a meeting of the N. P. C. in the near future. Such a meeting involves considerable expenditure also and it is better to conserve our resources at this juncture. We hope you agree with this decision.

We cannot say now when the next meeting will be held. We shall await developments and the preliminary reports of the sub-committees and then fix the date in consultation with you. We should like to assure you that the work of the National Planning Committee will be carried on, whatever the political developments might be. This work consists now of pushing and completing the activities of the sub-committees.

We are glad to say most of the sub-committees have met and are proceeding with their work. Seven sub-committees have so far not held their meetings. Of these two—General Education and Communications—are meeting soon. Three Sub-Committees—Land Policy, Population, and Public Finance—have been formed, but have been unable to meet so far. The Technical Education Sub-Committee has not got a Chairman yet, as the Chairman who had been appointed has been unable to accept this office. The Engineering Industries Sub-Committee still lacks a Secretary.

This is the present position. Although we might have made greater progress, we have no reason to be dissatisfied with the work that has already been done. We have to push on with this. But we feel that some extension of time should be given to the sub-committees, so that they might do their work thoroughly. We suggest that they should send their preliminary reports, if possible, by November 30th 1939 and in no case later than December 31st 1939; and their final report, if possible, by January 31st 1939 and in no case later than February 28th 1940.

Our financial position demands careful consideration and we have to conserve our resources and economise. This is necessitated by, among other reasons, the lengthening of the period of our work. We have, as a matter of fact spent far less than the amount budgeted for. The N. P. C. passed a budget in June estimating our expenditure for the six months ending 31st December 1939 at Rs. 49,590/-, that is Rs. 8265/- per month.

Our total expenditure up to 20th October 1939 has been Rs. 11,355/9/3. This includes salaries for June 1939 as well as capital expenditure for furniture etc. By the end of October the total is likely to reach Rs. 13,800/-. This gives a monthly average of about Rs. 3125/- including capital expenditure and travelling expenses. The present monthly scale is Rs. 2700/-. It is easily possible to reduce this to Rs. 2500/- and under stress to 2000/.

Of course it is possible to make further reductions if this is absolutely necessary, but work will suffer to some extent then. With reasonable economy we have enough funds with us to carry us to the end of December 1939.

Definite promises have been made to us by Governments and States for additional grants amounting to Rs. 21,000/-. Under the changing circumstances we might not be able to get the full sum, but we hope to receive Rs. 15,000/-. This amount ought to be enough for the first six months of 1940 and we ought to finish our work by June 30th 1940.

We have thus no reason to fear any stoppage of work because of lack of funds. But it is clear that we cannot absolutely rely on promises and we have to economise as much as possible. We request your co-operation in this as well as the co-operation of the sub-committees.

You will agree with us, we are sure, that the essential importance of the work of the N. P. C. has grown as the months have gone by. The coming of war and the possibility of vast changes in the political, economic, industrial and social domains, both in India and elsewhere, has made planning incumbent on us, so that we might fit in with these changes and take advantage of them for the advancement and greater well-doing of the Indian people. We have been charged with a task of the greatest significance for our country and we shall persevere with it. In that endeavour we have already received the co-operation and goodwill of many interests and Governments and States and we are grateful to them. But the real burden has to be borne by the members of the N. P. C. and of the sub-committees.

Yours sincerely,

JAWAHARLAL NEHRU  
*Chairman,*

K. T. SHAH  
*Hon. Gen. Secretary.*

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**Chairman's letter to the Members of the National Planning  
Committee and to the Chairmen and Secretaries of the  
Sub-Committees, dated the 7th January, 1940.**

**THE NATIONAL PLANNING COMMITTEE**

Council Hall Bldg., Apollo Bunder,  
Bombay, 7th January, 1940.

To,

MEMBERS OF THE NATIONAL PLANNING COMMITTEE,

CHAIRMEN & SECRETARIES OF THE SUB-COMMITTEES OF THE N. P. C.

Dear friend,

When I addressed you last I suggested that we should concentrate for the present on the work of the sub-committees and have a meeting of the N. P. C. later, when most of these sub-committees' reports were ready. Since then good work has been done by many of these sub-committees. But I regret to find that some of these sub-committees have not made much progress yet. It is obvious that we cannot delay our general progress because of a few of the sub-committees. I had suggested that all sub-committees should report at the latest by the end of February. I suggest that this date should be kept in mind and that we should draw up our programme accordingly. At the very latest sub-committees' reports should reach the Central Office by the 15th March.

The N. P. C. can then meet in the first week of April to consider these reports and to come to decisions about the principal points which we have to consider. These decisions will then form the back-bone of the Reports of the N. P. C. itself. It is therefore suggested that at the April meeting of the N. P. C. we should go thoroughly into the subject and indicate the scope and nature of our final report, although the actual language of it can be settled later. This meeting of the N. P. C. might last from ten days to a fortnight.

Thereafter the Report should be drafted on the basis of these decisions of the N. P. C. and this draft should be circulated to Members.

Early in June the National Planning Committee should meet to consider the draft report and to pass it finally. By the end of June this Report should be ready for publication.

We must make every effort to adhere to this time table and to finish this preliminary round of our work by the end of June of this year. We cannot afford to delay our Report much longer and we cannot delay our other work because a particular sub-committee has not reported. Therefore all sub-committees should realise that their work must be completed at the latest by March 15.

When I was in Bombay last month, various important matters involving principles and vital policies regarding State control of industries, etc. were referred to me by the members of some sub-committees. We have already in the N. P. C. given some general directions on these subjects, but it is obvious that they require a closer consideration. It was pointed out to me that unless some clear instructions were given, different sub-committees might work on different lines and with differing objectives. It was suggested, therefore, that a joint meeting of the sub-committees concerned might be held for this purpose. Later it was thought that a meeting of representatives from the sub-committees, or the chairmen or secretaries would perhaps be more suitable, as a joint meeting of the full sub-committees would mean a very large gathering. It has therefore been decided to hold a meeting of the chairmen and secretaries of not only the sub-committees concerned but of all the sub-committees in Bombay on February 10th and onwards. Members of the National Planning Committee who care to attend this meeting will be welcome. The meeting will consider not only the point noted above but such other points of principle as might be raised. Of course all such decisions will have to be in conformity with the previous decisions of the N. P. C. and will be subject to subsequent ratification by the N. P. C.

I trust you will make a note of all these dates so that you can keep yourself free for these meetings. Formal notices will of course be sent to you later.

Yours sincerely,  
JAWAHARLAL NEHRU,  
*Chairman.*

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**Proceedings of the meeting of the Chairmen and Secretaries of  
the Sub-Committees held at Bombay on the  
12th February, 1940**

**THE NATIONAL PLANNING COMMITTEE**

**CHAIRMAN'S MEMORANDUM TO ALL MEMBERS OF THE N. P. C. AND  
CHAIRMEN AND SECRETARIES OF ALL THE SUB-COMMITTEES**

The Manufacturing Industries Sub-Committee made certain references involving decisions on important matters relating to the control and functioning of Industries. As these questions affected many sub-committees, it was decided to have a meeting of the Chairmen and Secretaries of all the sub-committees for the purpose. This meeting was held on February 11th in the office of the Planning Committee in Bombay. A considerable number of Chairmen and Secretaries of sub-committees, as well as several members of the National Planning Committee, were present. A questionnaire has previously been distributed to the members. There was a full discussion lasting for nearly six hours. As a result of this discussion, it was decided that I should embody the decisions in a memorandum and circulate them to all the sub-committees for their guidance.

The National Planning Committee had previously laid down certain general principles in regard to these matters. These will be found in the Red Book. I should like to draw particular attention to—

- (1) The Congress Karachi Resolution which states that "the State shall own or control Key Industries, and Services, Mineral Resources, Railways, Waterways, shipping and other means of public transport."
- (2) Page 74 of the Red Book paragraphs 12 and 13 of my memorandum dated 4th June, 1939. This memorandum was subsequently approved by the N. P. C.
- (3) Page 102 of the Red Book giving a tentative list of Defence Industries, Key Industries and Public Utilities.

It will thus be seen that the National Planning Committee has already gone far in laying down the principle that Defence Industries, Key Industries and Public Utilities should be either State-owned or controlled. A

discussion took place at the meeting on the 11th February as to which of these should be State-owned and the measure of control in regard to the others.

In regard to Defence Industries, it was decided that they must be owned and controlled by the State. Regarding Key Industries, the majority were of opinion that they should also be State-owned, though a substantial minority considered that State control would be sufficient. It was made clear, however, that any control of such industries must be a rigid one.

Public Utilities, it was also decided, should be owned by some organ of the State, such organ being either the Central Government, Provincial Government, or a Local Board. It was also possible to have something of the nature of the London Transport Board controlling such Public Utilities.

In regard to the other important and vital industries, which are not Key Industries, or Defence Industries, or Public Utilities, no special rule was laid down. But it was made clear that the very nature of planning required control in some measure. What this measure should be might vary with the industry in question.

As regards the agency in State-owned industries it was suggested that as a general rule, an autonomous Public Trust would be suitable, the nature of such Trust being varied in the case of different industries. Such a Trust would ensure public ownership and control, but would avoid the difficulties and inefficiency, which creep in from a democratic control. This suggestion was approved of by some members present, while others thought that no definite rule should be laid down and the sub-committees should be left free to make their own recommendations. It was also suggested that there might be co-operative ownership and control. These suggestions are being forwarded to the sub-committees for their consideration. It is open to them to make their own recommendations.

In regard to private industries aided or supported by the State, the measure of State control is likely to be greater than in unaided industries. The State may appoint directors or representatives to see that the State Policy in regard to planning is carried out. Such representatives of the State will not be supposed to interfere in the day to day administration of the Industry, but, it will be their function to see that the industry is co-ordinated with the National Planning Scheme and the general policies of the State are being carried out by the industry. Any planning will involve a close scrutiny of the development of industry in all its branches and a periodical survey of the progress made. It will mean the training up of the technical staffs necessary for the further expansion of industry and the State may require industries to train up such staffs.

In the event of a private industry being taken over by the State, fair compensation should be paid. In calculating this compensation, a number

of factors will have to be taken into consideration, so that the interests of the general public do not suffer and at the same time, the owners of the industry are not victimised. It was not thought necessary to go into any further details in regard to this matter at this stage.

As decided by the N. P. C. previously, it was made clear that in order to prevent the growth of future barriers to planning, effort should be made to avoid the establishment of new vested interests.

The relation of industries on a large-scale to village and cottage industries was also considered. The fact that the National Congress has laid great stress on the development of cottage industries, and more specially on hand-spinning and hand-weaving, was to be borne in mind. Large-scale industries and cottage industries have, therefore, to be co-ordinated in the National Plan. It may not be possible at this stage to define accurately the scope of each but in view of the Congress policy, which may be later the State Policy, nothing should be done to erect barriers to the carrying out of such a policy. Therefore, it should be laid down that any large-scale industry, which may come into conflict with a particular cottage industry encouraged and supported by the State, should itself be controlled by the State. Such control will prevent any conflicts arising and co-ordination will be easy.

It is important to bear in mind that the outlook governing a planned scheme is different from the outlook of an unplanned private economy. It is this outlook which must be kept in view in drawing up the plan, so that all the different sections of the plan may be integral and co-ordinated parts of the full programme. Such control as may be necessary to bring this about will have to be taken by the State.

The meeting also passed the following resolution in regard to the place of women in Planned Economy :—

“In the scheme of Planned Economy, every care should be taken to secure for woman, irrespective of civil conditions, not only theoretical equality of opportunity for training and employment, but also to see that such training and particularly employment are made available to her, as the consequence of the Planned Economy and at the instance of the Planning Authority.”

In addition to what I have said above, the discussion which took place at the meeting was very helpful in throwing light on some aspects of the problems facing us, and those who were present profited by it. But, as no further decisions were made, it would not be worthwhile for me to incorporate that discussion in this memorandum.

I should like to remind you again that the time factor is most important, at the present stage of the activities of the Planning Committee.

The work we have undertaken is of a vast nature and it is possible to continue it for many months and even years without exhausting it. But it is essential that we should produce our preliminary survey and report in the course of the next four months, that is, by the end of June. The presentation of this report will not, of course, end the work of planning. That will be only the beginning, the foundations, on which the structure of Planned Economy, we hope, will be built.

It is important, therefore, that all sub-committees should present their reports by the middle of March. Even if they are unable to send their final and full reports before that date, they should send as full a report as possible, following it up by an additional report later, if necessary. If the sending of a report is delayed beyond mid-March, that report may not be considered in the draft prepared for the Planning Committee's consideration. It is hoped that the full Planning Committee will meet early in April to consider these reports and to lay down the general line of their own report. The N.P.C.'s report will then be drafted and placed before the N.P.C. early in June. That is the present programme and we must try to adhere to it. For this, it is necessary that the Sub-committees should function according to time-table and send us their reports by mid-March. Even after sending their reports, if they have any further investigations to make, they should continue to make them and to collect material for future use.

Some sub-committees are on the eve of presenting their report, but there are many who are still somewhat behindhand. I would beg of them to expedite matters.

JAWAHARLAL NEHRU,  
*Chairman.*

12th February, 1940.

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Chairman's letter addressed to the Members of the National  
Planning Committee, dated the 21st April, 1940

**THE NATIONAL PLANNING COMMITTEE**

Ref. No. 2401.

Council Hall Building,  
Apollo Bunder,  
Bombay, April 21, 1940.

TO ALL MEMBERS OF THE NATIONAL PLANNING COMMITTEE.

Dear friend,

As you have already been informed, a full meeting of the National Planning Committee will take place on the 1st of May, and will go on from day to day. I cannot say how long this meeting will last, but I think it might take two weeks. I hope you will find it convenient to attend it and to remain here for the full period.

We have been postponing the holding of this meeting, as we wanted to be ready with all the reports of the sub-committees. I must apologise to you for the delay in holding this meeting, but to a large extent I have been in the hand of the sub-committees; and I did not want to trouble you to come to a meeting till there was sufficient work for you. Even now I regret to say that many sub-committees have not reported. But some have sent in full reports while some others have sent interim reports. We have, therefore, some definite and important material to consider.

In any event it was desirable for us to meet as we have not met for a long time. We have to confer together about our future policy and programme, and consider many important matters affecting them.

We are inviting the Chairmen and Secretaries of the sub-committees whose reports we are considering. They will be requested to present their reports and to explain them, as well as to answer such questions as may be put to them by members of the N. P. C. A timetable has been drawn up for the presentation of these reports, so that the time of those invited or of the N. P. C. Members should not be wasted. It may be difficult to adhere strictly to this time-table, but if general discussions are postponed till after the consideration of individual reports, we might be able to adhere

to the time-table. It is proposed, therefore, to have these full general discussions after the reports have been presented.

The sub-committee Chairmen and Secretaries who are invited will only stay for their own reports. Some of these Chairmen or Secretaries are Members of the N. P. C. They will, of course, be present throughout.

I am very anxious that, with your co-operation and goodwill, we should proceed with this work of the N. P. C., and bring it to a successful conclusion at as early a date as possible. That conclusion, of course, will not be a final one, but just a step in the direction of Economic Planning. Political and other conditions in the country and in the world are disturbing and may come in the way of our future work. Hence the necessity of our pushing ahead with it. This applies particularly to the sub-committees' work.

I have to inform you with deep regret of the sudden death of Mr. P. N. Mathur, the Chairman of the Engineering Industries Sub-Committee. Mr. Mathur took a deep interest in the work of the Planning Committee and devoted much time to it. He had already presented us with the report of his sub-committee and this will be before you at the next meeting of the N. P. C. On his way back from Bombay to Jamshedpur he died suddenly in the train. His death is a severe loss to the Planning Committee.

