

PAPERS RELATING TO THE  
INDIAN TARIFF ACT, 1896 AND THE  
COTTON DUTIES ACT 1896.

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EAST INDIA (INDIAN TARIFF ACT AND THE COTTON DUTIES).

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RELATING TO THE

INDIAN TARIFF ACT, 1896,

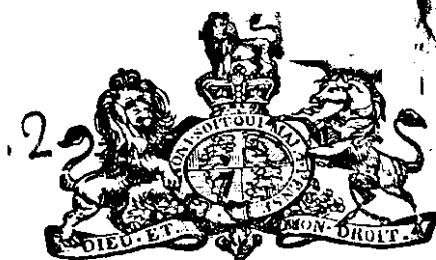
AND THE

COTTON DUTIES ACT, 1896.

(In continuation of C.—7602/1895.)

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Presented to both Houses of Parliament by Command of Her Majesty.



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## APPENDIX I.

## PARTICULARS OF PRODUCTION OF WEFT YARN at the SUNDERDAS MILL (see Diagram):

Count.	February.	March.	April.	May.	June.	July.	August.	September.
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
22 - - -	4,931	4,274	8,418	123	Nil.	Nil.	Nil.	Nil.
24 - - -	2,162	575	2,259	3,392	4,487	1,832	981	569
26 - - -	902	—	1,613	2,683	2,354	1,619	5,267	2,940
28 - - -	1,621	3,000	2,975	3,905	4,724	2,638	2,564	3,476

## EXTRACT of POUNDS of DUTIABLE WEFT YARN produced at the SWADESHI MILL, January 1895 to September 1895.

Month.	Count No.										Total.
	24.	28.	30.	32.	2/32.	36.	40.	44.	60.	80.	
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
January - -	95,280	—	4,329	59,847	—	—	11,448	3,470	3,627	46	1,78,042
February - -	50,303	—	10,886	44,679	—	591	5,807	2,947	2,946	—	1,18,159
March - - -	950	4,988	—	13,362	—	32,407	4,071	7,699	1,768	—	65,245
April - - -	—	7,872	—	—	3,255	41,469	—	4,607	—	—	57,203
May - - - -	—	15,760	—	—	2,218	38,637	—	4,759	—	—	61,374
June - - - -	—	20,120	—	—	—	20,360	—	4,829	—	—	45,309
July - - - -	—	31,249	—	—	—	8,349	—	4,587	—	—	44,185
August - - -	—	30,252	—	—	716	16,470	—	2,871	—	—	52,309
September -	—	15,280	—	—	1,543	33,355	—	1,096	—	—	51,274
Total - - -	1,46,533	1,25,521	15,215	1,17,888	7,732	1,92,638	21,321	36,865	8,341	46	6,73,100

## APPENDIX II.

## (a.) COUNTS Nos. 26-30.

## POUNDS of YARN bundled in the BOMBAY MILLS from January to August under COUNT Nos. 26-30.

Count.	January.	February.	March.	April.	May.	June.	July.	August.
	lbs. oz.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
26 - - - -	66,040 0	93,406	75,360	30,490	68,270	95,890	1,03,700	60,930
2/26 - - -	—	—	2,100	2,170	270	—	—	—
28 - - - -	—	200	15,720	7,380	18,420	16,220	1,180	—
2/28 - - -	—	—	—	—	—	—	7,168	1,800
30 - - - -	1,39,853 0	90,957	91,415	1,21,115	1,36,670	1,37,020	1,37,350	46,040
2/30 - - -	3,514 4	5,480	10,058	4,390	5,950	13,560	4,890	400
6/30 - - -	—	—	310	—	—	—	—	—
9/30 - - -	—	—	300	—	—	—	—	—
Total - - -	2,09,407 4	1,90,043	1,95,263	1,63,375	2,29,580	2,62,690	2,54,288	1,09,170

## (b.) COUNTS Nos. 31-40.

## POUNDS of YARN bundled in the BOMBAY MILLS from January to August under COUNT Nos. 31-40.

Count.	January.	February.	March.	April.	May.	June.	July.	August.
	lbs. ozs.	lbs. ozs.	lbs. ozs.	lbs.	lbs.	lbs.	lbs.	lbs.
31 - - - -	—	—	—	231	—	14,000	6,000	7,200
32 - - - -	33,269 8	14,287 8	7,552 4	24,267	59,371	30,890	3,600	—
2/32 - - -	—	—	1,760 0	1,970	670	—	—	—
33 - - - -	10,040 0	3,640 0	5,560 0	1,190	—	—	—	—
34 - - - -	19,810 0	17,930 0	21,320 0	28,260	17,790	—	5,290	14,120
2/34 - - -	—	—	—	—	—	—	10,800	10,557
2/36 - - -	—	—	—	—	—	410	2,180	—
2/38 - - -	—	—	360 0	—	—	—	—	—
40 - - - -	72,652 0	72,418 8	87,564 8	89,225	68,960	67,090	34,030	2,335
12/40 - - -	—	—	—	—	—	600	—	—
Total - - -	1,35,771 8	1,08,276 0	1,24,116 12	1,45,143	1,46,791	1,12,990	61,850	34,212

## (c.) COUNTS Nos. 41-50.

POUNDS of YARN bundled in the BOMBAY MILLS from January to August under  
COUNT Nos. 41-50.

Count.	January.	February.	March.	April.	May.	June.	July.	August.
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
2/41	—	—	—	—	110	1,110	—	—
42	12,560	3,490	6,800	7,600	15,060	12,150	—	—
44	8,300	13,800	10,490	—	2,840	4,430	1,600	—
50	1,540	—	—	—	—	—	—	9,574
<b>Total</b>	<b>22,400</b>	<b>17,290</b>	<b>17,290</b>	<b>7,600</b>	<b>18,010</b>	<b>17,690</b>	<b>1,600</b>	<b>9,574</b>

## (d.) COUNTS Nos. 24 and under.

POUNDS of YARN bundled in the BOMBAY MILLS from January to August 1896 under  
COUNT No. 25.

Count.	January.	February.	March.	April.	May.	June.	July.	August.
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
25	—	—	—	6,912	11,328	19,830	4,490	—

## (e.) COUNTS Nos. 26-50.

POUNDS of YARN bundled in the BOMBAY MILLS from January to August 1896 under  
COUNT Nos. 26-50.

Months.	26-30.		31-40.		41-50.	Over 50.
	lbs.	ozs.	lbs.	ozs.	lbs.	lbs.
January	2,09,407	4	1,35,771	8	22,400	—
February	1,90,043	0	1,08,276	0	17,290	—
March	1,95,263	0	1,24,116	12	17,290	—
April	1,63,375	0	1,45,143	0	7,600	—
May	2,29,580	0	1,46,791	0	18,010	—
June	2,62,690	0	1,12,990	0	17,690	—
July	2,54,288	0	61,850	0	1,600	—
August	1,09,170	0	34,212	0	9,574	—
<b>Total</b>	<b>16,13,816</b>	<b>4</b>	<b>8,62,150</b>	<b>4</b>	<b>1,11,454</b>	<b>—</b>

## APPENDIX III.

IMPORTS of COTTON TWIST, plain and coloured, into the Port of BOMBAY for  
10 Years ending December 31st, 1894.