Your sincerely,  
JAWAHARLAL NEHRU,  
*Chairman,*

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**Chairman's letter addressed to the Governments of the Provinces  
and the States co-operating, dated the 21st April, 1940**

**THE NATIONAL PLANNING COMMITTEE**

Our ref. No. 2402.

Council Hall Building,  
Apollo Bunder,  
Bombay, 21st April 1940.

Dear Sir,

I have the honour to send you herewith statements of accounts of the National Planning Committee from its inception to the end of March 1940. The accounts up to the end of December have been audited and the audited statement is attached. This statement will be presented to the National Planning Committee at their next meeting beginning on May 1st, for their acceptance. But I have thought it desirable to communicate this to you, even before its formal acceptance, in order to keep you informed of the financial condition of the National Planning Committee. Your Government has been good enough to take interest and some part in the activities of the National Planning Committee, and it is our desire to keep you fully informed about them.

The National Planning Committee is meeting on May 1st to consider the reports of some of its sub-committees. All our sub-committees have not reported yet. Some have presented full reports, while some others have presented interim reports. A number of others have been unable to present any report so far. Owing to this unavoidable delay in the work of the sub-committees, the full N. P. C. could not meet earlier as intended. Even at this stage, it cannot complete its work ; but it is hoped that it will go through an important part of its work and lay down general rules and policy for its future work. It is a little difficult to lay down a time-table for its future work, but it is our desire to expedite it so that at the next meeting of the N. P. C. we may be in full possession of all the sub-committees' reports and other available material to enable the N. P. C. to come to final decisions which will be incorporated in their report and recommendations.

Copies of such of the sub-committees' reports as have been received are being sent to you for your information. We are treating these reports as confidential at this stage.

When the National Planning Committee was formed, it was hoped that its preliminary work would be completed in the course of a few months and certainly within a year. But the nature and scope of that work was such that it has been impossible to finish it within that limited period. The Committee has already been in existence for a year and four months, and it may have to carry on its work for another four or five months. Considering the enormous mass of material to be dealt with, the variety of subjects touched upon, and the all-embracing character of such enquiry, the time so far taken cannot be said to be much. Usually official committees and commissions dealing with one specific branch of enquiry only take a far longer period and require much larger funds.

It is, of course, not suggested that the National Planning Committee is going to deal comprehensively and in detail with the question of National Planning in all its aspects. That will be the function of some future Planning Commission for the Nation. Our object was to explore the ground for such planning, to indicate the approach to the question, to draw the bare outlines of a Planned Economy, and generally to do the preliminary spade work which is essential before such a vast subject can be tackled effectively. We cannot presume to say how far we shall succeed even in this important preliminary work. But we hope that the work done by this Committee will be of essential significance of the Nation and will help considerably in future enquiries and schemes.

We had planned originally for a relatively short period, as we thought that the Committee should finish its labours within 8 months or a year at the most. Our budget was made with this end in view. The Provincial Governments and the Indian State Governments of Hyderabad, Mysore, Baroda and Bhopal contributed generously towards our expenses. In view of the nature of our work, we did not think it desirable to approach any private agency for funds, and we relied entirely on the financial support given to us by Provincial and State Governments. As work expanded, both in extent and in time, our expenses increased, and the burden on us became greater. We tried our utmost to economise and, I am glad to say, we met with considerable success. In effect, we have made the money we had go very much further than was intended at first. Our sub-committees and the Members of the N. P. C. co-operated with us in this, and thus enabled us to carry on our work economically and yet effectively.

The present position is, as you will see from the accounts that I am sending you, that we have a balance in hand which will enable us to function, as we have been functioning, till the end of June of this year. It will

be necessary for us to make further arrangements for our expenditure for another 4 or 5 months. This expenditure during the final period will not only be the normal expenditure of the office and the sub-committees, but also the heavy cost of duplicating large numbers of reports, and finally printing the report of the National Planning Committee as well as the other reports with their numerous annexures. I cannot at this stage estimate what all this additional cost will be. Very approximately we may require a further sum of about Rs. 25,000.

If it is possible for your Government to make a further contribution to the National Planning Committee to meet these additional expenses we shall be grateful. This will enable us to finish our labours without having to suffer from paucity of finances.

As I have mentioned above, our next meeting of the full National Planning Committee is taking place on May 1st and will be held from day to day thereafter, possibly for a fortnight. Any representative of your Government, whom you choose to send to this meeting, will be welcome.

Yours faithfully,

JAWAHARLAL NEHRU  
*Chairman.*

Encl : Statements of accounts.

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Honorary General Secretary's letter dated the 22nd April, 1940,  
to the Members of the National Planning Committee,  
containing the Agenda of the Meeting

**THE NATIONAL PLANNING COMMITTEE**

Ref. No. 2405.

Council Hall Building,  
Apollo Bunder,  
22nd April, 1940.  
Bombay, 1.

TO ALL THE MEMBERS OF THE NATIONAL PLANNING COMMITTEE.

Dear Friend,

In continuation of my letter No. 2388 dd. 13th April 1940, I am writing this to say that the agenda to be considered at the forthcoming meeting of the National Planning Committee beginning on the 1st of May will be :—

- (1) Presentation, consideration and adoption of the Audited Statement of Accounts upto the 31st December 1939, and further statement of accounts upto the 31st March, 1940.
- (2) Presentation and consideration of the reports from the various sub-committees which have been received in the office in the final or in the interim form.
- (3) Discussion of such general principles as may be arising out of the reports presented and other matters connected therewith.
- (4) Any other point that may be taken for discussion with the consent of the Chair.

The exact hour of the first day's meeting is intimated in my letter of the 13th inst., viz. 12 noon on the 1st May, 1940, and the timing for the subsequent days' meeting will be settled at the meeting.

Yours sincerely,  
K. T. SHAH  
*Hon. Gen. Secretary.*

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**Hon. Gen. Secretary's letter dated the 22nd April, 1940, addressed to the Members of the National Planning Committee and the Chairmen and the Secretaries of such of the Sub-Committees as had presented Interim or Final Reports, regarding the consideration of their Reports**

**THE NATIONAL PLANNING COMMITTEE**

Ref. No. 2406.

Council Hall Building  
Apollo Bunder,  
Bombay.  
22nd April 1940.

**TO THE MEMBERS OF THE N. P. C. AND CHAIRMEN AND SECRETARIES OF THE UNDERMENTIONED SUB-COMMITTEES :**

Dear Friend,

As you are aware, the National Planning Committee will be meeting from the 1st of May continuously for about a fortnight to consider the reports hitherto presented by the various sub-committees. It has been suggested to the Chairman of the N. P. C., and he has thereupon decided, that the Chairman and Secretaries of the respective sub-committees, whose reports have been presented either in their final or in their interim form, should be invited each to present their own report to the N. P. C., and to explain such points therein as may require elucidation in the view of the Committee.

I am accordingly writing this to request you to be so good as to make it convenient to be present at the N. P. C.'s office on the day that your sub-committee's report is to be taken up, as per the programme given below, and help the Committee in such discussion or explanation as they may require in connection with your report.

If you are yourself a Member of the N. P. C. already, you would, of course, be present in any case throughout the meeting, and, therefore, it is unnecessary to intimate the exact hour when the report for which you are responsible will be taken up. But in case you are not a Member of the N. P. C., I may add that the exact hour of the day when your report will

be taken up for discussion will be intimated to you as soon as the hours of the sessions of the National Planning Committee have been decided.

The programme is as follows :—

<i>Sub-committees &amp; their Group Nos.</i>	<i>Day of presentation of Report.</i>
Engineering Industries including Transport Industries. (II/5)	2-5-1940
Chemicals (II/3) .. .. .	
Labour (III/1) .. .. .	3-5-1940
Population (III/2) .. .. .	
River Training & Irrigation (I/2)	4-5-1940
Power & Fuel (II/2) .. .. .	
Horticulture (I/7) .. .. .	
Animal Husbandry & Dairying (I/5) .. .. .	5-5-1940
Transport (V/1) .. .. .	
Communications (V/2) .. .. .	
Rural Marketing & Finance (I/1)	6-5-1940
Rural & Cottage Industries (II/1)	
Public Finance (IV/3)	7-5-1940
Currency & Banking (IV/4)	
Insurance (IV/5)	
Manufacturing Industries (II/6)	8-5-1940
Land Policy, Agr. Labour & Ins. (I/4) .. .. .	
National Housing (VI/1)	

*N. B.* Not all the above mentioned reports are ready, but it is hoped they would be.

Yours sincerely,  
K. T. SHAH  
*Hon. Gen. Secretary.*



## THE NATIONAL PLANNING COMMITTEE

THIRD SESSIONS—May 1940.

### Chairman's opening address on the first day of the third sessions of the National Planning Committee, beginning the 1st May, 1940

1. We are meeting today after a long interval and I owe an apology to the members of the Committee both for this delay and for repeated changes of date. We met on the last occasion in full committee in June 1939 and it was decided then that we should hold our next sessions in the second half of October 1939, though no exact date was fixed. Owing to the delay in the work of the sub-committees, it was felt, however, that no useful purpose would be served by our meeting then. I consulted all the members by circular letters, and many of them personally also, and found that this was the general opinion. The war in Europe, which began early in September 1939, had created a new situation in India, both politically and economically, and various crises were developing. October was a changing and uncertain month, and later months added to this uncertainty. Under these circumstances, it was the general feeling that we should postpone the third sessions of the National Planning Committee and carry on with the work of the sub-committees. Members will, I trust, appreciate the reasons for the delay in holding this session, and realise that the fault lay in the circumstances, and that no one was to blame for it.

2. Recent and repeated changes in the date of this meeting must have been disconcerting to members and I must apologise for them. It is not an easy matter to suit the convenience of all our members, who are busy men, living and carrying on their businesses or professions in distant parts of India. We have tried our utmost to meet their wishes and their convenience, but inevitably what suited some, did not suit others.

3. We meet under strange conditions in India and the world. It is a curious anomaly and contradiction that while we think and plan to build up India, and thereby help also in building up the world on a secure foundation, that world is engaged in the work of destruction on a vast scale. The

future that we envisage seems to recede further away, and even the heritage of the past stands in danger of being lost. A dispassionate consideration of the world's problems yields place to the crime and folly of war, where reason and logic and goodwill have no place, and passion and hatred reign and the sword decides.

4. To some it may appear that this is a most unsuitable time for planning, which is essentially a labour of peaceful co-operation. It may be argued that we should wait for better times and more stable conditions, for who knows what the outcome of the present conflict will be? On what foundation shall we build, when no man can foretell what that foundation will be? And yet though we are so uncertain of the future, this we know well that the future will be very different from the past or even from this changing present. Already we see vast political and economic changes taking shape in the womb of the future. Can we plan in India with all this doubt and uncertainty?

5. These considerations fill our minds, as they should, and we must give careful thought to them. And yet these very considerations lead us to a contrary conclusion. For it is this very time of change and uncertainty that demands mental activity and a vision of the future that we desire. If we are mere onlookers now, and passive and helpless agents of circumstances of the will of others, we barter away our claim to that future. Instead of preparing for it, we hand the reins to others. Every conflict ends some times or other, every war is followed by a peace, temporary or more enduring, every work of destruction has to be followed by construction. That construction will be chaotic and wasteful unless previous thought has been given to it. A period of war and dynamic change therefore demands, even more than the static times of peace, the planned activity of the mind, so that, when time and opportunity come, this may be translated with all speed into the planned activity of the nation.

6. Another change, intimately affecting us, has taken place during the past few months. Most of the Provincial Governments, which fathered this Planning Committee and cooperated with our work, are no more, and in a large number of Provinces, the structure of a limited Provincial Autonomy has given place to autocratic rule by alien authority. The outlook has changed completely and we see from day to day the reversal of the old policies. India which was emerging gradually into a semi-colonial stage, is now again being treated as a full colony and its resources used for anti-national purposes.

7. This change is obviously of great significance for us. Under these circumstances our planning becomes even more divorced from present conditions than it was before, and the structures that we might build, might appear to some as castles in the air. Yet that would be a foolish thought,

for every one knows that present conditions in India, as well as elsewhere, are transitory and must pass. And in passing, they will not give place to the limited and restricted autonomy of the Provinces that had, but to a much broader freedom. And so, though the circumstances have changed, the necessity for planning is all the more vital and urgent.

8. The political changes in India have added in many ways to our difficulties, and it is conceivable that additional obstructions may hamper our work still further in the future. I was asked at one time whether it was desirable to continue the activities of the National Planning Committee. I had no hesitation in giving answer that we must continue this work, even though the difficulties that encompass us increase and make normal functioning hardly possible. In any event, our sub-committees should carry on their labours and finish them; in any event, we must collect all our material and arrange it and give it shape. If this is done, we shall be in a position to deal with it rapidly and effectively when the time comes.

9. I should like to express my indebtedness, as well as, I am sure, the appreciation of the Committee, to the Chairmen, Secretaries and members of the various sub-committees that we appointed, for the way they have tackled their difficult tasks, and given their time and energy to them. I should also like to express my gratitude to the members of our office staff who have worked hard and willingly, often far beyond the usual office hours.

10. It is a matter of sorrow and deep regret for all of us that Mr. P. N. Mathur, the Chairman of our Engineering Industries and Transport Industries sub-committee, died suddenly a few weeks ago. Mr. Mathur took the deepest interest in the work of the National Planning Committee and the report of the sub-committee, which he completed shortly before his death, is one of the most valuable and practical of our reports. It is exceedingly unfortunate that a man of his ability, training and earnestness should leave us in the prime of his life, when so much good work could be expected from him.

11. We have so far received reports from the following sub-committees, and these reports have already been circulated among members. Some of these reports are final, others are interim reports, as indicated opposite each.

1. Engineering Industries & Transport Industries	..	Final
2. Population	.. .. .	Final
3. Housing	.. .. .	Final
4. Labour	.. .. .	Final
5. Horticulture	.. .. .	Final
6. River Training, Part I	.. .. .	Final

7. Manufacturing Industries	..	..	..	Interim
8. Chemicals	..	..	..	Interim
9. Transport	..	..	..	Interim
10. Public Finance	..	..	..	Interim
11. Currency & Banking	..	..	..	Interim
12. Land Policy	..	..	..	Interim
13. Animal Husbandry	..	..	..	Interim

12. I understand that we are also likely to receive very soon the following reports :

14. Rural Marketing & Finance	..	..	..	Final
15. Industrial Finance	..	..	..	Interim
16. Power and Fuel	..	..	..	Interim
17. Woman's Role	..	..	..	Interim

13. There remain thus 12 sub-committees which have so far sent no report at all. It is unfortunate that some of the sub-committees dealing with agricultural subjects are particularly behindhand. Two sub-committees—Technical Education and Fisheries—have not functioned at all so far. Fisheries is perhaps not so important, but Technical Education is a vital and essential part of Planning and it must be dealt with adequately. Unfortunately the eminent men who were appointed, one after the other as chairman, were unable to give time to this work. I hope that this sub-committee will soon begin to function.

14. Almost every report complains of the unsatisfactory nature of the statistics and data available. It is clear that adequate data and information is of the essence of planning, and therefore the very first step that a planning authority must take is to organise the proper and scientific collection of statistics, both for the formulation of the Plan and for its checking from time to time. It might have been worthwhile for us to have a special sub-committee to deal with statistics, for this science is becoming highly specialised. It is not merely a question of collecting facts, but of doing so in the most advantageous way, of arranging them properly and of drawing the right conclusions from them. Fortunately we have in India an efficient organisation which deals with this subject—The Indian Statistical Institute and the Statistical Laboratory of Calcutta. Professor P. C. Mahalanobis who is in charge of this laboratory has kindly offered his cooperation to us in every way and has sent us two notes on the subject, which are being circulated to members.