Month.	1885.	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
January	11,30,000	14,15,000	12,39,000	26,75,000	10,71,000	11,11,000	15,24,000	14,49,000	6,24,000	9,20,000
February	8,46,000	16,16,000	19,13,000	17,83,000	11,97,000	8,80,000	10,33,000	6,21,000	5,58,000	11,37,000
March	9,70,000	11,71,000	22,48,000	20,10,000	12,57,000	20,72,000	13,47,000	9,69,000	5,60,000	10,37,000
April	9,97,000	16,13,000	14,18,000	11,79,000	12,34,000	9,57,000	11,75,000	8,94,000	2,23,000	5,32,000
May	10,58,000	9,89,000	9,46,000	11,38,000	13,98,000	14,86,000	9,90,000	7,99,000	4,01,000	5,59,000
June	6,75,000	*10,97,000	*4,89,000	9,87,000	*9,71,000	*9,88,000	10,96,000	6,80,000	4,72,000	8,12,000
July	12,08,000	8,02,000	5,66,000	12,28,000	10,38,000	7,16,000	10,88,000	11,39,000	7,89,000	5,89,000
August	12,29,000	7,76,000	6,55,000	9,42,000	12,66,000	11,59,000	11,16,000	12,29,000	13,68,000	5,59,000
September	13,95,000	8,00,000	10,70,000	12,51,000	8,16,000	13,83,000	13,02,000	12,96,000	19,16,000	13,46,000
October	13,74,000	8,97,000	8,64,000	14,13,000	9,82,000	14,26,000	14,60,000	9,64,000	13,42,000	11,10,000
November	11,49,000	14,06,000	14,29,000	18,44,000	9,22,000	13,49,000	13,34,000	8,64,000	8,55,000	11,51,000
December	10,14,000	14,95,000	10,94,000	13,09,000	7,11,000	11,98,000	10,95,000	7,30,000	7,49,000	8,19,000

\* These figures include coloured yarns, while those given in paragraph 5 above are for grey yarns only. No particulars of count are available for these years.

## APPENDIX IV.

## LOCAL BUNDLED YARNS.

The following are some quotations of bundled yarns collected in Bombay :—

No. 20— $6\frac{1}{4}$ .

No. 22— $6\frac{1}{2}$ ,  $6\frac{3}{8}$ , and 5 per cent— $6\frac{1}{2}$  and 5 per cent. =  $6\frac{5}{8}$  and  $6\frac{3}{4}$  respectively.

No. 24— $6\frac{7}{8}$ ,  $6\frac{3}{4}$ , and 5 per cent.— $6\frac{1}{2}$  and per cent. = 7 and  $6\frac{3}{4}$ .

No. 26—7, 6, and 5 per cent.— $6\frac{5}{8}$  and 5 per cent. =  $7\frac{1}{4}$  and  $6\frac{7}{8}$ .

No. 28— $7\frac{1}{8}$ ,  $7\frac{1}{8}$ , and 5 per cent. =  $7\frac{3}{8}$ .

No. 30— $7\frac{1}{4}$ ,  $7\frac{1}{4}$ , and 5 per cent. =  $7\frac{1}{2}$ .

No. 32— $7\frac{1}{2}$ .

No. 34— $7\frac{3}{4}$ .

No. 36—8.

No. 38— $8\frac{1}{4}$ .

No. 40—9.

No. 42— $9\frac{1}{4}$ .

Thus the difference between duty free yarn of the highest count (No. 20) and the lowest count imported from England in any quantity (No. 30) is one anna, or four times the amount of a 5 per cent. duty on the tariff value of 30s. It seems therefore unlikely that hand-weavers would now purchase 20s instead of 30s to save 3 pies, while they could always have saved one anna by the change. The only answer to this is that the difference of one anna between 20s and 30s is so nicely adjusted that it represents exactly the advantages which the higher count offers over the lower, and in consequence an addition of 5 per cent. to this amount would turn the scale in favour of 20s. This seems very doubtful. It is more probable that the one anna difference in price represents the difference in cost of production of the respective counts.

It may be added in support of this argument that, in the cases of substitution which are shown above to have occurred in warp yarns, so far as information shows, the change has been made from 22s to 20s. Here the difference in price is only 3 pies, and thus a substitution would lead to a saving of 3 pies plus the duty, or 6 pies in all. The inducement in this case should be sufficient and did not exist previously.

## APPENDIX V.

## IMPORTS OF PIECE-GOODS, 1885-1894.

STATEMENT showing IMPORTS of COTTON PIECE-GOODS, Grey, White, and Coloured, into the PORT of BOMBAY during the Ten Years ending December 1894. IMPORTS for the Year 1895 are shown on page 19.

Months.	1885.	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.
	Yds.	Yds.	Yds.	Yds.	Yds.	Yds.	Yds.	Yds.	Yds.	Yds.
January	6,25,42,000	7,24,80,000	4,16,75,000	8,22,18,000	7,80,11,000	5,24,51,000	6,45,59,000	4,03,26,000	4,89,46,000	7,26,43,000
February	4,01,72,000	6,11,73,000	6,05,89,000	4,48,40,000	5,97,12,000	3,67,20,000	3,93,82,000	3,87,50,000	4,04,63,000	7,84,43,000
March	5,33,87,000	6,41,76,000	6,44,87,000	9,19,97,000	6,95,10,000	8,19,75,000	5,23,61,000	5,80,54,000	4,95,64,000	6,49,90,000
April	3,97,09,000	8,79,72,000	5,25,08,000	4,06,97,000	8,01,26,000	4,12,93,000	5,80,01,000	5,85,84,000	3,06,44,000	6,24,23,000
May	3,13,80,000	5,20,66,000	4,50,17,000	4,98,83,000	6,82,27,000	3,88,28,000	5,03,47,000	5,25,65,000	4,41,58,000	6,49,58,000
June	2,15,82,000	5,75,76,000	3,29,42,000	4,46,30,000	4,45,73,000	5,48,29,000	4,11,05,000	3,96,00,000	2,90,10,000	4,89,97,000
July	3,60,58,000	4,26,55,000	1,01,74,000	4,32,38,000	3,53,82,000	3,31,79,000	3,15,94,000	3,24,83,000	2,85,19,000	4,30,03,000
August	3,24,85,000	5,26,06,000	3,16,95,000	3,87,96,000	3,61,25,000	6,04,42,000	3,50,08,000	3,77,43,000	4,85,62,000	3,58,19,000
September	4,20,86,900	5,54,14,000	4,07,04,000	3,07,32,000	4,20,80,000	5,94,71,000	4,79,27,000	5,04,12,000	4,87,40,000	6,26,96,000
October	6,00,09,000	6,28,59,000	4,21,47,000	4,01,46,000	5,14,07,000	5,18,89,000	5,15,68,000	4,28,41,000	6,76,76,000	6,13,45,000
November	6,34,02,000	6,54,06,000	5,51,76,000	7,16,16,000	5,67,46,000	6,17,80,000	5,71,18,000	3,89,04,000	5,07,44,000	6,94,71,000
December	7,59,81,000	6,26,14,000	4,20,44,000	6,98,89,000	6,43,15,000	4,29,31,000	4,70,84,000	3,98,90,000	5,92,90,000	5,86,59,000



## APPENDIX VI.

## LOCAL NON-DUTIABLE YARN.

## (A.) BOMBAY TOWN AND ISLAND.

STATEMENT OF OUT-TURN OF NON-DUTIABLE YARN from the MILLS of BOMBAY from  
27th December 1894 to September 1895.

District.	From 27th December 1894 to January 1895.	February.	March.	April.	May.	June.	July.	August.	September.
Bombay and Thana.	lbs. 22,03,713	lbs. 1,70,89,174	lbs. 1,88,11,374	lbs. 1,95,14,557	lbs. 2,21,31,357	lbs. 2,10,41,507	lbs. 2,04,04,442	lbs. 17,34,866	lbs. 1,98,26,567

## (B.) BOMBAY UP-COUNTRY.

STATEMENT OF OUT-TURN OF NON-DUTIABLE YARN for the MILLS outside of BOMBAY from  
27th December 1894 to September 1895.

District.	From 27th December 1894 to January 1895.	February.	March.	April.	May.	June.	July.	August.	September.
Poona - -	lbs. 1,43,947	lbs. 1,31,912	lbs. 1,27,690	lbs. 1,43,433	lbs. 1,42,834	lbs. 1,39,849	lbs. 1,20,141	lbs. 1,44,142	lbs. 1,42,580
Belgaum - -	3,26,801	1,69,318	2,07,630	2,64,921	3,10,628	3,70,036	3,34,474	4,05,118	3,46,318
Dharwar - -	1,61,978	1,32,397	1,26,872	1,60,598	1,67,572	1,56,940	1,55,691	1,66,031	1,48,053
Surat - -	2,31,037	2,90,193	2,85,171	3,64,145	4,07,007	3,81,142	3,70,713	3,40,898	3,41,396
Broach - -	4,00,293	3,69,650	3,44,940	4,33,822	4,49,480	3,98,992	4,09,381	4,09,078	4,11,280
Ahmedabad - -	16,89,039	13,63,070	15,25,725	15,90,137	17,08,597	15,37,454	12,41,158	16,44,832	16,93,366
Khandesh - -	1,29,707	1,11,754	1,27,562	1,36,123	1,52,827	1,46,476	1,45,626	1,32,978	1,38,795
Sholapur - -	3,74,309	2,79,557	3,19,635	3,30,879	3,57,632	3,01,065	3,40,152	3,65,689	3,18,055
Kaira - -	1,61,940	75,620	90,280	94,900	1,01,720	86,090	92,100	88,210	87,540
Total - -	36,19,051	29,23,471	31,55,005	35,18,958	37,98,292	5,21,044	32,09,436	36,96,976	36,27,385

## NOTE B (1).

## GOVERNMENT OF INDIA RETURN.

*Cotton Goods Exported from Bombay, 1893-94.*

1. Twist and yarn, 125,467,827 lbs., value Rs. 4,65,05,412.
2. Grey goods, 49,613,582 yards at Rs. 57,59,045.
3. White goods, 47,073 yards at Rs. 54,885.
4. Coloured goods, 4,324,265 yards at Rs. 10,97,701.
5. Handkerchiefs, &c., 226,408, value Rs. 96,859.

This represents roughly, yarn 310,000 bales, cloth 35,000 to 50,000 per annum, or a gross export of 30,000 bales a month.

R. E. ENTHOVEN.

18th November 1895.

## NOTE B (2).

STATEMENT showing the NUMBER of SHIPMENTS and QUANTITY (*i.e.*, Number of Bales) of COUNTRY CLOTH and YARN entered for export from November 22nd to December 7th, 1895.

Articles.	Number of Shipments.	Quantity (Number of Bales).
Country cloth - - - - -	83	987
Yarn - - - - -	150	13,466

Or taking double the amount for one month :—

Cloth - - - - -	-	1,974
Yarn - - - - -	-	26,932
Bales - - - - -	-	<u>28,906</u>

R. E. ENTHOVEN.

January 22nd, 1896.

## NOTE C.

BLEACHING, DYEING, and PRINTING in LOCAL MILLS.

[For 76 of the total of 94.]

1. Mills which dye or bleach yarn or cloth on the premises - - - - -	20*
2. Mills which weave yarn—	
(a) Spun in another mill - - - - -	} 27†
(b) Of English origin - - - - -	
3. Mills which send yarn off the premises to be subsequently returned to the mill - - - - -	44‡
4. Mills which print cloth - - - - -	-

R. E. ENTHOVEN.

January 13, 1896.

## NOTE D.

EXTRACT FROM TREVOR'S CONFIDENTIAL LETTER of August 22, 1878.

Paragraph 6.—The process of determining whether the yarn of which a sample of piece-goods is composed is under or over 30s is both delicate and troublesome and the result is not always satisfactory. Even with the aid of the wrap reel it is difficult to ascertain the weight of the yarn within a number or two, more especially with yarn which has been made into cloth and has to be unravelled for the purpose. Some experts state that the weft takes up enough of size from the warp in the process of weaving to increase its apparent weight by at least two numbers, for instance, that unravelled weft yarn giving No. 28 in the wrap reel is really 30s. On the other hand, experience seems to show that in some cloths at any rate this is not the case, or that, if it is, the effect of the size is neutralised by the increased tenacity resulting from the weaving and unravelling.

## NOTE E.

PROPOSED ALTERATIONS in the SYSTEM of levying DUTIES on COTTON GOODS.

*Proposal to exempt on import all goods 20s and under, to tax locally cloth and cotton goods at finished values, and to tax dyed yarn and printed bleached or dyed cloth after leaving the works on which they have been dyed, printed, or bleached.*

The above measures constitute a scheme for meeting the three main charges which have been brought against the present system of levying cotton duties. I propose here

\* Bleaching in four mills all yarn. † English yarn, 21; local yarn, 7. ‡ Mainly for ties to bind hanks.

to consider how they would affect the levy of duties on cotton goods produced in the Indian mills, noting the difficulties which would be experienced and the advantages which would be gained if the excise duties were to be levied on these principles.

2. In the first place it may be noted that the exemption on import of cotton goods containing yarns 20s and under must presumably be taken to mean that cotton goods containing no yarn over 20s count would alone be admitted free. Cloth made partly of yarn over 20s would be charged on its value in accordance with the principle of Customs law that goods containing dutiable articles should be treated as dutiable throughout. Assuming therefore that this principle would be adhered to in dealing with the imports of cloth goods it seems certain that local cloth must be dealt with in the same way. Equality of taxation requires that local cotton goods made with yarn over 20s should be assessed at their full value. Here a difficulty arises. The spinning of yarn in India is not yet as accurate as that of the home industries, and this fact combined with the great change in the atmospheric conditions under which the manufacture of cloth is here carried on, such as the change from the monsoon to the dry weather, appears to render necessary constant alterations in the counts of yarn worked into cloth. A  $34 \times 34 \times 9\frac{1}{2}$  lb. cloth usually made with 24s yarn may at times require 20s, 22s, 26s, 28s, and in some cases 30s might be used, though this would be exceptional. Good weaving would appear to require a range of two counts on each side of the standard count, that is to say, it would be only fair to expect that cloth with a standard of 24s weft should contain at times 22s, and at times 26s; it would be useless to insist that 24s should alone be used in the manufacture of the cloth. This being the case it will be seen that there is great difficulty in drawing a line between dutiable and non-dutiable cloth, if cloth were held dutiable whenever it contained yarn over 20s. A certain description of cloth made with 22s weft would be dutiable one day and free the next. A bale of such cloth would contain pieces of dutiable cloth and pieces of duty free cloth, but no means would exist of discriminating between the two (*see below*, pp. 24–29, Note, on section 5 of the Cotton Duties Act, explaining the difficulty of identifying the count used in any particular piece of cloth when it has once been woven). The inconvenience of a system which renders one kind of cloth dutiable one day and allows it to be free the next, is very obvious. To purchasers and manufacturers the change would be a cause of constant difficulty, and the complications which would ensue in assessing the cloth to duty and granting drawback on export would be numerous if not insuperable.

One system alone seems feasible if the Customs principle above referred to is to be applied to cloth locally manufactured. Cloth containing yarn over 20s count must be held to mean cloth with a standard of weft over 20s. Cloth with a standard of weft and warp both 20s or under should be exempt. The objection to such an arrangement is doubtless the suspicion that cloth would be woven regularly with a higher count than would be entered in the standard or formula. That this would be attempted seems almost certain. The remedy for fraud of this nature would be a system of constant inspection of the looms, the collector being empowered to treat as dutiable a cloth with a standard of 20s weft if it was discovered that the count of the weft was constantly above 20s, instead of varying from 18s to 22s. It is possible that the exercise of this power might give rise to disputes, and that unless inspections were carefully and frequently carried out the payment of duty might in some cases be evaded. But still there seems no satisfactory alternative for dealing with locally produced cloth on the border line of exemption.

3. Assuming therefore that local cloth with a formula containing yarn over 20s will be held to be dutiable, care being taken that mills conform to the standards submitted for their cloth, the questions next for consideration are the best method of valuing cloth for taxation, and the treatment of dyed yarn, and of coloured, printed, and bleached cloth.

4. From the weekly quotations of local made piece-goods issued by the Bombay Mill-owners' Association, it would seem possible to tariff the main products of the Bombay mills at the following rates :—

	Per lb.
	As.
T-cloths, long cloths, domestics, sheetings, plain dhutis, and fancy dhutis	7 $\frac{1}{2}$
Fancy dhutis, red border	8
other goods consisting of fancy cloths, handkerchiefs, towels, and hosiery being assessed <i>ad valorem</i> .	

It is believed that such an arrangement would be workable. So far as our information goes, the mills outside Bombay confine themselves to the manufacture of grey cloth for which a tariff value has been suggested. In Bombay a few mills such as those in the margin produce fancy goods, hosiery (mostly under 20s), and small articles of various kinds. These could be appraised before assessment by the staff already provided at the Customs House, strengthened if necessary. No great difficulty should be experienced in carrying out such a system.