15. I have gratefully accepted the offer made by Prof. P. C. Mahalanobis to examine all our sub-committees' reports from a purely statistical point of view and to send us his suggestions thereon. Copies of these reports have been sent to him.

16. The procedure to be followed during this session of the National Planning Committee will be determined by the National Planning Committee itself in the first day. Provisionally, separate dates have been fixed for the presentation of each sub-committee's report and the Chairman and Secretary of that particular sub-committee have been invited to be present on that day. It is suggested that a general discussion might take place on the report then and advantage might be taken of the presence of the chairman and secretary to elucidate the report. If the National Planning Committee desires to take any decisions on the report at that stage it will do so.

17. A very detailed discussion of all the recommendations made in the reports at this stage may perhaps not be desirable, as this might delay the presentation of the other reports. Many of the fundamental questions that arise are common to many reports and it would probably be better to consider them as a whole after the various reports have been presented and generally discussed.

18. We have arrived at a stage when some of these fundamental questions of policy have to be considered and some indication given as to the method of approach to Planning. It is inevitable that some of the sub-committees adopt differing methods and even make recommendations which do not fit into each other. The National Planning Committee itself represents many view points, and while we must endeavour to bring them together and agree as far as possible, the possibility of disagreement on certain vital issues need not frighten us. A discussion of these different approaches and points of disagreement will be helpful to us, as well as later on to the public at large. That in itself has importance as the ultimate policy of the State will necessarily depend on public opinion, and the more informed this public opinion, the better it will be for us. It may be desirable, when our Report stage arrives, to give fully these differing view-points.

19. It must be remembered that final decisions in regard to National Planning will have to be taken by the State when it has the power to do so as well as the ability to give effect to its decisions. It is even more important to remember that the very basis of our Planning is a free India, democratically fashioned, where no external authority can interfere or obstruct the nation's work. There can be no planning otherwise; if there is interference or obstruction from outside, it means the imposition of external authority and other people's decisions on us. Full political and economic freedom is thus an essential pre-requisite to Planning.

20. It is obvious that at present we are far from this political and economic freedom. Political domination is patent enough, but a far more dangerous and insidious thing is economic domination. While the public

can see and feel political domination, and, therefore, reacts to it, it is not so conscious of the economic stranglehold which throttles the life of the nation and prevents industrial and other growth. We have had enough experience of this in the past and the present is full of dangerous possibilities owing to the War and its far-reaching consequences. These consequences are affecting Britain's economy vitally and may shake up completely or even upset her economic structure. Under present circumstances, it is exceedingly likely that the burden of this upsetting will be shifted as far as possible on to India, and we shall suffer because of it. Our financial and currency policy have long had no relation to the interests of India or the good of the Indian people. They are controlled by alien authority for other ends. As the war progresses and the tension grows the necessity and desire to exploit India will also grow. All the misfortunes of the pound sterling will be passed, with something added on, to the rupee, which has been forcibly connected in unholy marriage to the pound. Our gold continues to flow away at a time when every nation tries to conserve it.

21. All these and similar considerations are of vital importance for us in the present as well as in future. They do not affect our Planned Scheme as that is based on an elimination of these factors and of all external authority. But it is possible that improper and unjustifiable advantage might be sought to be taken of a part of our scheme in order to consolidate and strengthen foreign authority and interests in India. We must be on our guard against this. Our scheme is conceived for a free India and not for a colonial India with the strings of political and economic authority held elsewhere. It cannot be transplanted on different soil.

22. To give an instance : Many of our sub-committees' reports have recommended State ownership or control of certain industries, services and enterprises. Indeed we have already come to some general decisions on this subject. Obviously, when we refer to the State we mean a free and democratic India ; we do not mean the present State in India, subordinate to and controlled by foreign authority and interests. It would be absurd for the present State in India to interpret our recommendation in its own favour and thus add to its own political and economic power. This present State is carried on in the interest of British vested interests in India, and for this State to have more power means that British vested interests are further entrenched and added to. We know to our cost how Indian industry and enterprise have suffered because of this in the past. The Government of India Act of 1935 tried to perpetuate this state of affairs by preventing us from touching British interests in India. That policy continues and will be intensified under the pretext of war economy.

23. I have laid emphasis on this aspect of the question as it is important that all of us, and the public, should bear it in mind and pre-

vent our exploitation as far as we can. Keeping this in mind, we should proceed with our Planning.

24. For thinking and planning for the future is essential if that future is not to end in misdirected energy and chaos. It is foolish to imagine that when the present crisis at long last ends, a new or better arrangement of world affairs or our national affairs will automatically emerge out of it. It is equally unwise to allow matters to drift, protesting occasionally perhaps, but otherwise looking on helplessly for fear that what we may do might involve a risk or be taken unfair advantage of by our opponents. The world is full of risks and dangers today. We cannot escape them. The greatest risk and danger is to drift and not give thought and energy to finding a way out. It is manifest that the old order has had its day and is dissolving, whether we like this or not. It has led to wars and upheavals and continuing conflicts which involve not only passion and hatred and an enormous waste of energy and resources, but also prevent us from achieving what is otherwise easily attainable. We have to understand the conflicts of forces that dominate the world today and seek to resolve these conflicts. It is certainly a possibility that the world may inevitably be led to social dissolution. We have to avoid that, if we can, but we cannot do so by shutting our eyes to the fact that the existing order is incapable of preventing this catastrophe. Something else, more in keeping with modern conditions, has to be evolved. Politics, in our country as elsewhere, dominates the scene and occupies men's minds. But the real changes that are shaping the world are deeper than politics. If we plan, we must consider them and have clear minds about them.

25. We shall thus have to consider, at this stage or later, the basic and fundamental policies that must govern our Planning. Without a definite and clear-cut objective in view, and an understanding of the path we must pursue, we shall plan ineffectively or perhaps even in vain.

26. Already the National Planning Committee has given some thought to this matter and we have come to some general but fundamental decisions. It is well to recapitulate some of them. We are aiming at a free and democratic State, which has full political and economic freedom. In this State the fundamental rights of the individual and the group—political, economic, social and cultural—will be guaranteed, and the corresponding duties and obligations laid down. The State will be progressive and will utilise all scientific and other knowledge for the advancement of the people as a whole, and for the promotion of their happiness and material as well as cultural and spiritual well-being. The State will not permit the exploitation of the community by individuals or groups to the disadvantage of the former and to the injury of the nation as a whole. To realise the social objectives, the State has to Plan through its representa-

tives for the nation (whenever possible, in cooperation with other nations) and to coordinate the various activities of the nation so as to avoid waste and conflict and attain the maximum results. This Planning will deal with production, distribution, consumption, investment, trade, income, social services, and the many other forms of national activity which act and react on each other. Briefly put, Planning aims at the raising of the material and cultural standard of living of the people as a whole. In India our standards are so terribly low and poverty is so appalling, that this question of raising standards is of the most vital importance. The National Planning Committee has suggested that national wealth should be increased between two and three times within the next ten years, and this should be so planned as to raise the general standard at least in a like measure.

27. The principle of State ownership or control of Key industries and services, mineral resources, railways, waterways, shipping and other means of public transport, has also been accepted. This principle was laid down first by the Congress at Karachi in 1931.

28. Further it has been decided that Defence industries should be owned and controlled by the State; and that Public Utilities and all Key industries should be owned or controlled by the State. A strong body of opinion in the National Planning Committee was in favour of the State always owning Public Utilities. The principle of State ownership or control legitimately applies to other large scale industries or enterprises which are likely to be monopolistic in character, or even to other large-scale enterprises.

29. This change may be impracticable in the near future in existing industries. But wherever even an established industry, under private control, receives aid or protection from the State, or tends to develop into a monopoly, or comes into conflict with the general policy of the State, the State should take necessary steps to assure conformity in all such ventures with its basic policy and with the objective laid down in the Plan.

30. It is clear that the very nature of Planning requires the control by the Planning Authority in some measure of even other than key or vital industries. This control might vary with the industry in question, but it will have to be rigid for the Key or vital industries.

31. It has further been decided that efforts must be made to avoid the establishment of new vested interests or any thing else which may come in the way of Planning.

32. A tentative list of Defence Industries, Key Industries and Public Utilities is given at page 102 of the Red Book. These lists will no doubt be revised by the sub-committees concerned.



33. The National Planning Committee has also declared that cottage industries, in conformity with the national policy, should be protected and encouraged. I have dealt with this matter in previous notes to the members. It will have to be considered more fully when we have the sub-committees' reports before us.

34. At the instance of the Manufacturing Industries Sub-Committee, a meeting of the Chairmen and Secretaries of all the sub-committees was held in Bombay on February 11th 1940 in order to consider matters relating to the control and functioning of industries. A full discussion took place then which was very helpful to those present. I have already sent to all members of the National Planning Committee a memorandum about this meeting. Some decisions were taken in conformity with those of the National Planning Committee as mentioned above. It was further recommended that in the event of a private industry being taken over by the State, fair compensation should be paid. In calculating this compensation, a number of factors will have to be taken into consideration, so that the interests of the general public do not suffer and, at the same time, the owners are not victimised. It was not thought necessary to go into further details in regard to this matter at that stage.

35. This meeting of February 11th also laid down that any large scale industry, which may come into conflict with a particular cottage industry encouraged and supported by the State, should itself be controlled by the State. Such control will prevent any conflicts arising and co-ordination will be easy. This view point had previously been expressed in the National Planning Committee also.

36. I must apologise to members for the length of this note. I have written it in order not to take the time of the Committee by having to talk about these subjects, and also to put the issues before us as concisely as possible.

*May 1st, 1940.*

JAWAHARLAL NEHRU,  
*Chairman.*

**Resolutions passed by the National Planning Committee at its  
Sessions in May 1940, on the Reports presented by the  
Sub-Committees.**

At the commencement of the third sessions of the National Planning Committee, the Chairman opened the proceedings with a Note which reviewed the progress of the work so far done, and outlined the procedure to be adopted in considering the Reports which had been submitted by several Sub-committees (vide pages 28-36).

Reference was made to the deaths of Mr. Narasimha Raju, a member of the Manufacturing Industries Sub-Committee, and Mr. P. N. Mathur, Chairman of the Engineering Industries Sub-Committee.

The following condolence resolution was passed :—

“ This meeting of the National Planning Committee has learnt, with grief, of the sudden and untimely death of Mr. P. N. Mathur, who was Chairman of the sub-committee on Heavy and Engineering Industries, and who had prepared a valuable report of that sub-committee, in a comparatively short space of time, which will be a monument to his knowledge, experience and patriotism. The Committee place on record their keen appreciation of the service rendered by the late Mr. Mathur in connection with the said sub-committee of which he was Chairman, and of the sub-committee on Mining and Metallurgy of which he was a member, and authorise the Chairman of the National Planning Committee to communicate this Resolution to Mrs. Mathur and her family, as well as to the Tata Iron & Steel Co., Ltd., who were pleased to permit the late Mr. Mathur to place his knowledge and experience at the disposal of the sub-committee of the National Planning Committee.”

After considerable discussion on the procedure to be adopted it was decided to take up each Report, and adopt such of the recommendations made therein, and in such form, as the Committee felt necessary and desirable in each case. As this procedure had not been notified previously, the resolutions of the Committee, had, in the beginning, to be drafted on the spot as each Report was taken up for discussion. But, as the procedure continued, it was found more convenient if those responsible for any Report were to draft their own resolutions for consideration by the National Planning Committee. Accordingly, after the first few days, those

responsible for the Reports were requested to present, along with their Report, draft resolutions on the recommendations made in their Report to be considered and adopted by the Planning Committee, with such modifications as the latter deemed necessary in each case. The resolutions given below thus represent either final decisions of the National Planning Committee taken on such of the Reports as were final, or tentative decisions of that body if the Report was an interim one.

The Reports of the following Sub-Committees, which had been previously circulated to the Members of the National Planning Committee, were considered :—

1. Engineering Industries (including Transport Industries)—Final Report. [See pp. 38-40].
2. Chemical Industries—Interim Report. [See pp. 40-42].
3. Manufacturing Industries—Interim Report. [See pp. 42-47].
4. River Training & Irrigation—Final, Part I. [See pp. 47-48].
5. Population—Final. [See pp. 49-50].
6. Animal Husbandry & Dairying—Final. [See pp. 50-53].
7. Labour—Final. [See pp. 53-57].
8. Currency & Banking—Interim. [See pp. 57-59].
9. Insurance—Interim. [See pp. 59-61].
10. Rural Marketing & Finance—Final. [See pp. 61-63].
11. National Housing—Final. [See pp. 63-64].
12. Power & Fuel—Interim. [See pp. 64-67].
13. Horticulture—Final Report. [See pp. 67-68].

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### Engineering Industries including Transport Industries. (II/5)

The Final Report of the Sub-Committee on Engineering (including Transport) Industries was presented by Mr. Ratanchand Hirachand, a Member of the Sub-Committee, on the 2nd May 1940. The Secretary, the Hon'ble Mr. M. N. Dalal was unable to be present. The consideration of the Report was concluded the same day. The following resolutions were adopted :—

(i) The National Planning Committee having considered the Report of the Engineering Industries and Transport Industries Sub-Committee resolve that this should be forwarded to the National Planning Commission, when this is constituted. The Committee agree and are firmly of opinion that the establishment of a heavy engineering industry for the

manufacture of heavy machinery of all kinds, heavy forgings, boilers, machine tools, locomotives, railway carriages and wagons, heavy engines etc., is essential for the advancement of India, the development of her industries and for the organisation of defence. Such a key industry is the foundation for all Planning. It is necessary that all machinery required in India should be made in India, except in very special cases where this may not be considered absolutely necessary and economically feasible.

(ii) The Committee have appreciated the arguments advanced in the Report for the concentration of this heavy mechanical industry in one National Workshop situated in the coal mining area of Bihar-Bengal. They are of opinion, however, that both these aspects of concentration and location should be further examined by the Planning Commission. While the paramount consideration must be the national interest from the point of view of planned economy, existing plants producing heavy machinery should be encouraged to function where they can do so on an economic basis and advantageously to the nation. It should further be investigated how far the machinery required can be made, within the scheme of planned economy, in separate plants, situated in different parts of India. But in any event a major factory for producing heavy machinery etc. is necessary and should be started at a suitable centre. The location of such a factory should be decided upon after considering all the relevant factors, such as availability of raw material and power, including hydro-electric power, climate, and possibility of enemy action. It should be further borne in mind that such plants for heavy machinery do not come into conflict with the small tools made by the village blacksmiths or other craftsmen, and thus throw considerable numbers of people in the villages out of employment. The objective aimed at should be to prevent the import into India of foreign machinery and other goods, as far as possible and economically desirable, and to fit this into the larger scheme of planned economy.

(iii) The Committee further agree and recommend strongly that the manufacture of automobiles and other articles and machinery placed in the light Mechanical group should be undertaken at an early date in India. Only one automobile factory appears to be possible under existing circumstances. The location of this should be fixed after further consideration.

(iv) The building up of the Electrical industries as recommended in the Report is considered essential but their location may be decided upon later.

(v) All these industries being key industries, their ownership or control should, in accordance with the previous decisions of the National Planning Committee, rest with the State. The control in such cases

should be adequate and effective. Existing plants during the period of transition, as well as small plants, may, however, remain in private hands, but all such plants will be subject to such control by the State as may be necessary in the interests of Planning. The State referred to is the national free State of India, and not a State controlled by foreign authority.

(vi) In the transitional period the State may encourage private capital to start such plants by guaranteeing interest for a period of years, imposing heavy duties on foreign articles and otherwise, provided always that the State exercises rigid control of all such undertakings in the interest of national planning. A system of licensing, as previously recommended by the National Planning Committee, is also recommended with this particular object in view.

(vii) Control of foreign companies and foreign vested interests by the State is essential for Planning and for the success of these enterprises.

(viii) The Committee agree that cheap and efficient transport is essential for industrial development, and approve of the suggestion that a Central Board of Communications be established.

(ix) The Committee also approve of a Sales Organisation being set up by the State.

(x) As regards the agency for the management of State-owned concerns, the Committee consider that this question should be further investigated. It may not be necessary or desirable to have the same type of agency for all such concerns. In any event, full advantage should be taken of the technical and managerial knowledge available, and the co-operation of well-established firms should be sought.

(xi) The Committee do not consider it necessary to deal with, or express their views on, the other recommendations and arguments contained in the Report, which will no doubt be considered in greater detail by the Planning Commission.

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### Chemical Industries.

(II/3).

The Interim Report of the Chemical Industries Sub-Committee was presented by Dr. J. C. Ghosh, Chairman of the Sub-Committee, on the 2nd May, 1940. Prof. R. C. Shah, Secretary of the Sub-Committee, was also present. Discussion continued on the 3rd May. The following resolutions were tentatively adopted :—

(i) In order that Planning may be accurate and effective, a census of all forms of production, including cottage industries, is necessary, and legislation for this purpose should be undertaken.

(ii) The rapid development of the dye-stuff industry is considered necessary ; and for this purpose it is recommended that a dye-stuff corporation should be formed as soon as possible. This industry is likely to require State-aid, and it may be either subsidised and controlled by the State, or owned by it. The Corporation should, in the initial stages, concentrate on the production of particular direct and basic colours, naphthols, and bases, as indicated in the appendix to the report. When the factory or factories under the Corporation start operations and produce dyes etc. of standard quality in sufficient quantity, the importation of dyes and intermediates should be prohibited under license for special reasons.

(iii) The immediate establishment of a synthetic ammonia plant is recommended, with a view to making India self-sufficient with regard to synthetic nitrogen fertilisers. Such a factory should produce at least 50,000 tons of ammonium sulphate, which is approximately the present deficit in production in India.

(iv) The question of the proper use of coal should be considered later, along with the recommendations of the Power & Fuel Sub-Committee. The National Planning Committee, however, agree generally with the recommendations that : (a) the use of raw coal for domestic purposes, which involves waste and causes the smoke nuisance, should be prohibited ; (b) a sufficient quantity (3 million tons) of coal should be distilled to produce the soft coke necessary for this purpose ; (c) the tar obtained from this process, as well as from other factories now in use, should be processed to yield the road tar necessary for improving roads, ammonium sulphate for use as fertilisers, and the chemicals and intermediates essential for the dye and drug industries.

(v) The indigenous synthetic drug industry should be encouraged by a protective duty on synthetic drugs imported from abroad, and by suitable modification of the excise regulations relating to the spirits required for the drugs .

(vi) We recommend that an industry for the manufacture of explosives be started, and that this be state-owned.

(vii) Crude petroleum should be imported into the country and subsequently refined in this country, in accordance with the recommendation of the Tariff Board on this subject, and the import of petrol and kerosene be subjected to a heavy duty.

(viii) Scientific research for industrial purposes is necessary for the proper utilisation of many products in manufactures. There should be a State Department for Industrial Research, which should establish a National Chemical Laboratory, as well as such other laboratories as may be considered necessary, encourage research work in Universities, and give facilities for doing research work in different parts of the country, including grants-in-aid to co-operative research work. The National Chemical Laboratory should especially investigate the possibilities of using various chemicals as substitutes, of obtaining necessary chemicals from the available resources, and of starting manufactures as suggested in the interim Report.

(ix) Heavy chemicals should be protected for a definite period from foreign competition. Such raw materials and chemicals, which are not available in the country, for example, sulphur, arsenic, lead, tin, etc., and some of their compounds, should be allowed into the country free of import duty.

(x) The Chemical Industries, and more particularly the heavy chemical, and tar and petroleum distillation, and associated industries should be owned or controlled by the State."

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### Manufacturing Industries Sub-Committee.

II/6

The Interim report of the Sub-Committee on Manufacturing Industries was presented by Mr. Ambalal Sarabhai, Chairman of the Sub-Committee, on the 3rd May 1940. Dr. Nazir Ahmad, Secretary of the Sub-Committee was also present. Discussion continued on the 5th & 8th May. The following resolutions were tentatively agreed to.

1. In the matter of location of industries, the claims of the industrially backward areas should be given special consideration, subject to economic considerations justifying the same.

2. With regard to the location of industries, equal opportunities should be given to every federating unit, subject to economic consideration, of employment of labour and development of natural resources, provided similar conditions of work and wages prevail in the unit under consideration.

3. As regards the size of the units, it is recommended that no unit should be so large as to be outside the reach of competition by smaller, but economic units. Units smaller than the economic units should not

ordinarily be allowed to be started, except for experimental or pioneer purposes. The size of the economic unit will be decided in the case of each industry by qualified authority.

4. The power, fuel and mineral resources of the country should be fully conserved, scientifically developed, and utilised. We also recommend that where the power, fuel, and forest resources are available, they should be utilised. The details of working out this principle falls more properly within the scope of the Mining and Metallurgy as well as the Power and Fuel sub-committees.

5. The Defence Industries (as mentioned on page 102 of the red-book) should be State-owned in peace and war. The Planning Authority should also ensure, while laying out the plan, to see that non-State owned works, carrying on peace-time activities for private consumption, other than those which constitute Defence Industries, should nevertheless be so equipped and organised that they are capable of being switched over to State service for additional war-time requirements.

6. Public utilities should, as a general rule, be managed by public autonomous trusts.

7. On principle we are opposed to monopolies in private hands ; and, therefore, all monopolies which are injurious to public interests, or whose acquisition is beneficial to public interests, should be acquired by the State. We recognise, however, that in certain industries it may be inevitable to combine manufacturing units for the purpose of better economic production or selling organisation with a view to prevent profiteering on the one hand and unhealthy competition on the other. In all such cases the units or combines should be under adequate State supervision and control.

8. We recommend that, so far as possible, new industrial concerns should be located in suitably developed open areas, where the necessary facilities for the running of such industries and the proper housing of the industrial population are provided.

9. We recommend that all reasonable measures for the improvement of conditions of work inside the factory, such as the elimination or reduction to a minimum of dust, trash, smoke, etc., regulation of heat, moisture, etc., provision of light, etc., should be adopted in all industrial concerns.

10. We recommend that a reasonable part of the gross profits realised by an industrial concern should be ear-marked for depreciation before any other allocation, and the sums ear-marked shall be reserved for this purpose.



11. We recommend the establishment of an *Institute of Industrial Psychology*, whose services should be available to the industry.

12. In foreign countries with which India has substantial trade, Trade Commissioners of Indian nationality should be appointed to act as liaison officers, to disseminate information regarding the Indian procedure, to facilitate transactions between buyers and sellers, to make periodical reports regarding the trend of markets in their areas, and to help in every possible way the concerns engaged in the buying or selling of Indian goods. In the appointment of these Trade Commissioners, their qualifications for such work, including their knowledge of industry, trade and commerce, should be the governing consideration.

13. When any foreign country has established quota arrangements, or other restrictions, in their dealings with India, similar restrictions may be established from the Indian point of view, wherever it is necessary. Clearing agencies for any such purposes must be established, so that the whole of the foreign exchange arising out of trade operations passes through the hands of the State, and may be used by the Reserve Bank as and when it may be necessary for state purposes.

14. Qualified men should be periodically sent out in the principal consuming or potential markets of Indian goods, to make an extensive survey of the changing conditions of the market, and to submit reports thereupon. Where Indian produce is exported, efforts should be made to see whether the articles manufactured from such material cannot be exported from India in a manufactured form, or whether some intermediate transformation of the raw material, so as to add to its value before it leaves India, cannot be achieved.

15. *Museums* should be established both in India and abroad for the display of the raw materials and finished goods of Indian manufacture. In each case special emphasis should be laid on the type of articles which are generally consumed in that centre, or for which there is a likelihood of good demand.

16. Standardisation of weights and measures on an all-India basis should be carried out at an early date, so that a uniform system of weights and measures is applicable to the whole country. For this purpose a Bureau of Standards should be established at a central place, and this should collaborate with international organisations set up for such purposes. If other conditions permit, the Metric System should be encouraged and adopted.

17. Transport and storage facilities, including cold storage, both in transit and warehouses, should be provided, extended and improved for Indian produce of all kinds according to its requirements.

18. Arts and crafts emporiums for the encouragement of local industries, especially small-scale and cottage industries, should be provided by the Provincial Governments and Local bodies,

19. The grading of all agricultural produce in order to ensure proper grades and uniform quality should be completed at an early date, and measures such as the Indian Agricultural Produce Act, Indian Foods and Drugs Act, etc. should be passed and applied wherever necessary. Measures on the lines of the Cotton Ginning and Pressing Factories Act should also be passed and enforced to check malpractices and adulteration of superior with inferior varieties.

20. It is desirable to institute a system of licences for all businesses, more especially the distribution of industrial products, and such licences should be issued by statutory bodies. Amongst the conditions attached to such licences should be one, which would render the licence liable to cancellation, if the conditions laid down for the benefit of the public are violated.

21. Railway freights and classifications should be examined from the point of view of marketing of industrial products; and wherever the incidence of freight adds considerably to the transport charges and acts as a drag on the industry, the freight should be reduced by an appropriate amount, with due regard to safeguarding other interests concerned.

22. We feel that by judicious adjustment it may be possible to establish a mutually beneficial co-operation between large scale and cottage industries as a whole. We favour, therefore, looking at the constituent parts of an industry and apportioning production in such a manner between large scale and cottage industry as to provide for legitimate expansion of both and utmost contribution to national well-being. We recommend that there should be a permanent Board of Research to go into the changing economics of large scale and cottage industries, including its reactions on those employed in the cottage industry and a much larger number of consumers, as a result of which the State may decide their respective scope.

23. We recommend that suitable facilities should be provided in each Province, with special regard to the needs of the Province in the matter of industry and commerce, for training sufficient number of men and women for all kinds of posts in the industrial and commercial concerns. In this connection, special regard should be paid to the training of men for the higher posts, who can design new types of machinery, erect large factories, undertake original industrial investigations with a view to increasing efficiency and reducing wastage and cost, and possess initiative and organising capacity. Where such facilities already exist, they should be

expanded in the appropriate manner ; where no such facilities exist, new departments, schools or colleges should be opened.

24. Apprentice schemes for the training of apprentices in different industries should be initiated in each area. These schemes should be worked out to give the best results, with due regard to the special interests of each industry, if necessary by legislation.

25. In order to absorb the trained men and women turned out from the industrial institutes, apprentice classes, etc., it should be made compulsory on each industrial concern to employ a certain percentage, which would be determined with due regard to its special interests and requirements, of technically trained men.

26. In special cases the services of highly qualified foreigners may be engaged, on a contract basis, to impart training in special subjects in India.

27. Until such time as adequate facilities are available in India for the training of men and women for all kinds of work in industrial concerns, it would be necessary for Indians to receive this training in suitable technical institutions and industrial organisations in foreign countries. We recommend that in such cases the State should furnish full information regarding such institutions, make the necessary arrangements for the training of Indians abroad, and, in the case of qualified and deserving persons, should render them such financial and other help as may be necessary. It should be a part of the Stores Purchase policy of the State to stipulate for the training of men selected by the State.

28. It is recommended that a Standards Institution should be established at an early date. This Institution should prepare and issue standard specifications for various articles manufactured in India. Such standard specifications will, on the one hand, safeguard the purchaser by ensuring a generally suitable quality and performance at a reasonable price, and on the other, safeguard the manufacturer by minimising unfair competition.

This Institution should work in close collaboration with the central standardising bodies in the various parts of the world.

29. The manufacture of machinery of all types should be undertaken in India after a careful survey of the present requirements and resources, and should be expanded progressively in proportion to our industrial development in the future. For this purpose, an immediate survey of the following materials which are essential for the manufacture of machinery should be undertaken, and this survey should be repeated every five years to assess the extent to which, as a result of the fullest possible

exploitation of our resources, India is able to produce the materials required for the manufacture of machinery :

Antimony	Manganese
Asbestos	Mercury
Asphalt	Molybdenum
Bauxite	Nickel
Camphor	Phosphate-rock
Cement	Platinum
Chrome Ore	Potash
Cobalt	Rubber
Copper	Salt
Cryolite	Sulphur
Felspar	Tin
Graphite	Tungston Ore
Iodine	Vanadium
Iron Ore	Vanadium Ore
Lead, Magnesite	Zinc.

### River Training & Irrigation.

I/2

Part I of the Report of the Sub-Committee, dealing with Irrigation, was presented by Nawab Ali Nawaz Jung, the Chairman of the Sub-Committee, on the 3rd May 1940. Mr. U. N. Mahida, Secretary, was also present. Discussion continued on the 4th May, and the following resolutions were passed.

1. With a view to obtain a high degree of co-ordination and correlation of effort, the establishment of a National Water Resources Board, for the conservation and utilisation of water resources in the country, is recommended.

This Board will deal with irrigation, navigation, flood-control, river management, hydro-electric power and use of water for dietetic purposes.

The functions and duties of the Board will be to advise and assist the Administration through :

- (a) the preparation, development, and maintenance of comprehensive plants ;
- (b) surveys and research;
- (c) the analysis of projects for co-ordination and sequence.

2. Progress at present is greatly hampered owing to uncertainty of water titles, and we recommend that Inter-Provincial-State Commissions be arranged for reconciling the various interests and conflicting water rights.

These Commissions will consist of one representative each from the Provinces and major States interested in the waters, and two independent members from the Water Resources Board.

3. There is great need of extending the system of permanent gauging stations on all rivers concerning which records of flow are important for planning water resources.

4. We also suggest the systematic undertaking of research and investigation to determine the extent and availability of the ground-water supplies, and the relation between their use and depletion.

5. It is important that our rivers should be developed to the greatest possible extent and effectively utilised at the earliest practicable date. For this purpose conservation of water by storage has become a matter vital to the future growth and development of the country, and we recommend the initiation of extensive reservoir systems commensurate with the needs of the country.

6. We recommend that no time be lost in drawing up and carrying out a construction programme for an addition of about 12 million acres under 'Government Canals and Reservoirs' in the ensuing two decades.

7. We recommend that a detailed land classification be undertaken to determine whether the land is worth the water that is to be applied to it.

8. We recommend that steps be taken for agricultural planning to be tied in closely with the water control programme. Where perennial irrigation is to be practised, a suitable system of agriculture should be developed before hand.

9. Where the irrigational interests are large, we recommend that Co-operative Organisations should be established for :

- (a) the careful preparation of land for irrigation
- (b) the distribution of water under fixed rules and discipline ;
- (c) the carrying out of the minor drainage operations, and
- (d) taking steps for the prevention of swamps, stagnant pools, the spread of malaria, etc.

10. We recommend that suitable laws should be enacted to entrust the upkeep of the numerous minor tanks to the village communities concerned.

11. We consider that irrigation management should be recognised as a distinct profession and recommend that steps be taken for providing the requisite training.

## Population.

### III/2

The Final Report of the Population Sub-Committee was presented by Dr. Radhakamal Mukerjee, Chairman of the Sub-Committee, on the 4th May 1940. Mr. B. C. Guha, Secretary of the Sub-Committee, was also present. Discussion continued on the 9th May. The following resolutions were passed.

1. We agree with the view that the size of the Indian population is a basic issue in national economic planning, in so far as its unrestricted increase, out of proportion to means of subsistence, affects adversely the standard of living ; and tends to defeat many social and ameliorative measures.