1. Maneckji Petit.
2. Presidency.
3. Jacob Sassoon.
4. Morarji Gokuldas.
5. Swadeshi.

5. In one direction, however, there would appear to be a risk of complications if cloth is to be assessed on its finished value: Many mills weave yarn which has paid duty either on import in the case of English yarn or on leaving the producing mill in the case of local yarn. The English yarn is for the most part woven at Ahmedabad. The following are particulars collected on the spot:—

- (1.) A imports turkey red yarn and 40/2, about 10 bales a month.
- (2.) B imports 40/2 red yarn 12,917 lbs., 40/2 white 4,000 lbs., and 46,270s in cops 2,200 lbs. (local?).
- (3.) C imported in February 80s for weft 1,283 lbs. and 52s for warp 2,006 lbs.; in September 45s warp and 66s weft imported.
- (4.) D imported in June 1,000 lbs. of 40s and 645 lbs. of 60s.
- (5.) E purchased in the local market 9 bales of 40/2 English yarn for borders of dhutis.
- (6.) F has imported about 12,000 lbs. of 40/2 turkey red for dhuti borders since January.

G also purchases in the local market 500 lbs. of turkey red English yarn monthly.

This shows a considerable manufacture of English yarn on the Ahmedabad looms. Secondly, the E. D. Sassoon Mills in Bombay weave monthly about 70,000 lbs. of yarn obtained from the Alexandra Mill, and the Jacob Sassoon Mills do not often purchase yarn from other mills for weaving, but in the case of these three mills under the same agents transfers of yarn are common. The Petit Mills also interchange yarn, and two big mills, the Indian and the Hindustan, occasionally supply one another.

In the case of local yarn it would presumably be possible to exempt from taxation yarn passed out of one mill for weaving in a second, provided that the assessing officer is satisfied that the yarn has been so woven. The transfer would, it is suggested, be made after due notice so that the removal of the yarn might be supervised if necessary. There would be a risk in allowing large quantities of yarn to be passed out of a mill duty free. The case of the English yarn is more complicated. Duty having been paid on landing, the only fair procedure would be to grant a full drawback after the yarn had been woven into cloth. As in the case of local yarn, active supervision of the looms would be necessary to ascertain that the whole of the yarn had been made into cloth before exemption or drawback was granted. There would be some difficulty, but efficient checks might be devised with the aid of a competent staff.

6. Finally, the assessment of dyed yarns and of coloured, printed, and bleached cloth has to be considered. As imports pay in all cases on their value as dyed yarns or finished cloth, and as they could not well be assessed satisfactorily at grey values, it seems that, in order to secure equality of taxation, local goods should be taxed after they have been dyed, bleached, or printed. Further, it seems doubtful that the exemption proposed to be extended to imports of cloth goods not containing yarn over 20s could be granted in the case of such goods imported, coloured, bleached, or printed, when it is difficult to ascertain the counts contained with sufficient accuracy. If this be admitted, the only fair method of taxing local coloured goods would be to tax yarn and cloth all counts when dyed or otherwise manufactured, subsequent to reaching the grey state. It would not presumably be necessary to tax grey goods dyed by hand, for the cost of such a process should render competition with machine-dyed goods impossible. It would, however, be necessary to tax *ad valorem* the output of all dye-works in which steam power is used, dyed goods made at mills being similarly taxed. To this end it would be further necessary that yarn and cloth supplied by cotton mills to dye-works should be exempt from duty.\* In carrying out such a system, difficulties are to be anticipated. It is true that if dyed products are to be taxed at all, it would be simpler to levy duty on all the output. Great difficulty would be experienced in

\* And similarly, if dyed yarn were returned to the mill for weaving purposes, it would require to be again exempted on leaving the dye-works. (Case of Maneckji Petit.)

deciding what portion of the output of dye-works was dutiable, were a line to be drawn at goods made with over 20s yarn. If all were taxable an officer at the gate of the works could arrange for the assessment of dyed goods without interfering in any way with the conduct of the works. This would be an additional advantage when it is considered that dye-works are extremely jealous of inspection owing to the secrecy attaching to the preparation of dyes. A tax on all dyed yarn and cloth leaving the premises of a dye-work might probably be levied without more difficulty than is to be anticipated in arranging for the exemption of the grey yarn and cloth supplied to the dye-works by the mills. It is believed that yarn and cloth are bleached by machinery only in mills. There would be nothing to prevent mills returning separately for assessment goods which leave their premises in a dyed or bleached condition.

7. It is assumed throughout these remarks that the system of assessing mills on cloth and yarn instead of on yarn only would still be based on returns to be submitted monthly. A very slight alteration in the present form of returns submitted would suffice for the inclusion of cloth goods, grey, bleached, or dyed, and for the separate entry of dyed yarn not woven. There seems no reason for interfering with the system of returns until it has been proved to work unsatisfactorily. Dye-works alone seem unfitted for the system as they are not open to free inspection. They might be dealt with by posting an officer at the gate to record particulars of all consignments passed out of the works. Bleaching works are not known to exist apart from mills.

8. In conclusion it may be noted that the assessment of cloth on cloth values, instead of on the value of the yarn it contains, would greatly facilitate the grant of drawback on cloth exported. This point has been fully dealt with in the following Note F. which sets forth the difficulties encountered in Bombay in working the present system, and suggests as a remedy the taxing of cloth instead of yarn.

R. E. ENTHOVEN,  
First Assistant Collector and Chief  
Inspector of Factories.

4th December 1895.

#### NOTE F.

##### ASSESSMENT AND DRAWBACK ON YARN WOVEN INTO CLOTH.

Section 5 of the Cotton Duties Act prescribes the levy of duty on yarn produced in Indian mills, and for the purpose of taxation declares that yarn shall become liable to duty when it is produced. In an explanation it is further declared that yarn shall be said to be produced--

- (1) in the case of yarn which is reeled and bundled in the mill in which it is spun; when it is so bundled;
- (2) in the case of yarn which is woven or otherwise manufactured in the mill in which it is spun, when it is passed out of the spinning section of the mill;
- (3) in other cases, when it is issued out of the premises of the mill.

Thus yarn is taxed at a different stage of the process by which it is prepared for the market according as it falls under one of these three descriptions. The section thus fixes for all kinds of yarn a point in its production which shall correspond to the "import" of goods to which the Tariff Act applies.

2. In settling the "taxable point" in the manufacture of yarn and cotton fabrics, the section has also decided the nature of the evidence which must be adduced when drawback is claimed on exports of country-made cotton goods. Before drawback can be allowed on such goods it must be clearly established that they have paid duty. For this purpose it is necessary to ascertain when they paid duty, or in other words, when they were produced within the meaning of section 5 of the Act.

3. The experience which I have so far gained from the administration of the Act in the Presidency of Bombay tends to establish the facts that both for the purpose of levying duty and of granting drawback the date of production of bundled yarn has been fixed in such a manner as to offer no difficulties of a serious nature. Mill-owners have been compelled by a rule under the Act (*vide* Rule 29) to stamp all bundles of yarn with the date on which they are bundled. At the time of baling the date or dates on the bundles composing the bale are entered in the Bale Register, thus securing a record of the contents of all bales of yarn. From this record at the time of granting drawback the date or dates of production can be readily ascertained. The matter is further simplified by the fact that yarn is commonly bundled and baled on the same day, and that it is unusual for any length of time to elapse between the two processes.

4. The second and third portions of the explanation to section 5 include yarn which is woven into cloth either in the mill where it is spun (under 2) or in another mill (under 3). It is on the subject of this yarn that I propose to offer some remarks.