The problem has been fundamentally caused by the lack of all-round, coordinated economic development. While measures for the improvement of the quality of the population and limiting excessive population pressure are necessary, the basic solution of the present disparity between population and standard of living lies in the economic progress of the country on a comprehensive and planned basis.

2. With a deficit in food supply estimated at about 12% of the requirements of the population, and chronic under-nutrition and unbalanced dietary of the masses, India should utilise her waste lands, and improve her yield per acre as much as possible.

We recommend that, in relatively sparsely populated areas, land reclamation should be promoted through Rural Settlement Departments ; and planned inter-Provincial migration from over-crowded regions should be encouraged, establishing zones of agricultural colonisation in newly reclaimed areas as well as for industrial purposes. The State should own such agricultural areas to avoid the creation of new vested interests.

3. We consider that the prevalent under-nutrition and malnutrition should be tackled by systematic crop planning, stressing the production of heavy-yielding, energy-producing and also protective food-stuffs. We recommend in this connection the establishment of a Central Nutrition Board with regional boards, for developing a national nutritional policy in coordination with the Departments of Agriculture and Public Health. There should also be nutrition research institutes functioning under these Boards.

The present food resources should be more effectively utilised and supplemented, particularly by vegetable or animal proteins, so as to give a more adequate and balanced diet ; and an attempt should be made to improve food habits and methods of food preparation of the people, so that they may obtain more nutritive values from the foods consumed.

4. In the interests of social economy, family happiness and national planning, family planning and a limitation of children are essential ; and the State should adopt a policy to encourage these. It is desirable to lay stress on self-control, as well as to spread knowledge of cheap and safe methods of birth control. Birth control clinics should be established, and other necessary measures taken in this behalf and to prevent the use or advertisement of harmful methods.

5. We consider that the gradual raising of the marriage age and discouragement of polygamy are desirable in the interests of the limitation of the size of the family.

6. The removal of barriers to inter-marriage is desirable for eugenic and other social reasons.

7. An eugenic programme should include the sterilization of persons suffering from transmissible diseases of a serious nature, such as insanity or epilepsy.

8. For the blind, deafmute, infirm, feeble-minded, and other socially inadequate persons, we recommend that there should be more adequate and more appropriate institutional care and vocational training through hospitals, special schools, colonies and homes, in order that they may prove useful and be not an excessive burden to society.

9. When planned society comes fully into being, occasions for individual unorganised or sporadic charity will have no place. Misfortunes for which such charity is at present provided will be far rarer then, and such as occur will be guarded against by the collective obligation of the State. Even during the transition period, individual alms-giving must give place to organised relief and institutional care.

10. All social handicaps which come in the way of equality between man and man, and man and woman, must be abolished. Untouchability and all such-like disabilities must be completely ended.

11. The maintenance of vital statistics, and the carrying out of periodic demographic surveys on comprehensive lines, are necessary ; and appropriate machinery should be devised for this purpose.

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### **Animal Husbandry & Dairying.**

1/5

The Final Report of the Animal Husbandry & Dairying was presented by Sir Chunilal V. Mehta, Chairman of the Sub-Committee, on the 4th May 1940. The Secretary, Rao Bahadur M. R. Ramswamy Sivan, was

unable to be present. Discussion continued on the 8th May. The following resolutions were passed.

India has the largest proportion of animal production in the world, a considerable proportion of which is useless and burdensome. Means must, therefore, be found by sterilization and by other ways to reduce the size of the present cattle population, and also to guard against the increase of useless animals in the future. Though the number of animals is the largest in India, the produce per animal is miserably poor. Means must be found to increase this produce per animal, and to make the cow an economic proposition, and to cheapen the cost of cow's milk and milk products. With this end in view, while generally approving the Report of the Committee on Animal Husbandry, the following recommendations are made :—

1. The first essential is the breeding of Pedigree cattle suitable for regional areas with a view to distribute the bulls and cows on the premium system throughout the villages. The responsibility for doing this must rest with Government.

2. The objective of breeding should be what is known as the general utility or dual purpose animal, as India is an Agricultural country requiring bulls for cultivation, though the combination of milk and draught characteristics, including for agricultural operations, may mean some sacrifice in both to a certain extent. This policy is also necessary because animals cannot be bred for slaughter in view of the strong sentiment in the country in this matter.

3. Breeding should be done by selection from indigenous stocks as the experience of crossing with foreign breeds has not been happy.

4. Legislation on the lines of the Punjab and Bombay, but with its provisions considerably strengthened, should be undertaken for sterilising bulls and ringing cows which are found to be useless and superfluous, with a view to replacement ultimately by pedigree animals.

5. The system of dedication of Brahmani Bulls should be carefully watched so that only proper bulls, and ultimately pedigree bulls, are selected with the help of village panchayats and with the approval of the animal husbandry authority.

6. The question of Government Cattle Farms, Co-operative Organisation for Cattle breeding and for Milk Production, Transport and Processing, and for the Distribution of Premium Bulls have been recently examined in the report of the Expert Cattle Committee, Bombay, 1939, whose recommendations may generally be taken as the basis of work, *mutatis mutandis*, in other provinces and states.

7. Proper provisions should be made for fodder, controlled grazing, silage, throwing open of forest areas, where feasible, and by legislative in-



sistence, where practicable, on the cultivator setting apart a portion of his holding for fodder crops.

8. Good animals require good food, and the question of animal nutrition requires further research.

9. Cow's milk is an excellent article of diet for human consumption, and surpasses buffalo milk. When the arrangements mentioned above have been made and sufficient quantity of milk can be provided, there should be a drink-more-cow's-milk campaign, especially in cities, where the taste has been developed for buffalo milk. The creation of a demand for cow's milk will be a great support to the dairying industry. Buffalo's milk is preferred because of its fat content. The objective of breeding should aim at increasing the butter content of cow's milk which can be done. This will also help the use of cow's milk for ghee manufacture for which there is a demand in the country.

10. Profitable production of pure milk and milk products is greatly handicapped by the unfair competition of unscrupulous vendors and distributors of adulterated articles. There should be adequate provision of law against this, and it should be strictly enforced. The competition of what is called vegetable ghee should be provided against. It is desirable to give a generic name to these hardened oils and the use of the word "ghee" should be prohibited for these products. Some distinctive colour should be given to these products at the factory, so that they cannot be mistaken for "ghee". The distinctive colour may be such as not to affect the colour of the cooked food.

11. Dairies should be removed from cities to rural areas at a suitable distance from them, both because the cost incidence in cities is high, and because it leads to the slaughter of our best animals as well as to the cruel and disastrous process of phooka. Transport facilities should be given.

12. Slaughter houses should be strictly controlled by a Veterinary Officer, who should see that no animals that are capable of being useful are destroyed. Regulations should be made to provide against the slaughter of animals serviceable for agriculture and for milking purposes. The objective should be to make the keeping of animals an economic proposition.

13. Pinjrapoles and Gorakshak Mandalies who derive their funds from trade should be persuaded to take up cattle breeding at least as a part of their activity.

14. In tracts where male buffalos are used for cultivation and transport, attention should also be paid to the breeding of good buffalo stock.

15. Much more attention should be paid to animal husbandry as an important department of Government. The subject of Animal Husbandry should find a place in the curricula of the appropriate educational institutions. Research in all branches of Animal Husbandry and Dairy Produce should also be encouraged.

16. Timely prevention of cattle disease, control of epidemics, and compulsory inoculation are recommended. More research is required on animal diseases.

17. The Committee are of opinion that there is scope in this country for manufacturing milk products like Casein, Skim Milk powder, Condensed Milk etc., which are now imported; and this industry should be safeguarded. In the manufacture of ghee it should be examined whether the preparation of it from creamery butter is not as good as, or better than, the deshi method from whole-milk curds.

18. The Sub-Committee's recommendations with regard to the breeding of sheep, goats and poultry, and also with regard to Bee-Keeping, are generally approved.

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### Labour.

#### III/1

The Final Report of the Labour Sub-Committee was presented by the Chairman of the Sub-Committee, Mr. N. M. Joshi, on the 6th May 1940. Mr. V. V. Giri, a member of the Sub-Committee, was present. The Secretary of the Sub-Committee, Mr. V. R. Kalappa, was unable to be present. Discussion continued on the 7th and 8th May. The following resolutions were adopted.

1. Regulation as regards living and working conditions of the employees, including hours of work, employment of children, provisions for safety and sanitation, social insurance and such other matters, should apply, subject to such variation as may be necessary owing to the nature of the occupation, to industries and occupations to which so far no such regulation has been applied.

2. It is of paramount importance that certain essential human standards be maintained. In giving effect to any regulations for the improvement of living and working conditions, due regard will be paid to the interests of the consumer, and the capacity of each industry to support this obligation. In the event of an industry not being able to comply with these conditions, the State may protect, subsidise, or take it over, if it is the interest of the community to do so.

3. **HOURS OF WORK** :—Working hours should be limited to 48 hours per week, and nine hours per day. This should not lead to any reduction of earnings. It is recommended that a committee should investigate into all the questions arising out of the application of a 48 hour week on an all-India basis, including conditions of work.

4. This provision (relating to hours of work in resolution 3 above) shall apply to all employees in—

- (a) factories and workshops, employing five or more persons and using mechanical power, or to factories and workshops employing ten or more persons even though not using mechanical power ;
- (b) mines and quarries ;
- (c) public transport services using mechanical power.

5. The principle of limiting the total weekly hours of work should be applied to other industrial and commercial occupations, including plantations, building works, public utility services, with due regard to the nature and varying conditions of the occupation.

6. **CHILD LABOUR** :—The minimum age of employment of children should be progressively raised to 15, in correlation with the educational system.

7. **HEALTH AND SAFETY** :—In view of the specially technical nature of the problems of health and safety, a special committee should be appointed to make detailed investigations and recommendations for improving provisions for the health, safety, and conditions governing night work, in all regulated undertakings.

8. **WAGES** :—A wage fixing machinery should be established early in all provinces, in order to secure for the workers a living wage, fix minimum wages, consider other questions relating to wages, and obtain for them a decent standard of life, health and comfort.

There should also be a Central Board in order to co-ordinate the activities of the Provincial Boards.

9. **HOUSING** :—The question of Housing should be considered as a national obligation of the State ; and should, therefore, be more fully considered in connection with the housing sub-committee's recommendations. It is desirable therefore for the State, including the Local Body, to make provision for housing, as well as for co-operative schemes to be undertaken.

During the period of transition, and in order to improve housing conditions as rapidly as possible, employers should be required to erect suitable houses for workers, provided that full provision is made for free-

dom of movement and association, and against victimization by way of ejection during industrial disputes. Where necessary, facilities for transport should be provided.

10. **HOLIDAYS WITH PAY** :—All industrial employees should be given at least 10 continuous working days (exclusive of public holidays) as paid holidays after 12 months service.

11. **WORKMEN'S COMPENSATIONS** :—The present rates paid by way of compensation should be examined and made adequate.

12. **MATERNITY BENEFITS** :—Maternity benefit legislation should be undertaken on the general lines laid down by the Geneva Convention of 1919, in regard to the period before and after childbirth, and payment being made out of a special public fund.

13. The Committee resolved that the right of woman workers to get equal pay for equal work must be recognised.

14. A system of compulsory and contributory social insurance for industrial workers should be established directly under the control of the State, to cover the risks of sickness and invalidity other than those covered by the Workmen's Compensation Act. Schemes for providing alternative employment to those involuntarily unemployed, Old Age Pensions and Survivors' Pensions, and also Social Insurance to cover risks of sickness and invalidity for all, should be established directly under the State. These schemes should be extended by stages, priority being given to particular classes of workers, with due regard to the relative urgency of their needs, facility of application, and to the ability of the community to provide for them.

15. **LITERACY** :—A nation-wide campaign of adult literacy and education should be started by making it obligatory on every illiterate adult to attend a literacy centre for a fixed period. The necessary finances required for launching the scheme should be provided by the State.

16. **TECHNICAL EDUCATION** :—Provision should be made for technical education of the workers by establishing Day and Night Schools for the purpose, so that the worker might become more efficient in his own industry, and might also learn an alternative occupation. After the State has made suitable provision, a certain period should be fixed after which only literates will be employed.

17. **TRADE UNIONISM** :—Legislation should be passed to recognise Trade Unionism as an essential and integral part of the economic system.

18. **TRADE DISPUTES** :—Machinery for the settlement of disputes should be provided by Government in the form of a Conciliation Board and an Industrial Court.

20. THE LABOUR INSPECTORATE should be strengthened in the various provinces, and should include women. Co-operation between Inspectorates of various provinces should be established by periodical conferences.

21. LABOUR LEGISLATION :—It is desirable to have uniformity and co-ordination in labour legislation all over India. There should, therefore, be full co-ordination between the Centre and the Provinces, and the Provinces and States *inter se*, and appropriate machinery for this purpose should be devised, such as Tripartite Industrial Councils representing the Government, the employers and labour. This principle of uniformity and co-ordination should be borne in mind when prescribing the respective spheres of Central and Provincial legislation affecting labour.

22. Both in the interest of industry and the community, it is desirable to associate the workers progressively in the control system.

23. DOMESTIC SERVICE :—The case of those engaged in domestic services requires special attention and legislation in regard to their hours of work, wages, holidays, social insurance, and the like.

24. In order to remove the practical restriction on the freedom of movement and association of the workers on plantations, legislation should be undertaken with a view to providing public roads leading to the worker's places of work and residence, and sufficiently large open spaces near their houses.

25. The right of repatriation of the workers on plantations should be made adequate.

26. SEAMEN :—An Employment Bureau under Government control should be set up in each major port, and recruitment of seamen should be made only through such a bureau. The work of the bureau should be carried on by persons possessing practical experience; but there should be a Joint Maritime Board to tender advice on all matters concerning the work of this Bureau. This Joint Maritime Board should include an equal number of representatives of ship-owners and seamen.

27. There should be adequate accommodation, with light and air, and sufficient food of proper quality on board, and there should be no racial discrimination in regard to these.

28. DOCKWORKERS :—Each major port should have a register of all workers who have a genuine claim to be regarded as dock labourers, and appropriate arrangements should be made for the proper rotation of work. This principle should be extended to other classes of casual labour, wherever possible. Labour exchanges and other appropriate machinery should be devised for the recruitment of all classes of workers.

29. **INDUSTRIAL DISPUTES** :—Under Planned Economy, legislation should be passed for adjudication of industrial disputes by impartial tribunals.\*

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### Currency & Banking. (IV/4).

The Interim Report of the Currency & Banking Sub-Committee was presented by Mr. Manu Subedar, Chairman of the Sub-Committee, on the 7th May. Prof. C. N. Vakil, Secretary of the Sub-Committee, was unable to be present. Discussion continued on the 9th & 10th May. The following resolutions were tentatively adopted :—

1. The Reserve Bank of India is dominated by British financial interests and carries out policies dictated by them. The Bank must therefore be nationalised, and be owned and managed by the State.

2. Banking business of every description must be carried on under a license, and must be subject to such regulation, supervision and general control as the Central Banking authority imposes from time to time.

3. One of the essential conditions of the license to do banking business in this country should be that at least 95% of the personnel will be Indian. In the case of banks registered in India, all the directors should be Indian nationals, the employment of any foreigner in any such bank will be left open as expert adviser only, and not as chief executive or manager.

4. Banks not registered in India should be prohibited from receiving any deposit or raising loans, in the same manner as in the United States of America.

5. Banking facilities in the country must be widened and made easily available to the mass of the people, by means of an adequate number of branches of large Joint Stock Banks, small local banks, improvement and extension of Post Office Savings Banks, Co-operative Banking Societies, and private bankers, under a proper system of regulation.