5. I have not so far had the opportunity of learning why, in the case of manufactured yarn not bundled, the date of production has been fixed at the time of leaving the spinning section of the mill when it is spun and woven in one building. I presume, however, that the cause is to be sought partly at least in the facts that the count of yarn can be most easily ascertained before it is put into the looms, and that there is less probability of its escaping payment of duty if it is taxed as soon as it is removed from the spindles. Whether this presumption is correct or not, I am prepared to admit that, so far as the collection of duty is concerned, this method of taxing yarn woven and otherwise manufactured has proved satisfactory. For their own purposes, mills must usually maintain an accurate record of yarn handed over for manufacture into cloth, hosiery, thread, banding, &c., &c., and on the contents of such records the duty may be correctly assessed. Unfortunately it is not only with reference to the levy of duty that the system of taxation has to be judged. There is the further question how such a system adapts itself to the requirements of the provisions of the Act for the grant of drawback on cloth.

6. At the time of the introduction of the Cotton Duties Act a very short investigation into the conditions under which cloth is manufactured was sufficient to convince me that it would ordinarily be impossible for a mill-owner to provide at the time of exporting cloth accurate information either of the date of production of the yarn therein or of the count of the yarn which had actually been used in the process. If we could imagine a mill in which yarn was always spun to the true count, and in which the atmospheric conditions were so perfectly adjusted that it remained accurate; further, if the mill manufactured one kind of cloth only at all times and for all purchasers, it would, I fancy, be possible for the weaving master to furnish for every bale of cloth that left the mill an accurate statement of particulars of Form F. under the rules. Under such conditions it would merely be necessary to arrange (1) that the yarn which was received from the spinning section of the mill passed into the hands of the weavers in the same order as that in which it was received, thus ensuring that all yarn would take an equal time in transit and so facilitating the subsequent calculation which would be necessary in order to ascertain on what day yarn in cloth had left the spinning section of the mill; and (2) that pieces of cloth were baled up in the order of their receipt from the looms without delay, so that the date of baling should afford an indication of the date on which cloth came from the looms.

Naturally such a condition of affairs exists nowhere. Yarn cannot be spun to wrap consistently an exact count; nor would it remain constant under varying atmospheric conditions. It, therefore, becomes necessary to change continually the count of yarn used as weft in any given piece of cloth. The extent of the variation depends to a large extent on the accuracy of the spinning, and the competency of the weaving master. I have known it vary five or six counts in ordinary cases.

Now, it must be further considered that the big weaving mills of Bombay produce several hundred different kinds of cloth\* all varying in the count and quantity of weft contained. For a time, perhaps, certain kinds of cloth are in demand for which a special count of yarn is needed from the spindles. Suddenly the demand ceases, and a balance of this yarn lies by in the weft room until further use is found for it, possibly some six months later. Similarly, a change of count in the yarn being used on pieces of cloth under order, a change due to accidents in the conditions of manufacture, such as have been indicated above, may cause an accumulation of that particular count in the weft room in such a way as to render inaccurate all attempts to calculate the time occupied by yarn in passing from the spindle into the finished cloth. Nor is this all. An inspection of the cloth baling room in a big mill will show that the same irregularity in the time occupied by a piece of cloth between its leaving the looms and being finally closed in a bale as was seen to exist in the case of yarn going from the spindle to the cloth. Pieces of cloth being heavy lie about to be bundled with pieces which are light. It may even be necessary to combine heavy bundles with light bundles so as to ensure the bale being of a uniform weight. Other pieces remain over after a number of bales on order have been made up, and remain in balance till a fresh order for similar cloth is received.

7. I have, I hope, now made clear some of the salient features of the problem which is placed before the mill-owner when he is called on to show both the count and date of production of yarn in a consignment of bales of cloth for export. To the practical

\* See list attached to this note, showing kinds of cloth produced at the E. D. Sassoon Mill.

manager the question savours not a little of the ridiculous. I am well aware that under section 21 of the Act the exact date of production need not be insisted on in such cases. But it often happens that without the date the month of production is doubtful, thus rendering it uncertain when such yarn was assessed to duty. Further, even the month cannot in some cases be given with confidence, as it depends on the count, and the count may, after baling, be unascertainable.

8. Foreseeing this difficulty, I proposed to the Bombay Mill-owners' Association in January last that drawback claims on cloth should be based on a system of formulas which has been since fully explained by me in subsequent reports. The formula represents what the cloth should contain, not the real contents, but it was hoped that the difference would, as a rule, be of no great importance. It was further suggested that, for the time being, the dates of production should be supplied with the best approach to accuracy available. Experience tends to show that the difference between the formula particulars and actual contents is more, perhaps, than was anticipated, but not such as by itself to render the system unworkable. The dates of production furnished have, it is to be feared, been in many cases, highly inaccurate.

9. It will be readily understood that if duty is to be levied on yarn of a certain count shown in the weft book as produced in a particular month, and to be repaid as drawback on yarn of another (the formula) count produced in another month altogether, the drawback system must, in course of time, become unworkable, and the accounts of the revenue hopelessly involved. It seems to me not only desirable but necessary that drawback should be given on the conditions which now prevail in the matter of bundled yarns. In other words, the exporter should be able to refer to the monthly return in which his consignment for export has been entered, and satisfy the Collector that the yarn in the entry and the bales for shipment are identical. This is the only system of granting drawbacks not intended as a bounty. Now I venture to hope that I have shown so far that the exporter of cloth under the present system can neither hope in many cases to be in a position to refer to the monthly return in which the yarn in his cloth has been entered, nor to state under what count such yarn has been assessed. I quote an instance where one of the big mills in Bombay exported cloth which contained by formula reckoning 21,000 lbs. of 24s. The particulars furnished by the exporters from the mills showed that this yarn was "produced" in July. A reference to the July return of the mill, however, gave 13,000 lbs. of 24s, as passed into the weaving shed, and liable to duty. The weft book was, no doubt, accurate enough; but I have reason to believe that a large portion of this cloth was made with 22s instead of 24s, and that, further, some of the yarn was not produced in July at all. Other similar cases are under inquiry. It is only in cases of the yarn on which drawback is claimed, exceeding in quantity the yarn of the same count taxed for the month, shown in column 5 of Forms F. and I., that the error is at once obvious.

10. The criticism here suggests itself that such discrepancies must be an inseparable part of a system which taxes yarn in one method, and grants refunds on another. The weft book is taxed, and the drawback is subsequently claimed on a formula which is admittedly an approximation only. The result must be unsatisfactory, there being no necessary correspondence between formula amounts and the quantities taxed. The agreement would, I am inclined to hold, be considerably closer than it has been found so far, did not the confusion which reigns concerning the dates of production add largely to the discrepancy by causing refunds to be claimed against the wrong month's return.

11. There appear to me three courses open if the difficulty is to be removed. These are :—

- (1.) The sacrifice of the formula system.
- (2.) The discontinuance of drawback in the case of woven yarn.
- (3.) An alteration in the system of taxing yarn manufactured into cloth.

12. Of these three alternatives, the first seems to me to offer little benefit to mill-owners. Were the formula system abandoned, exporters would be obliged to supply

with cloth for export actual particulars\* of the counts and quantities of yarns in the cloth on which drawback is claimed with the dates on which they were produced (*vide* section 20 (2), Cotton Duties Act). But I venture to think that I have shown above that this is not practicable in an ordinary mill, working under the conditions which govern the production of cloth. No doubt particulars purporting to supply these details would be furnished in some fashion by exporters from the mills. They would necessarily be impossible to verify in the majority of cases, and would, I predict, be so inaccurate

\* As opposed to the formula particulars now given under Rule 3.

that worse discrepancies would soon be brought to light than can be expected under a system of formula estimates.

13. The second remedy would, I think, be peculiarly unfortunate. There are now in the town and island of Bombay 30 weaving mills, all using dutiable yarn, and of these 12 at present export cloth under claims for drawback. It is anticipated that the export may shortly increase, and it is certainly to be expected that all exporting mills would in time claim drawback under a satisfactory system of payment. It would surely be a serious failure of the objects with which the Act was devised if the drawback system were found unworkable. Indian manufacturers would then be taxed and handicapped in foreign markets, merely in order that British goods should be liable to taxation in India. Such a step would be justifiable only if the failure of a drawback system were to be due to dishonest action on the part of the exporters, or possibly after all other systems had been tried and found to lead in their working to complications and loss of revenue for which no remedy could be discovered.