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\* The question of arbitration in industrial disputes had been previously discussed on May 7th. It was further discussed before this resolution was passed. Prof. R. K. Mukherji was opposed to any provision which might come in the way of strikes even under Planned Economy. Mr. N. M. Joshi stated that he would like to see the future State before he could commit himself to the principle underlying this resolution. Much depended on the nature of this State. He would therefore suspend judgment till then.

6. All inland remittance charges should be eliminated. The Hundi system should be encouraged and strengthened, and Discount Houses should be established.

7. The Stock Exchange should be re-organised, and should work under very strict public control, so that they might function primarily as institutions to help investors.

8. All commodity markets, in which future or forward dealings take place, must be under regulations approved by the State.

9. All import and export trade must be done under a system of licenses, which should be freely given; but which are so designed as to enable the State to have the fullest information regarding the direction of the trade, and to facilitate control and regulation as they are found necessary.

10. Increasing use should be made for foreign trade in staple articles, of recognised corporations, especially charged with functions of exporting and importing.

11. The entire foreign exchange business of the country should be conducted under the complete control of the Reserve Bank, and in such manner as it may determine from time to time. The Reserve Bank should make Foreign Exchange available to the other banks within limits of safety for the external value of the Indian currency.

12. Drastic steps should be taken to prevent drain of funds from the Indian money market in respect of insurance premia. The State should exercise greater control over all insurance funds with a view to ensure not only their safety but maximum utilisation for national purposes.

The Sub-Committee had recommended the extension of the State insurance scheme to the public with a view to eliminate private enterprise in this field. As this question had also arisen in the consideration of the Insurance Sub-Committee's Report, it was decided that a decision should be taken at a later stage.

13. The value of the Indian Currency Unit, whether at home or abroad, should be regulated exclusively by considerations of benefit to the Indian national economy, and not in the ruinous manner as at present, when the Rupee is linked to the Sterling. The link of the Rupee with the Pound should be broken as early as possible, all necessary steps and precautions having been previously taken.\*

\* There was a note of Dissent to this Report by Prof. K. T. Shah, which was discussed for some time. Several members stated that while they were attracted by this new approach to money, it was not clear to them how it could be made feasible and practicable. It would be in the nature of an experiment. Mr. Ambalal Sarabhai suggested that Prof. K. T. Shah might write a fuller note on the subject, explaining his point of view and how it could be applied. This note should be circulated to members of the N. P. C. Prof. Shah agreed to this.

14. While in Planned Economy, fluctuation and depressions will be reduced to a minimum, it is desirable that, meanwhile, these should be controlled, and sudden or prolonged fluctuations avoided, by the Central Monetary authority in the country. For this purpose several Index Numbers, based on different commodities and different considerations, should be kept to indicate the direction of these fluctuations as also the progress of the Plan. The Central Monetary authority should regulate the price levels and other conditions through the adjustment of the volume of currency and credit.

15. No reserves against the Indian Paper Currency, or the Indian Credit and Banking system, should be in sterling, as hitherto. All such reserves should be normally in India, but the Reserve Bank should have discretion and powers of holding a portion at such places abroad (in gold only in quantities laid down by law) as is considered desirable and necessary. Reserve in gold should not be permitted normally to be kept out of India.

16. The export of gold from India on private account must be prohibited forthwith, and the import of gold must be confined to the Reserve Bank only.

17. To improve the credit and financing facilities available to the primary producer, we recommend that warehousing facilities should be provided or organised by the State all over the country to enable the producer to place his produce in such warehouses. We recommend that the charges in connection with these warehouses should be eliminated and borne by general reserve, or, in any event, such charges should be as low as possible. Against the produce thus deposited, a receipt should be given to the producer who should be entitled to raise the money needed on the strength of this receipt.

18. The State will prevent profiteering and control price levels in the interests of the consuming public and of Planned Economy.

19. We recommend the establishment of Consumers' Associations at principal centres, with a view to protect the interests of the consumer in respect to quality, price and weight of goods etc.

In order further to protect the buyer and check the habit of bargaining, we recommend that retail dealers should be made to fix their prices and exhibit them openly.

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### Insurance.

(IV/5).

The Interim Report of the Sub-Committee on Insurance was presented by Sir Chunilal V. Mehta, Chairman of the Sub-Committee, on



the 7th May, 1940. Mr. K. S. Ramchandra Iyer, Secretary, Mr. B. K. Shah and Mr. J. C. Setalvad, Members, of the Sub-Committee, were also present. Discussion continued on the 8th and 11th May. The following resolutions were tentatively adopted :—

1. In order to organise the National Insurance system on a sound, all-round, nation-wide basis, embracing every contingency having to be insured against, it would be necessary for the State to establish a Central, co-ordinating, national insurance board, which may be an autonomous board appointed by the Government and including representatives of the interests concerned.

Such a Board would not only provide for the management of such of the insurance business as is carried on by the State or any of its representatives directly, but also for the supervision, control, and regulation of those portions of the insurance business which are under private enterprise, and also for those to which the State becomes a contributory.

This Board will also collect the necessary data and statistics, as also to supervise the technical education of insurance workers.

2. Any scheme of National Insurance must provide for the entire insurance service being organised by indigenous enterprise.

3. Where direct or indirect advantages are enjoyed by non-Indian insurance enterprise as against corresponding Indian enterprise, they must be effectively dealt with.

4. Non-Indian business operating in India should, likewise, be required to reinsure their Indian as well as non-Indian business with the National Insurance Authority in India, on a basis of reciprocity.

5. With a view to make insurance co-extensive with all insurable contingencies as integral part of the Plan, the State should, by legislation or executive action, as the case may be, adopt every device to facilitate such extension and expansion.

6. In order to facilitate extension and expansion of the Mutual and Co-operative system, wherever considerable numbers of people, workers or otherwise, are to be found under more or less homogeneous conditions, every facility should be provided to encourage them to organise as Mutual or Co-operative Societies for Insurance against their common contingencies of life.

7. Regarding para 11 of the Report, we agree that social security should be assured to all classes of workers, but the particular method of assuring it should be decided in co-ordination with the recommendations already made in connection with the Report of the Labour Sub-Committee.

8. Insurance being a necessary service to the public, it is desirable that it should be made available at the cheapest cost possible. In order to bring this about, the cost of acquisition and renewal should be maintained at a reasonably low level, and the multiplicity of middlemen should be avoided.

9. (i) It was desirable to extend the benefits of life insurance to the largest number of people, and to do this as cheaply and efficiently as possible.

(ii) This should not be the monopoly of private enterprise, but private enterprise may continue.

(iii) The State should extend its life insurance scheme, at present confined to government officials, to the public generally, so that its benefits may extend to the mass of the people.

(iv) Thus for amounts within the upper limit fixed by the State for its own life insurance scheme, the State and private enterprise will function jointly; larger amounts will be dealt with at this stage by private enterprise only.

(v) Co-operative and mutual forms of life and other kinds of insurance, friendly societies and the like, should be encouraged by the State.

(vi) Other forms of insurance, besides life, may continue to be conducted by private enterprise.

(vii) The State should protect and encourage Indian private enterprise as against foreign enterprise in India.

(viii) The question of extending still further the activities of the State in the field of insurance will depend on future results and the experience gained.

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## Rural Marketing and Finance.

### I/1

The Final Report of the Rural Marketing and Finance Sub-Committee was presented by Dr. Sudhir Sen, Secretary of the Sub-Committee, on May 9, 1940. The Chairman of the Sub-Committee, the Hon'ble Mr. Ramdas Pantulu, was unable to be present.

Discussion continued on the 11th, 12th and 14th. The following resolutions were passed.

1. The practice of gambling in "futures" markets is objectionable and injurious, and should be put an end to.

2. "Utilisation" industries, e.g. for canning fruits, producing fruit juices, tomato sauce, chutney etc., and "processing" industries, e.g. husking paddy, grinding wheat, curing tobacco, will directly widen the market for many agricultural products and frequently fetch higher net prices. Steps should be taken all over the country to explore the possibilities of developing such industries.

3. Adulteration of food has become a growing menace in this country. The consumer should be better educated to appreciate the purity of food-stuffs, and, if necessary, pay a slightly higher price. In addition, the existing Pure Food Laws should be re-examined and supplemented whenever necessary, and must be strictly enforced so as to stop the evils of food adulteration.

4. Rural Finance: The failure to draw a distinction between short-term and long-term finance has been a weak feature in the rural credit system. Suitable institutions for meeting these two types of credit requirements should be developed, and simultaneously, steps should be taken to increase the credit worthiness of the cultivator.

5. The growth of co-operative land mortgage banks has been very slow except in Madras, their individual loans are relatively small, while the total volume of their transactions has never been large. The extension of these banks on proper lines can go a long way in meeting the demand of the cultivator for long-term accommodation. It is desirable, however, to supplement co-operative land mortgage banks, with State or State aided banks for dealing with long-term agricultural credit. The credit thus raised should be used for productive purposes.

6. Short-term loans are needed by the cultivator mainly for his seasonal operations and for the marketing and movement of his crops. He should, therefore, be in a position to borrow against the hypothecation of the crop to be raised and against the produce after it has been raised. In order to render crop hypothecation both cheap and easy, the necessary security must be provided by taking such steps, as making it an offence for a cultivator to remove or dispose of hypothecated crops, creating a form of chattel mortgage in respect of the crop in favour of the creditor whose claim will have priority over all others. The creditor in this connection means the State, a co-operative society, or some similar agency controlled by the State.

7. We recommend strongly the establishment of the system of public Warehouses for storing the produce of the cultivator on the lines suggested by this Sub-Committee. The Warehouse receipt may be used as security for obtaining accommodation.

8. We recommend that regional investigations on the problem of Rural Marketing be made on scientific lines. It is also necessary to have

more detailed and accurate statistical information than has hitherto been available. Steps should be taken to compile more comprehensive statistics on agriculture (production, consumption, trade etc.), and the appropriate agency for this purpose should be devised.

9. In a planned society, Rural marketing should be organised on the co-operative principle, and eliminate unnecessary transportation of goods. The purchases of rural requirements should also be included in the above organisation.

10. For the transitional stage, we recommend that regulated markets should be extended widely and worked more efficiently in the interest of the cultivators. All dealers in agricultural produce should be licensed in order that their transactions may be controlled.

11. Standardisation and grading of agricultural produce should be introduced, and grading stations under State control established, as quickly as possible. The introduction of standard contracts should be expedited so as to cover the staple products of India. The market news service should be further developed.

12. In view of the fact that the attitude of the Reserve Bank has so far been unhelpful in regard to agricultural credit, we are of the opinion that the powers conferred on the Bank by Sec. 17 of the Reserve Bank of India Act should be utilised immediately to make the financial facilities more easily available to the cultivators.

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## National Housing.

### VI/1

The Final Report of the Sub-Committee on National Housing, was presented by Mr. S. D. Prabhavalkar, Chairman of the Sub-Committee, on the 10th May 1940. Mr. S. B. Joshi, Jt. Secretary of the Sub-Committee, was present, while the Secretary, Dewan Bahadur V. G. Shete, was unable to attend. Discussion concluded on the same day. The following resolutions were passed.

1. We recommend the creation of statutory authorities namely (i) Central Housing and Planning Board ; (ii) Provincial Housing and Planning Boards. The former will be concerned with general principles, policy, programme, finance, technique, standardisation and research on broad lines. The latter will guide and control all schemes, but not their details. Necessary legislation will be undertaken which will provide for the initiation and execution of the programme, Women's role in National Housing being

important, we recommend that they be given adequate representation on these Boards.

2. Rural Housing should be undertaken in co-ordination with rural reconstruction, and should generally be based on ownership, and not tenancy, of the house and site, the latter on a basis of long lease if ownership is not possible. The programme of such rural housing should be carried out with due regard to the environment as well as the resources of the country, and with such aid from the State as may be necessary. The programme should include particularly the building of *Panchayat Ghars* in villages where community life and cultural activities of the villagers can be developed, including school, library, lecture hall, co-operative store and the like. Adequate equipment for games and sports should also be provided. The Panchayat Ghar should make due provision for the needs of women and children.

The State aid mentioned above should particularly include advice or assistance in matters of village sanitation and skilled labour.

3. Cattle should be accommodated in such a manner that the health of human beings does not suffer and proper sanitary arrangements are provided.

4. Urban housing is to be regarded as a public utility service, the responsibility for which primarily rests with the State. This should not, however, exclude private enterprise, suitably controlled by the State.

5. Definite standards for various types of unit house accommodation shall be laid down by the appropriate authority.

6. The State will make requisite arrangements for financing the Housing programme, if necessary, by loan.

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## Power and Fuel.

### II/2.

The interim Report of the Power and Fuel Sub-Committee was presented by Dr. Megh Nath Saha, Chairman of the Sub-Committee, on the 12th May 1940. Prof. A. K. Shaha, Secretary of the Sub-Committee was also present. Discussion continued on the 13th May. The following resolutions were passed

1. We agree with the view that the rates for energy in India are unduly high and power has been very inadequately developed, and this has stood in the way of promotion of industries, particularly electro-chemical and electrothermal ones. This is due to the failure, on the part

of the Indian Government, to adopt a National Policy on Power and Fuel, in spite of the suggestions put forward by the Industrial Commission of 1918, and in spite of the world-wide movement for rational and co-ordinated development of power resources in all countries of the world.

2. We recommend that in view of the fundamental importance of power developments, the huge capital investment required, and because it may involve the interests of more than one province or State and for other reasons, the State should develop a definite National Power and Fuel Policy on the following lines :—

- (a) That all power and fuel resources of the country should be regarded as national property, and should be fully conserved, scientifically developed, and utilized, with a view to bringing power, particularly electrical power, at the service of everybody for domestic and industrial use, at the cheapest rate ;
- (b) As the generation and distribution of electricity is a public utility of great importance, the State should ultimately own it and the control and management of it should be exercised by the Electricity Boards, as hereinafter provided for ;
- (c) That the State should take the initiative to bring into existence all future schemes of regional power developments and public power supplies, particularly hydro-electric stations inasmuch as the working of such stations depend on the use of water resources which, however, have multifarious other uses affecting extensive areas, and large populations, e.g. for irrigation and navigation, for drainage and soil conservation ; further because the State alone is in a position to reconcile and integrate all features of power schemes, financial success, cheap servicing, use over widespread areas ; and land acquisition and settlement of populations ;
- (d) That in view of the limited reserves of coal, which cannot be replenished, and is indispensable for such essential industries as smelting of iron ore, production of synthetic dyes and other essential chemicals and because of the finding of the coal mining committee of 1937, that coal is being mined, processed, and marketed in a very wasteful way, greatly injurious to the interests of the nation as a whole, very strict State control should be exercised on all phases of the coal industry. Further in regions far removed from coal-fields, coal for power production should, as far as possible, be replaced by hydro-electric and other sources.

3. We are of opinion that in order to implement the National Policy on Power, it is necessary to create Provincial Electricity Boards and one Central Electricity Board, and for implementing the National Policy on Fuel, there should be a Central Fuel Board. The Central Electricity Board will co-ordinate the activities of the Provincial Boards and formulate the general national policy. Wherever necessary, two or more Provinces or States may form a Regional Board.

The Central Electricity Board and the Central Fuel Board will work in co-ordination with each other.

The Provincial and Regional Boards shall be statutory bodies which shall be the sole vendors of electricity in bulk, and shall put up, where necessary, special power stations of their own, and shall set up grid systems for the purpose of supplying electricity wherever possible.

The functions of the Electricity Board will be as follows :

- (i) To carry out surveys of the water power resources of India.
- (ii) To examine schemes for the generation and full utilisation of electrical power.
- (iii) To take steps for the progressive reduction of rates, and for this purpose, wherever necessary, to reorganise existing distributing systems.
- (iv) To standardise electrical equipment and practice.