14. I consider that the third course is the most promising. I would propose that the duty on cloth should be levied as it is now repaid, *i.e.*, by formula, and that the date of production of yarn in cloth should, for this purpose, be fixed at the date of baling. This would require an amendment in section 5 of the Act, making the date of production for yarn woven into cloth the date of baling of the cloth. The advantages would be twofold, and would remove most, if not all, of the difficulties enumerated above.

15. In the first place, duty being assessed by formula and repaid in the same way, the agreement which is desired between payment and drawback should be ensured. Secondly, the date of baling is readily ascertainable, all bales being numbered and stamped with the date on which they are made up. The date of production would, therefore, be known in all cases. Thus, in applying for drawback, the exporter could at once refer to the month of production of the yarn, while there would be no risk that the yarn taxed in that month would not correspond with the description of the bales for export. In fact, the yarn in cloth would be brought to a position very similar to that of bundled yarn, in that it would be marked on production in such a way as to render identification a comparatively simple matter.

16. Objections can be raised to this proposal. It will be said that if cloth bales are to be taxed according to the formula for the cloth, mill-owners will put in higher counts than the formula warrants, and so defraud the revenue. It may also be said that all cloth is not baled; and that bales will be interchanged so that cloth containing low-count yarn may be exported as cloth with a formula of a higher count, and thus secure a greater drawback. I have thought over these and other possible criticisms of the proposal, and I am inclined to consider that with constant inspections it would be not very much harder to prevent the concealment and substitution of dutiable yarn than it is at present to take the same precaution in the case of yarn which is bundled. At the same time I do not wish to under-estimate the risks of such fraudulent practices which undoubtedly are easier in the case of cloth than in that of bundled yarn, owing to the constant changes in counts which the weaving process would seem to require. I would, therefore, propose the following expedient for safeguarding the interests of the revenue.

Section 5 should be amended as follows:—

For the present explanation read—

“Yarn is said to be ‘produced’ within the meaning of the Act,—

- (a) in the case of yarn which is reeled and bundled in the mill in which it is spun, when it is so bundled;
- (b) in the case of yarn which is woven into cloth and baled, when the cloth is baled;
- (c) in the case of yarn otherwise manufactured in the mill in which it is spun, when it is passed out of the spinning section of the mill;
- (d) in any other case, when it is passed out of the mill premises.

Provided that it shall be within the discretion of the collector to assess yarn of class (b) as if it were yarn of class (c), when in the case of any mill such a course may appear expedient.”

It will be noticed here that I insert a proviso which is intended as a safeguard. Any mill which is found to be using for weaving purposes yarn of a considerably higher count than the formula submitted, could be called on either to amend the formula or to discontinue the practice. If neither course were adopted, the collector could fall back on the present system of taxation and the mill would then have deserved to lose the right to claim drawbacks on cloth produced therein, such drawback being only granted to mills assessed on the new system.



17. I believe from the experience so far acquired that the mills would endeavour to work this system of taxing cloth in a fair and honest spirit. They would realise the benefit of being relieved of the necessity which now exists for endeavouring to ascertain the date of production of yarn in cloth, and they would find that the drawback system worked smoothly owing to their cloth being taxed on the same basis of calculation as that employed for the grant of refunds.

18. It should be explained that in working such a system a reasonable margin would be allowed to weavers as regards the count and quantity of dutiable yarn woven into cloth. Constant tests would show whether the formula was being adhered to in the case of any particular cloth as closely as could reasonably be expected. This would be a technical question for a weaving expert, and care would be taken to restrain the use of counts higher than the formula, as well as excessive quantities of weft. In fact it would perhaps be safest and simplest to assess by formula showing the maximum quantity of weft of the highest count which the weaver would use in each kind of cloth. This would be a system of slightly over assessing local cloth, but the excess duty would be insignificant and the advantage would be gained of fixing at once the point beyond which the weaving master could not go without being held to infringe the Act. The result would be practically a bale tax adjusted to the kind of cloth in the bale.

19. It may be observed that mills outside Bombay town and island which export no cloth, and such mills in Bombay as dispose of all cloth in the local market, might under the revised system still continue to be assessed as at present, *i.e.*, on the weft book. There would be no object in altering the system where export and drawback claims did not require the change. For this reason also the amended section should contain the proviso which permits assessment on the present system where it appears desirable.

20. Besides the question of the count and quantity of yarn in cloth exported under claim for drawback, a further difficulty occurs in connexion with the provisions of section 20 (2) (a), which render it incumbent on exporters to state the name of the mill producing the yarn in the cloth. In the case of the large majority of mills which spin and manufacture their own yarn there is no doubt on this point. But an important group of mills in Bombay, known as the E. D. Sassoon, Alexandra, and Jacob Sassoon, make a practice of lending yarn to each other for weaving purposes. The E. D. Sassoon commonly weaves large quantities of yarn which are obtained from the other two, the amount borrowed being occasionally as large as sixty or seventy thousand pounds. On the receipt of an order for a certain kind of cloth, the E. D. Sassoon supplies itself with the required count of weft from either of the two mills if, as may frequently occur, the required quantity of yarn is not available from its own spindles. Thus cloth exported from the looms of this mill may contain yarn from the spindles of one of three mills. The important point is, that at the time of sale or export it is not possible to state whether the cloth in any particular bale is made from yarn of the first, second, or third of these three mills. In other words, in this respect the provisions of section 20 cannot be complied with.

21. I have recently invited the attention of the agents of these mills to the section in question, and have called upon them to take steps to keep separate yarn produced in different mills which is intended to be woven into cloth for export. I have since had an interview with the manager and the weaving master of these mills (the Alexandra and E. D. Sassoon), and I have gone into the question fully with them. The only possible method of arranging that cloth should be packed in separate bales according to the mill producing the dutiable yarn therein would be to divide the looms at the weaving mill into separate lots working each on yarn from one of the three mills. But I am informed that this arrangement would be extremely difficult to maintain, and that it would so interfere with the rapid manufacture of cloth to meet a sudden demand that the agents would prefer to waive their claims for drawback rather than to adopt such a course. Great difficulty is experienced at present in regulating the count of yarn employed on the looms, and if to this were superadded the work of separating each count into three divisions according to the mill from which such count had been received the production of cloth would be seriously interfered with; and probably the result would be far from satisfactory, there being little likelihood of the divisions being accurately observed.

22. It may be noted that at present there is only one case of such a mixture of yarn, and that other similar cases are not likely to arise, though they would be possible in certain groups of mills under one management. It is no doubt possible, by overlooking the provision of section 20, that is to say, by accepting a statement that the yarn in cloth exported has been produced in one of three mills, to provide temporarily for the grant of drawback. This can be done if on the credit side of the Special Drawback Register the

weaving mill be allowed an entry of all such west yarn as it may have received from the other mills under one management. In the particular case which has arisen there appears no very serious risk to the revenue in adopting such a procedure. At the same time it will be noted that the system offers even less opportunity for the identification of yarn exported in cloth than ordinarily. Yarn in cloth may fairly be presumed to vary four counts in the ordinary course of manufacture, that is to say, it may be two counts above or below the standard count, and the changes must occur if the uniform weight of cloth pieces is to be maintained. Thus the result is in the case of a mill weaving yarns of three mills' spinning that a piece of cloth may contain yarn of three or four counts from three mills. As it is impossible to record in reference to the cloth either the count of the yarn (within a fair margin of two counts) or the mill supplying it (within a margin of three mills) the chances of satisfactorily indentifying such yarn are practically nil.

23. It may be observed that a system of taxing bales instead of yarn would meet the difficulty explained above. There would then be no necessity for a reference to the mill which produced the yarn, duty being levied and refunded on cloth. It would however be desirable to provide for the exemption of such yarn at the mill spinning the same. Otherwise it would become liable to duty when issued from the mill premises, and would thus be twice taxed.

October 29th, 1895.