#### 4. *The Hydro-electric Survey of India :*

The Hydro-electric Survey of India should be an all India body with a suitable head-quarters, and should be of the same status as the Trigonometrical and Geological Survey of India, and should work in co-operation with the National Water Power Resources Commission. Under its direction, survey work should be carried out by provincial agencies wherever possible or by its own staff, when provincial agencies are not available. The survey ought to be undertaken according to the natural hydrological divisions of India, e.g. the Ganges basin, the Indus basin, the Western Ghats, Deccan Plateau. It should be a permanent body like the Royal Water Power Board of Sweden or the Federal Hydrodynamical Survey of Canada. The survey should be carried out in a comprehensive manner, as laid down by the World Power Conference and all records and data should be analysed at the headquarters stations and use for development of power.

5. We favour a policy of electrification of railways.

6. The Indian Electricity Act should be amended to give effect to the policy enunciated in the above resolution.

7. *Coal* : We consider that in the interests of the nation it is imperative that coal mines and the coal mining industry, as well as the oil fields and other sources of natural fuel, should be completely nationalised. This industry should be conducted by a National Fuel Board, with sections for Productions ; Processing, Research and Utilisation ; and Distribution and Marketing and Transport. Research work should be started immediately.

8. *Liquid Fuels* :

- (i) The State should establish a geophysical prospecting department, with modern equipment and a competent staff, and carry on an intensive search for petroleum sources in the country.
- (ii) The development of the Power Alcohol Industry should be encouraged by the State, and all impediments in the way of this development must be removed, as this power alcohol is the most important liquid fuel which can be developed easily from various indigenous agricultural and forest products.
- (iii) Intensive propaganda work should be started to replace kerosene by non-edible vegetable oils, and research should be carried on to devise suitable burners for this purpose.
- (iv) A new orientation to the scheme of soft coke manufacture should be given by making it obligatory for all to recover the by-products for the purpose of further treatment in distillation plants.

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## Horticulture.

1/7.

The Final Report of the Sub-Committee on Horticulture was presented by Mr. Jabir Ali, Secretary of the Sub-Committee, on the 14th May, 1940. Dr. G. S. Cheema, Chairman of the Sub-Committee, was unable to be present. Discussion concluded on the same day. The following resolutions were adopted :—

1. The National Planning Committee having considered the Report of the Sub-Committee on Horticulture, record their general agreement with the recommendations made therein. The Committee are of opinion that the present consumption of fruit and green vegetables in India is very low



and infrequent, which affects the health of the people considerably. It is necessary, therefore, to increase this consumption, as part of the regular diet of the people, to such a degree as may be deemed adequate by nutrition experts. For this purpose the people should be educated and encouraged to consume more fruit and green vegetables. The following measures are calculated to achieve this object and are accordingly recommended :

- (i) protecting the fruit grower in India by levying adequate duties on imported fruit ;
- (ii) to set apart sufficient areas of land for the purpose of developing fruit cultivation ;
- (iii) providing cold or other forms of storage (e.g. gas) in markets as well as during transport ;
- (iv) adjusting internal transport rates so that they are in keeping with the ability of the fruit grower and the consumer ;
- (v) extending the system of regulated markets to the trade in fruit ;
- (vi) encouraging the cultivation of fruit and vegetables for personal use ;
- (vii) encouraging, after the local and Indian market has been fully supplied, the export of surplus fruit, or fruit which is the monopoly or speciality of India.

2. Horticulture should be treated as an integral subject in the curricula of agricultural colleges and the Universities, and facilities should be offered for specialised post-graduate study. A Central Horticultural Institute should be established in a suitable place to promote research. This research shall include the question of introducing suitable foreign plants in India and also the development of all seeds required for growing flowers and vegetables, and for medicinal plants, as well as in modern methods of storage.

3. Market gardening for vegetables and flowers should be extended and developed and the industry consisting of the making of essences, attars, oils, etc. should be encouraged to meet progressively the demand of the Indian market.

4. Other industries connected with horticulture e.g. agriculture, sericulture, etc. should also be established or encouraged.

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Chairman's letter addressed to the Members of the National  
Planning Committee, dated the 15th May, 1940

**THE NATIONAL PLANNING COMMITTEE**

Council Hall Building,  
Apollo Bunder,  
Bombay.  
15th May 1940.

No. 246D

To the Members of the N. P. C. :

Dear Friend,

As you are aware, the National Planning Committee met in their third sessions from the 1st May to the 14th and a great deal of hard work was done. Those of you who did not attend the sessions will get the minutes of the meetings and will be able to find out from them what decisions we arrived at. I am enclosing copy of a letter I am issuing to the Chairmen, Secretaries and members of all sub-committees, giving some further account of the work we have so far done and still have to do.

We are meeting again on the 21st of June 1940. This meeting will be important and I trust that you will attend it. The meeting is likely to last for some time, at least 10 or 12 days.

I would like to draw your attention to the financial burden that we have to bear, and to invite your co-operation in every way to meet this. We are grateful to the Provincial Governments and States who have supported our works so far, and we hope that they will continue to do so, so that this vital work might not suffer for lack of funds.

Yours sincerely,  
JAWAHARLAL NEHRU.  
*Chairman.*

Encl : 1.

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Chairman's letter addressed to the Chairmen, Secretaries and  
Members of the Sub-Committees of the National Planning  
Committee, dated the 15th May, 1940

THE NATIONAL PLANNING COMMITTEE

Tel : 'PLACONAT'

Council Hall Building,  
Apollo Bunder,  
Bombay.  
15th May 1940.

No. 2459

To the Chairmen, Secretaries and Members of the sub-committees of the  
National Planning Committee.

Dear Friend,

The third sessions of the National Planning Committee began on the 1st of May and continued till the 14th of May. During these two weeks the Committee worked hard and considered many of the reports that had been presented to it. We came to certain conclusions in regard to these reports. These have been published in the public press and we hope to issue them for your information and for reference in the form of a book soon. These conclusions, taken separately by us in regard to each report, will have to be reviewed by us as a whole so that they may fit in with each other. This process of co-ordination will come at a later stage.

Unfortunately, all the Reports of the sub-committees were not ready for this meeting of the National Planning Committee. Some final reports came to us and some interim reports. It is of urgent importance that those who have not sent in their reports yet must do so early. It is not desirable or possible to hold up the activities of the Planning Committee because one or more sub-committees are not functioning satisfactorily or have not sent in their reports. I would beg of you, therefore, in the event of your sub-committee not having sent the report yet, to see to it that immediate steps are taken in this regard. The National Planning Committee is meeting again on the 21st June, 1940 to consider the remaining sub-committees' reports. Every sub-committee that has not reported so

far must send their report before that date, preferably a clear week earlier. If the final report cannot be got ready, an interim report embodying the main conclusions should certainly be sent by this date.

At our last sessions the following final reports were disposed of :—

1. Heavy Engineering,
2. Irrigation—Part I of River Training,
3. Animal Husbandry,
4. Population,
5. Labour,
6. Rural Marketing,
7. Housing,
8. Horticulture.

The following interim reports were dealt with :

9. Chemicals,
10. Manufacturing Industries,
11. Currency & Banking,
12. Insurance.
13. Power and Fuel.

We have also received interim reports from the following sub-committees :

1. Mining & Metallurgy,
2. Transport Services,
3. Public Finance,
4. Land Policy,
5. Woman's Role.

Thus we have had final or interim reports from 18 sub-committees so far. 11 remain still to report. These 11 should send their interim or final report by the 15th of June.

Those sub-committees whose interim reports have been considered and resolutions passed, should take note of the National Planning Committee resolutions in regard to their report, and draw up their final report keeping these in view. Those sub-committees whose final reports have been considered and disposed of should finally revise their report for publication in future.

As the work of the Planning Committee proceeds, the vastness of the problem before us becomes more and more evident, and the time required increases. This means greater expenditure. I would beg of you to keep this in mind and not to cast the burden of expenses on the National Planning Committee as far as possible.

As I write this letter events in Europe and elsewhere are marching at lightning speed bringing disasters in their train. We in India are bound to be affected by these. But whatever may happen elsewhere or in India, the work we are doing in the Planning Committee is of essential importance for the future and we should make every effort that it should be carried on and should not suffer. I am grateful to you for your co-operation in this work and I look forward to the carrying on of this joint effort of so many of us to a successful conclusion.

Yours sincerely,  
JAWAHARLAL NEHRU.  
*Chairman.*

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### Statement for the Press Issued by the Chairman of the National Planning Committee.

After a fortnight's strenuous sessions, the National Planning Committee concluded its present series of meetings yesterday. We met daily, in the mornings and in the afternoons, and worked hard and I am afraid most of the members were exhausted by this process. I am very grateful to the members and to the representatives of the Provincial Governments and States who attended this sessions, and helped us to hammer out some bits here and there of the planned scheme that we hope to evolve. It has been an intensely interesting experience for me, and I hope it has been for others, to consider all these vital problems not separately by themselves but in relation to a larger whole. The National Planning Committee cannot in the nature of things and with the insufficient data at our disposal prepare a detailed scheme for all forms of national activity. But the Committee has done something which I feel more and more is of vital significance. This feeling has grown upon me during this fortnight's work when we came to grips with our subject. This is the first time in India when these various subjects have been seen as parts of a co-ordinated whole. At any time this is necessary, but to-day when the world, as we have known it, is tumbling all around us, it is doubly essential to keep this picture in our minds so that we may not lose ourselves in trivialities and in chaotic and unplanned development when the time comes. This Planning Committee, I hope, will lay the foundation of the planned India of the future. The super-structure will inevitably come later. But if even the foundation is laid in men's minds a great national task will have been done. In regard to many matters opinions differ very greatly. But it has been a pleasant surprise to me how even those who differ can very often arrive at an agreement when we have a common objective in view. Even when the differences persist, it is worthwhile to pursue our course noting down the differences wherever they exist. If material is ready, various viewpoints represented, and facts collected, decisions can be taken by the State when the time comes.

It must always be borne in mind that we are thinking in terms of a planned society, and, therefore, our recommendations must be taken as a whole and not in bits. Occasionally, of course, some bits might be desirable in themselves and they can be taken separately. Often also it might

be injurious just to take one bit and not the rest as this would break up any equilibrium that may exist without bringing a new equilibrium in its place. Therefore, it must be borne in mind that this scheme must be viewed as a whole. We intend at a later stage to indicate what may be done in the earlier transitional stages, though in the changing order of to-day it is not an easy matter to say much about the present.

We propose, therefore, to carry on our work with vigour, and we are meeting again in full Planning Committee on the 21st June, 1940, to consider the remaining reports of sub-committees. In this work that we are doing we require of course the fullest intelligent co-operation of the public and the press. Ultimately it is not the Committee that will decide the future of India or of its political or economic organisation, but the people of India who will take the final decision. It is for them, therefore, to pay attention to what this Committee is doing. Perhaps one of the most important and desirable consequences of our work is to make people think of planned work and a co-operative society. This thinking has been too rare in the past. In order to reach the public the obvious medium is the press.

We would have liked to take the press and the public into our confidence, about all our work, and we have tried to do so far as we can, but inevitably, our meetings have to take place in private so as to give the fullest opportunity to members to express their opinions. Also it is right and proper that our reports should be submitted to the Congress before we give publicity to all of them. We have, however, given publicity to most of our resolutions dealing with these reports. We hope to print them soon in book form for facilitating reference.

Our work grows as we enter into deeper waters. It takes more time and energy and it costs more. As a matter of fact, the total expenditure of the Planning Committee so far has been relatively small. Compared to the average official committee or Commission which deals with one subject only, our expenditure has been little. With this it must be remembered that we are not dealing with one subject, but with a vast number of vital subjects dealing with every phase of national activity. When this is borne in mind it will be realised how economically we have worked. I am grateful to the Provincial Governments and to the States who have sent us contributions for our work. I trust that in view of this work enlarging itself, and taking more time, they will continue to send some contributions so that this vital work might not suffer for lack of funds.

All of us to-day are inevitably absorbed and oppressed by international happenings and yet in spite of that we cannot and we must not lose our balance or get excited or forget that whatever may happen we have to build up India. In this work of keeping the balance of the public

mind, and in making them think of the future of constructive effort, even in the midst of the present destruction, the press can play an important part. I hope, therefore, that they will interest themselves and draw public attention to the various phases of the Planning Committee's activities. We should welcome public criticism or public suggestions. We want this Planning work to represent not only the scientific approach to the problem but also to mirror the minds of those people who think in India and who care for India's future.

May 15, 1940.

JAWAHARLAL NEHRU.  
*Chairman.*

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Audited statements of accounts from the 1st January, 1939 to the 31st December, 1939.

THE NATIONAL PLANNING COMMITTEE

RECEIPTS AND PAYMENTS ACCOUNT FROM 1st JANUARY, 1939, TO 30th JUNE, 1939.

RECEIPTS			PAYMENTS		
	Rs.	a. p.		Rs.	a. p.
To Contributions received from Government ..	7,000	0 0	By Travelling Expenses .. .. .	566	15 0
Miscellaneous Receipts .. .. .	2	8 0	Entertainment .. .. .	110	5 0
			Stationery & Printing .. .. .	514	12 3
			Honorarium and Salaries .. .. .	2,035	3 0
			Postage .. .. .	250	3 3
			Bank charges .. .. .	5	14 6
			Telephone charges .. .. .	216	0 0
			Telegraphic Address Regn. .. .. .	20	0 0
			Sundries including cartage, conveyance, etc ..	65	7 9
			<i>Balance :</i>		
				Rs.	a. p.
			Furniture and Office		
			Equipment .. .. .	654	0 0
			Books .. .. .	68	10 0
			Cash on hand .. .. .	34	0 9
			Cash at Bank .. .. .	2,461	0 6
					3,217 11 3
Total Rs.	7,002	8 0	Total Rs.	7,002	8 0

26

Bombay, 15th September, 1939.

Examined and found correct.

(Sd.) N. M. RAJI,

Registered Accountant & Auditor.

## THE NATIONAL PLANNING COMMITTEE

RECEIPTS AND PAYMENTS ACCOUNT FROM 1st JULY, 1939, TO 31st DECEMBER, 1939.

RECEIPTS				PAYMENTS			
	Rs.	a.	p.		Rs.	a.	p.
Cash and other Balances on 1st July 1939 :				Travelling Expenses .. .. .	5,299	0	9
Furniture & Office Equipment	654	0	0	Entertainment charges .. .. .	21	14	3
Books .. .. .	68	10	0	Stationery and Printing .. .. .	2,572	3	0
Cash on hand .. .. .	34	0	9	Honorarium and Salaries .. .. .	9,303	10	9
Cash at Bank .. .. .	2,461	0	6	Postage .. .. .	783	1	3
				Bank charges .. .. .	16	14	0
				Telephone charges .. .. .	299	14	0
Contributions :				Duplicating machine (Part payment) .. .. .	350	0	0
From Governments .. .. .	30,500	0	0	Sundry Expenses (including cartage, conveyance, hire charges, &c.) .. .. .	156	12	6
From Mr. Sarma .. .. .	50	4	0	Advances to sub-committees (to be accounted for)	73	10	6
Interest .. .. .							
Sundry receipts .. .. .				<i>Cash &amp; other Balances :</i>			
				Furniture & Office Equipment	1,307	8	0
				Books .. .. .	291	10	0
				Cash on hand .. .. .	68	4	3
				Cash at Bank in current accounts .. .. .	13,337	11	0
					15,005	1	3
					Total Rs.	33,882	2 3
					Total Rs.	33,882	2 3

Bombay, 15th March, 1940.

Examined and found correct.

(Sd.) N. M. RAIJI,

Registered Accountant & Auditor.