R. E. ENTHOVEN.

#### NOTE G.

##### The PROPOSALS to tax CLOTH and exempt YARN.

The result of taxing all locally made and imported woven goods at 5 per cent. on their finished value, and exempting from taxation yarns of all counts both local and imported would be to diminish the import duties by Rs. 15,00,000 and to increase the excise by several lakhs. Thus the imports of yarns stand at an average of Rx. 3,000,000; a 5 per cent. tax on this amount is 15 lakhs. As regards the local mills, a 5 per cent. tax on yarns over 20 is estimated to bring in about Rs. 7,50,000. Of this it may roughly be estimated that one-third represents duty on yarn not woven in the mills. Deducting this five lakhs are left to which must be added:—

- (1.) Difference of taxing cloth instead of yarn;
- (2.) Taxation of low count cloth, that is, cloth of yarn 20s and under.

There is a difference of opinion between home producers and Indian manufacturers concerning the proportion which a tax on yarn bears to a tax on cloth. The difference is as  $3\frac{1}{2}$  or  $4\frac{1}{4}$  to 5, say, one in five.

Thus, if all yarn in high count cloth now pays duty, the transfer of the assessment from the yarn to the cloth would represent an increase of one-quarter on R5,00,000. But information seems to show that in the case of high count cloth produced in India the warp is generally of non-dutiable count. In such cases the portion of the value of the finished article taxed by levying 5 per cent. on the west is one-third; and thus the change from taxing yarn to taxing cloth would cause an increase on the Rs. 5,00,000 now levied by bring this amount up to something over 10 lakhs allowing for half the cloth being made with low count warp. Of the remaining cloth produced in India, information is lacking to enable an estimate to be framed, In the Lancashire petition against the cotton duties this amount is given as 240,000,000 yards. The value of this may be taken at five to seven lakhs. But this is admittedly a rough estimate. The result is:—

Loss on Yarns.		Lakhs.	Gain on Cloth.		Lakhs.
Imported	-	- 15	High count	-	- 5
Local	-	- $2\frac{1}{2}$	Lower count	-	- 6
		<u>17<math>\frac{1}{2}</math></u>			<u>11</u>
	Less	- 11			-
		<u>6<math>\frac{1}{2}</math></u>			
Present tax on high count cloth	-	5			
	Loss	- <u>1<math>\frac{1}{2}</math></u>			

An additional deduction would have to be made for exports out of the low count cloth taken at 240,000,000 yards. This has been omitted, as the exports are only a few thousand bales a month, whereas the estimate of production is probably inadequate.

The financial result of taxing cloth and exempting yarn seems to be to throw on local mills an additional taxation of 8½ lakhs, and to lighten the duty on imported cloth and yarn by 15 lakhs.

January 1896.

R. E. ENTHOVEN.

REPLY of the BOMBAY MILL-OWNERS' ASSOCIATION to the ENGLISH REPRESENTATION submitted to HER MAJESTY'S SECRETARY OF STATE FOR INDIA, by JOHN MARSHALL, Secretary.

Mill-owners' Association, Bombay,  
7th January 1896.

To J. M. CAMPBELL, Esq., C.S., C.I.E.,  
Collector of Land Revenue, Customs, and Opium,  
Bombay.

IN accordance with the request conveyed in a letter from the Under Secretary to Government, Revenue Department, No. 8810, of 11th November 1895, I am directed to respectfully submit to you, for the information and consideration of Government, the opinions of the Bombay Mill-owners' Association on certain papers laid before Her Majesty's Secretary of State for India, setting forth the objections by representatives of cotton manufacturing interests in the United Kingdom to the cotton duties levied in India.

2. These papers are forwarded as accompaniments to a letter from the Government of India, Finance and Commerce Department, No. 5185 S.R., dated Simla, 30th October 1895, which concisely summarises their arguments in support of the contention that the cotton duties, as levied, have the effect of protecting Indian against British industry, as follows:—

- (1.) That Lancashire exports to India a certain quantity of yarns of No. 20 and lower counts and fabrics woven from such yarns which pay an import duty, whereas the same yarns spun and fabrics woven from them in India are exempt from excise.
- (2.) That, in the case of woven goods made from exciseable counts of yarn, the Indian manufacturers pay duty only on the grey yarn values of the goods, whereas the imported goods are weighted with duty on the value of the goods as completed.

3. The Government of India further express the desire that the Association in its reply should avoid, as far as possible, any discussion of the relative elements which enter into the cost of English goods and Indian goods respectively, as likely to serve no good purpose, and address itself mainly to the points—

- (1.) Whether any, and if so what, new difference is imported into their relative cost by the amount or method of taxation;
- (2.) Whether that difference has the effect of favouring one industry as against the other; and if so,
- (3.) Whether, and how, that difference should be eliminated.

4. The Government also indicate that it would be of assistance in the consideration of the question if the Association would state its views generally not only as to whether there is any protective effect which requires remedy, but also as to what remedies can be applied without disturbing the course of trade; and they conclude with a request for information as to the extent to which bleached and printed goods of Indian manufacture compete with imported goods.

5. Agreeing with the Government of India as to the advisability of avoiding the discussion of matters having no direct bearing on the question at issue, the Association will, so far as may be compatible with a full analysis of, and reply to, the statements and objections submitted, endeavour to adhere to the lines indicated in the covering letter; but the ground opened up by the papers is so wide, the arguments adduced so diffuse in some respects, so carefully circumscribed in others, and the figures quoted in support of them so intricate and liable to misconception by non-experts, that an exact adherence to the condensed points laid down by the Government of India would be exceedingly difficult, if not practically impossible.

6. In the examples selected, for instance, purporting to show by detailed comparative statements of the same goods manufactured in England and India, the protective incidence of the import duty *versus* excise, with the one exception of grey drills, none of the English cloths selected are ever made, or ever can be made, to a profit in India from

Indian cotton, and the deductions are accordingly absolutely fallacious and misleading. The cloths which the Indian manufacturer, it is suggested, would produce in substitution for the English descriptions would be relatively on about a par with a comparison between an ammunition boot and an Oxford shoe. The cloths would both be made, or presumably made, of cotton, and both would be used as articles of clothing in the same way as the boot and shoe would respectively be made of leather and both used as foot coverings, but the comparison would not go further in the one case than the other. The yarns used in the manufacture of the Indian cloth would be no nearer those used in the English piece than the leather in the ammunition boot would be to that used for the Oxford shoe, nor would the one cloth act more as a substitute for the other. The only fair basis of comparison in statements of this character would be to select identical cloths made in England and India from the same, or even approximately the same, counts and weights of yarn, and that such a manifestly equitable and indeed essential comparison is nowhere attempted except in the one isolated case of grey drills,—the English makes of which form an insignificant and almost inappreciable proportion of the cotton goods imported and the total imports of which have not been adversely affected by the duty,—may be accepted as fairly conclusive evidence, equivalent to a practical admission that no such cloths exist.

7. That this is so, and that there is no competition worthy of the name between the cotton yarns and goods made in England and India respectively, this Association has always contended, and it is on this assumption and the statistical facts which support it that the entire scheme of the excise levied on cotton manufactures in India has been based. If there is no real competition there can be no real protection, and when the representatives of the cotton manufacturing interests in England come forward to prove the existence of protection, the first and best evidence to that end would be a straightforward statement of the various yarns and goods in which the competition exists. On the one hand, there is the definite distinct statement that the limit of excise and method of levying it have been fixed as it now stands because there is no practical competition, and surely the head and front of any criticism of, or reply to, such a statement should have been an equally definite list of the goods in which such competition existed, or would be induced by the operation of the import duty and excise. Without some such basis to go upon it is idle to argue and impossible to admit that competition and concomitant protection exist, and this Association contends that, in the absence of definite information on this point, no representation is worthy of the serious consideration of Government, no specific case having been made out which involves the condition under which Her Majesty's Government were pledged to intervention.

8. It is certainly stated in the papers that 250,000,000 lbs. weight of yarn of 20s and under is made annually in England, but it is nowhere asserted that more than a very limited portion of that is destined for, or in any form finds its way to, Indian markets. Our statistical information enables us to say that it does not come to us in the shape of yarn, and although we have not the same absolute certainty as to woven goods, it is sufficiently well known that, save in the one instance of drills, it is not present to an appreciable extent in the cloth imported. If any misapprehension existed on this point, it was the manifest duty of the representatives of the English cotton manufacturing interests to remove it, and they would have had no difficulty in doing so, as English spinners and manufacturers are perfectly informed as to the ultimate destination of their production. That they have not done so, or perhaps it would be more correct to say that they have only been able to do so in the case of drills, would alone be sufficient to dispose of any allegation that competition either does or can exist in yarns of 20s and under, or goods made from them, while, as to goods woven from higher counts, there is not only no instance given of existing competition, but no suggestion of possible competition in the future except by means of substitution. In other words, leaving out drills, the whole case against the relative incidence of the import and excise duties, as put forward by the representatives of the English cotton interests, rests upon substitution and the possibilities of competition thereunder.