**TABULAR STATEMENT SHOWING PROGRESS OF THE WORK OF THE SUB-COMMITTEES,  
FROM, JUNE, 1939 TO MAY, 1940**

*Explanation of Symbols used :—*

- A. —Work divided amongst Members.
- A-1.—Questionnaire prepared and/or considered.
- A-2.—Decided to address Governments & collect data.
- A-3.—Formed several Group-Sub-committees to deal with various aspects of the subject.
- A-4.—Framed Heads of Enquiry.
- B. —Co-opted additional Members.
- B-1.—Appointed Collaborators.
- B-2.—Appointed delegates on allied Sub-Committees.
- C. —Clarified Terms of Reference.
- C-1.—Raised certain issues, arising out of Terms of Reference.
- C-2.—Prepared list of Industries.
- D. —Discussed memoranda from Chairman and/or Members.
- D-1.—New approach to problem suggested and considered.

- E. —Discussed lines of Draft Report.
- E-1.—Prepared and discussed leading issues being the foundation of the draft report.
- F. —Considered draft report, Interim.
- F-1.—Considered draft report, Final.
- G. —Postponed.
- G-1.—Adjourned, but held informal meeting.
- H. —Authorised Secy. or Chairman to draft report on lines agreed.
- H1.—Draft Report considered and agreed to be circulated amongst Members not present.
- J. —Some resolutions passed.
- K. —Committee not properly formed.
- Inf.—Informal meeting.
- Com.—Combined meeting of Manufacturing & Cottage Industries.

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No.	Sub-Committees. Name.	Personnel.	Meetings held.		Proceedings in brief. (See explanation above).	Stage reached. (Report submitted.)	Decisions of N. P. C. (Resolutions).
			Date.	No. of Members present.			
1.	Rural Marketing and Finance.	14 (see page 86)	4-8-39(Inf.) 4-9-39 17-12-39 12-2-40(Inf.) 25-3-40 } 26-3-40 }	3 11 10 2 5	A-2. A. C. D. D. E. E. H. F-1,	Final, subject to Chapter on "Co-operation" to be added.	See pages 61-63.

Sub-Committees.		Personnel.	Meetings held.		Proceedings in brief. (See explanation above).	Stage reached. (Report submitted.)	Decisions of N. P. C. (Resolutions).
No.	Name.		Date.	No. of Members present.			
2.	River Training and Irrigation.	9 (see page 87)	17/18/21-10-39 13/14-3-40	4 3	A. B. C. D. J. A-1, H-1, }	Final, Part I, Irrigation.	See pages 47-48.
3.	Soil Conservation and Afforestation.	11 (see page 87)	21-9-39(Inf.) 26-10-39 10-2-40	2 5	} A. A-1. B. B-1.	None.	
4.	Land Policy, Agricultural Labour and Insurance.	10 (see page 88)	25/26-12-39 12-4-40 13/14-4-40	4 3	A. D. H-1. G. D. E. H-1. }	Interim.	Not considered yet.
5.	Animal Husbandry and Dairying.	6 (see page 88)	24-10-39 1-4-40	4 4	A-1. D. A-2, F-1, H. }	Final.	See pages 50-53.
6.	Crop Planning and Production.	10 (see page 89)	3-8-39(Inf.) 10-9-39	2 3	A-1. B. C. D. }	None.	
7.	Horticulture.	8 (see page 89)	2-8-39(Inf.) 1-9-39 9-10-39 9-3-40	2 6 5 3	A-1. B. C. F. F-1. }	Final.	See pages 67-68.
8.	Fisheries.	6 (see page 90)			B. K.		

9.	Rural and Cottage Industries.	17 (see page 90)	20/21-9-39 16/18-4-39 11-5-40	10 6	A. A-1. B. C. C-2. D. Com.	}	None.	
10.	Power and Fuel.	10 (See page 91)	19/20-10-40 6/7-5-40	6	A. B. D. J. F.		}	Interim.
11.	Chemicals.	20 (See page 91)	8-9-39(Inf.) 19-10-39	8 13	A. A 3. B. C. J. E. H-1.	}		Interim.
12.	Mining and Metallurgy.	9 (See page 92)	1-8-39(Inf.) 27-7-39(Inf.) 10-8-39 23/26-10-39 30/31-12-39(Inf.) 6/8-1-40	3 3 3 4 2 3	A-2. A. C. C. D. E. F. H.-1.		}	Interim.
13.	Engineering Industries Including Transport industries.	15 (see page 93)	5-12-39 6-2-40 25-2-40	10 2 6	A. B. D. E. C. F-1.	}		Final.
14.	Manufacturing Industries.	12 (see page 93)	30-8-39 8-2-40 13/14-3-40 8/9-4-40 25-4-40 2-5-40 11-5-40	7 3 6 6 4 6 3	A. A-2. B-1. C-1. C2. D. F. J. Com.		}	Interim.

Sub-Committees.		Personnel.	Meetings held.		Proceedings in brief. (See explanation above)	Stage reached. (Report submitted.)	Decisions of N. P. C. (Resolutions).
16.	Name.		Date.	No. of Members present.			
15.	Scientific Instruments.	11 (see page 94)	18/19-10-39	7	A. A-1. C. D.	None.	
16.	Labour.	16 (see page 94)	25/26-8-39 7/8-1-40	11 9	C. D. B-2. B-3. F-1. H-1. J. }	Final.	See pages 53-57.
17.	Population.	10 (see page 95)	2-1-40 13/17-2-40	3 3	B. C. D. F-1. }	Final.	See pages 49-50.
18.	Trade.	10 (see page 96)	25-10-39	6	A-1. A-3. B. C. E.	None.	
19.	Industrial Finance.	13 (see page 96)	13-9-39 8-3-40	7 5	A. C. D. E.	None.	
20.	Public Finance.	9 (see page 97)	11-9-39 3/4-1-40	3 5	A-1. C. D. E-1. J. H. }	Interim.	Not considered yet.
21.	Currency and Banking	8 (see page 97)	19-7-39 (Inf) 4-8-39 13/14/16 10-39 7/8-12-39 15/16-2-40 20-3-40 30-3-40 18-4-40	2 3 5 4 3 4 4 2	A. C.    A-4. D. D.-1. E.  G-1. H-1. F. }	Interim.	See pages 57-59.

22.	Insurance.	12 (see page 98)	30-8-39 11-12-39 17/19-3-40	6 5 5	A. A-1. B. C. C-1. D. E. F. H-1.	} Interim.	See pages 59-61.
23.	Transport Services.	11 (see page 98)	2-9-39 8-3-40	7 3	A-1. C. E. F.		
24.	Communication Services.	8 (see page 99)	29/30-10-39 15-1-40	5 5	A-1. A-2. E. H.	None.	
25.	National Housing.	16 (see page 99)	21-7-39 (Inf.) 5-9-39 30-9-39 8-11-39 8/9-12-39 (Inf.) 22/23-12-39 23-3-40	5 4 8 8	A. A-1. A-2. D.  E. F-1.	} Final.	See pages 63-64.
26.	Public Health.	15 (see p. 100)	12-9-39 29/30-1-40	6 10	A. A-1. B. C. D.		
27.	Education (General)	18 (see p. 101)	7-11-39 17/18-4-40	7 8	A. A-3. B. C. E. J.	None.	
28.	Education (Technical)	15 (see p. 102)			K.		
29.	Woman's Role in Planned Economy.	28 (see p. 102)	2/4-9-39 15/18-12-39	10 14	A-1. A-2. A-3. B. B-1. B-2. C. E. E-1. F. F-1. H. H-1. J.	Interim.	Not considered yet.



Names of the members and those invited, present during the  
May Sessions of the National Planning Committee.  
(25 meetings were held in all, morning and evening sittings each  
day being taken separately. The figures in brackets represent  
the number of meetings attended by each member.)

1. Pandit Jawaharlal Nehru (25).
2. Sir Purshottamdas Thakurdas (4).
3. Dr. Megh Nad Saha (21).
4. A. D. Shroff (1).
5. K. T. Shah (25).
6. A. K. Shaha (21).
7. Dr. Nazir Ahmad (10).
8. Dr. V. S. Dubey (19).
9. Ambalal Sarabhai (24).
10. Prof. J. C. Ghosh (22).
11. Walchand Hirachand (6).
12. N. M. Joshi (17).
13. Dr. Radha Kamal Mukerjee (24).
14. Hon. Mr. Shuaib Qureshi (22).
15. Abdul Rahman Siddiqi (5).
16. Gulzari Lal Nanda (14).
17. V. V. Giri (13).
18. C. J. Bharuka (5).
19. P. B. Advani (8).
20. A. Mohiuddin (23).
21. Dr. C. A. Mehta (7).
22. A. B. Thadani (22).

*By invitation :*

23. Ratanchand Hirachand (2).
24. R. C. Shah (2).
25. U. N. Mahida (2).
26. Nawab Ali Nawaz Jung Bahadur (2).
27. B. C. Guha (2).
28. Sir Chunilal V. Mehta (3).
29. Manu Subedar (3).
30. K. S. Ramchandra Iyer (2).
31. J. C. Setalvad (1).
32. B. K. Shah (1).
33. Dr. Sudhir Sen (5).
34. S. D. Prabhavalkar (1).
35. S. B. Joshi (2).
36. B. P. Sethna (1).
37. Jabir Ali (1).
38. N. S. Varadachari (2).
39. S. P. Agharkar (1).

**List of the Names and Addresses of the Members of  
the National Planning Committee, the Chairmen,  
Secretaries and Members of the Sub-Committees.**

**National Planning Committee.**

- |  |  |
|--|--|
| Pandit Jawaharlal Nehru,<br>(Chairman)<br>Anand Bhawan,<br>ALLAHABAD.                      | Dr. J. C. Ghosh,<br>Director, Indian Institute of<br>Science,<br>BANGALORE.  |
| Sir M. Visvesvaraya (Resigned)<br>Uplands, High Ground,<br>BANGALORE.                      | Shri Walchand Hirachand,<br>Construction House,<br>Ballard Estate,<br>BOMBAY.  |
| Sir Purshottamdas Thakurdas,<br>Navsari Chambers,<br>Outram Road,<br>BOMBAY.               | Dr. Radha Kamal Mukerjee,<br>Lucknow University,<br>LUCKNOW.   |
| Dr. M. N. Saha,<br>University College of Science,<br>92, Upper Circular Road,<br>CALCUTTA. | Shri N. M. Joshi,<br>Servants of India Society,<br>Sandhurst Road,<br>BOMBAY.  |
| Mr. A. D. Shroff,<br>C/o. Messrs. Tata Sons, Ltd.,<br>Bruce Street,<br>BOMBAY.             | The Hon'ble Mr. Shuaib Qureshi,<br>Minister in Attendance,<br>BHOPAL.  |
| Prof. K. T. Shah,<br>"Madhav Nivas"<br>8, Laburnum Road,<br>Gamdevi, BOMBAY.               | Rani Lakshmbai Rajwade,<br>GWALIOR.  |
| Prof. A. K. Shaha,<br>66, Harrison Road,<br>CALCUTTA.                                      | Mr. Abdul Rahman Siddiqi,<br>M. L. A.,<br>Managing Director,<br>Eastern Federal Insurance<br>Association,<br>CALCUTTA. |
| Dr. Nazir Ahmad,<br>Technological Laboratory,<br>Kings Circle, Matunga,<br>BOMBAY.         | Shri Gulzari Lal Nanda, M.L.A.,<br>C/o. Ahmedabad Labour<br>Association,<br>Lal Darwaja,<br>AHMEDABAD.                 |
| Dr. V. S. Dubey,<br>Benares Hindu University,<br>BENARES.                                  | Mrs. Vijayalakshmi Pandit,<br>Anand Bhawan,<br>ALLAHABAD.  |
| Shri Ambalal Sarabhai,<br>P. O. Box No. 28,<br>AHMEDABAD.                                  | Shri V. V. Giri, M.L.A., Bar-at-Law,<br>(Convenor),<br>Thyagarayanagar,<br>MADRAS.                                     |

(The figures in brackets against the names represent the number of meetings attended by each member. Informal meetings have not been taken into account. Some of the Sub-Committees, marked (\*) have not yet sent the minutes of all their meetings, hence the attendance shown is not complete in their cases.)

### 1. Rural Marketing & Finance Sub-Committee.

- Chairman :**  
The Hon'ble Mr. Ramdas Pantulu,  
B.A., B.L., (2)  
Farhatbagh, Mylapore,  
MADRAS.
- Shri P. S. Nayak, B.A., B.L., (4)**  
General Manager,  
Canara Bank, Ltd.,  
MANGALORE.
- Secretary :**  
Dr. Sudhir Sen, B.A., B.Sc., Dr.  
rer. pol., (4)  
Sriniketan,  
P. O. Surul,  
Dist. BIRBHUM  
(Bengal).
- Shri Kishan Prasad, (4)**  
Messrs. Kishan Prasad & Co.,  
Ltd.,  
Kalbadevi Road,  
BOMBAY 2.
- Dr. Anwar Iqbal Qureshi, M.A.,**  
M.Sc., Ph.D., (4)  
Head of Economics Dept.,  
Osmania University,  
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Servants of India Society,  
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P. O. Kushtia Bazar,  
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Thyagarayanagar,  
MADRAS.

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Baroda State, BARODA.
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(Red Flag),  
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- Sir Vepa Ramesam,  
'Gopal Vihar',  
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- Shri E. R. Sundararajan, (5)  
Superintendent,  
Bureau of Vital Statistics,  
Seshadri Rd., BANGALORE.
- Mr. K. C. Basak,  
Statistician,  
Indiah Jute Mills Assn.,  
Bengal Chamber of Commerce,  
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- Shri G. L. Mehta,  
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100, Clive Street,  
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 Ahmedabad Municipality,  
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 Vanita Vishram,  
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 Hastings,  
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Public Health Dept.,  
H. E. H. the Nizam's Govt.,  
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- Dr. Mangaldas J. Shah, M. B. B. S.,  
M.R.C.P. D.T.M. & H.,  
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- Shri S. U. Shukla, (1)  
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Rly.) BOMBAY..
- Shrimati Asha Devi, (3)  
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- Shri A. N. Basu, (2)  
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University of Calcutta,  
CALCUTTA.

- Prof. Humayun Kabir, M.L.C.,  
36, Ahirripukur Road, (2)  
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Patna College,  
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181, Cornwallis St.,  
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Central College for Women,  
NAGPUR.

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Instruction,  
ALLAHABAD, U. P.
- Secretary :*  
Mr. P. Parija, (*resigned*),  
Ravenshaw College,  
CUTTACK. Prof. J. N. Mukherji,  
University College of Science,  
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CALCUTTA.
- Dr. A. Pandya (*appointed but  
acceptance not yet received*),  
Principal B. E. College,  
Shivpur, CALCUTTA. Shri D. C. Gupta,  
Deputy Director of Industries,  
Old Custom House,  
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Principal, Sydenham College  
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- Prof. A. K. Shaha,  
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## 29. Sub-Committee on Woman's Role in Planned Economy.

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Rani Lakshmbai Rajwade, (2)  
GWALIOR. *Secretary :*  
Smt. Mridula Sarabhai, (2)  
The Retreat,  
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 Chowpatty Seaface,  
 BOMBAY.
- Smt. Hansa Mehta, (1)  
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 King Edward Road, Parel,  
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- Smt. Taraben Maneklal Premchand,  
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- Smt. Anasuya Gyanchand  
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 PATNA.
- Smt. Vijayalakshmi Pandit, (2)  
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- Smt. Karunadevi Paramanand,  
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- Smt. Radhabai Subbarayan, (1)  
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- Begum Shah Nawaz, M.L.A.,  
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