9. The exaggerated importance attached to the so-called law of substitution will be dealt with when the respective papers are discussed separately and in detail; its potentiality and the extent to which it might operate are aptly enough illustrated and in no way minimised in the parallel already instituted, but it here claims attention from the fact that it is the one point on which the papers make any reference to the experience gained and the results ascertained from the operation of the import duties in the past.

10. Import duties are not new to India, and their partial removal in 1878 and total abolition on cotton manufactures in 1882 are sufficiently recent events to permit of their effect on trade being easily ascertained and understood. No countervailing excise then

existed to minimise their plans on these issues, and if the effects of the tax were even within measurable distance the Bombay that the English cotton representatives allege as directly attributable to the law of 1894, they must have been written broadly and unmistakably on the pages of the trade records of the time. Imports of English cotton goods, and especially yarns, would have shown a rapid and immediate development when relieved of the repressive import duty, and Indian cotton spinning and weaving should at the same time have received and evidenced a decided temporary, if not a permanent, check. Had this been the case, the representatives of the English cotton trade would have been fairly entitled to appeal to the records and experience of the past 13 years in proof of their present contentions. But nothing of the kind occurred. The import trade of the country, apart from temporary fluctuations, showed only a steady natural increase; while the Indian industry, so far from being adversely affected, seemed to receive a remarkable impetus for good; the increase in the number of spindles, which, for the five years preceding the abolition of the duty, had only been 331,108, being 1,131,584 spindles for the five years after 1882, when the duty was abolished.

11. In thus ignoring the experience of the past the association holds that, as already remarked, the arguments in support of the English case, as contained in the papers under criticism, are carefully, if not unduly, circumscribed; while in suggesting that the effect on the trade, which really involves the entire question at issue, should be judged upon the statistics of the first few months of the present year against the corresponding months of 1894, when the trade was inflated by the exceptional influences of high exchange and the rush to import goods before the imposition of the duty, the compilers of the papers are scarcely in accord with their appeal for justice so conspicuously emphasised.

12. When statistics are depended upon as an index to, or explanatory of, the true course of trade, it is usual to select either years at certain stated intervals, or better and more reliable still, averages of periods sufficiently extensive to avoid true results being obscured or perverted by merely temporary influences. For instance, when the Secretary of State for the Colonies recently called for returns from Colonial Governments to show whether foreign imports were displacing similar British goods, he asked for figures of three named years at equal intervals of five years. It may perhaps be said that the short period which had elapsed between the imposition of the duty and the preparation of the English case did not permit of a longer period being taken for comparison, but this is no reason for it being restricted to the one year immediately preceding; and it will be perceived from the figures which the association now supply that, when fairly analysed, the statistics at once dissipate the allegation that the imposition of the 5 per cent. duty on cotton goods and yarns imported into India is the sole cause of, or even contributes in a material degree to, the several causes which, combined, are at present depressing the Lancashire cotton trade. That some branches of the Lancashire cotton trade are undergoing a period of great depression is undoubtedly and regrettably true, but that it arises from any discrepancy in the relative incident of the import and excise duties in India is not true. Even were that influence all that the English figures and statements claim, it could but amount to a small percentage on a few descriptions of goods in limited consumption, the effect of which would be lost in an entire trade where the raw material has undergone fluctuations to the extent of 60 per cent. within the year and sometimes 10 per cent. in a few hours. It is equally incorrect to say that the English manufacturers' loss has been the Indian mill-owners' gain, for at this time of writing, and for some considerable time past, it has been impossible to buy cotton in Bombay at the market price of the day, turn it into yarn, and sell it at the market price of the day to a profit. Where mills not producing specialities have recently earned profits it has been owing to fortunate speculative operations in anticipation, either in buying the raw material cheap or selling the manufactured article dear.

13. While offering these observations on the methods that have been followed in drawing up the case for the objectors, it may not be inopportune at this stage to solicit attention to the significant omission from the papers of all reference to the important fact that the trade of the Bombay mills is mainly an export trade. By this omission it is tacitly assumed, and people, unaware of the facts, would be led to believe that in discussing the incidents of the respective duties, import and excise, the question is one in which the entire production of the mills competes directly or indirectly in Indian markets with English yarns and fabrics, whereas from 70 to 80 per cent. of all the yarn spun by the Bombay mills is exported and finds markets where Lancashire and Bombay compete on equal terms. The question of competition and protection is not only to that extent restricted, but the import duty paid on the stores consumed in the manufacture of that portion of the production as also, in addition, the import duty on the stores consumed in the manufacture of the cloth exported, constitute a protection in favour of English spinners and manufacturers, which must be treated as a set-off, and not an

unimportant one, against any slight protection. It may result from the mode of levying the excise on yarns only above 20s, suggested, with the import duty levied on cloth in its manufactured state.

14. The Association will now criticise and answer in detail, according to the order in which they are numbered, the various papers which constitute the basis on which the representation is mainly founded. But it will materially shorten this process and obviate the necessity of repeating at different places the same argument, if before doing so an answer is first given to para. 7 of the Government of India's letter No. 5185 S.R. of 30th October 1895, respecting the extent to which bleached and printed goods of Indian manufacture compete with imported goods. To that inquiry the answer must be, that there is absolutely no competition whatever, there being neither bleaching nor printing works in the country. A considerable amount of block-printing is done and has been done from time immemorial by hand, but the methods practised are so antiquated and cumbersome, and the productions so crude, that they cannot be considered as competing with European goods. As regards both bleached and dyed and printed goods, therefore, the Association does not propose to submit either criticism or suggestion.

15. To avoid useless repetition and prolixity in reference, the paragraphs in each paper are numbered in accordance with the copies hereto appended.

#### PAPER No. 1.

16. The issues raised in this paper are extremely confused by dyed and printed goods and dyed and turkey red yarns being referred to indiscriminately, but, so far as they admit of being formulated, they appear to be that, as regards dyed yarns imported into British Burma from India—

(1.) The British importer has to pay more than double the tax which is paid by his Indian competitors.

The British dyer pays duty on  $9\frac{1}{2}$  annas per lb. from which the Indian buyer is exempted.

They (the British dyers) are subject to a direct tax on at least 8 annas per lb. from which the Indian dyer is exempted.

(2.) That the trade is a very large one, the exports of dyed yarns and cloth to India being 20,000,000 lbs., the imports of alizarine from Germany into India having increased from 1,498 tons in 1889 to 3,314 tons in 1893, and that there were exported from Indian ports to Rangoon last year about 1,750,000 lbs. of dyed yarns.

17. For the sake of convenience it is desirable to take No. 2, the extent of the trade, first. Separate statistics are not available of the dyed goods and dyed yarns imported in lbs., but the bulk of the 20,000,000 lbs. mentioned may be taken as made up of dyed and printed cloths, with which, for reasons already given, it is unnecessary to deal, and this also disposes of paragraph 12, no cloth being woven in India from imported yarns except by hand-loom weavers.

18. But the real objections in this paper are concerned more particularly with the yarns exported from Bombay to Rangoon. Regarding these it is impossible to obtain figures from the Custom House returns, but from private sources it has been ascertained—no earlier figures are obtainable—that the exports of all dyed and turkey-red yarns to Rangoon were :—

	Lbs.
1894, six months, July to December	604,000
1895, ten months, January to October	542,000

19. This can scarcely be called a large trade, nor does it appear to be an increasing one, and when allowance is made for the fact that the Government of India have already reduced the import duty on dyed yarns of 20s count and under to a half per cent., its importance is not sufficient to demand special consideration, much less special legislation. Its insignificance may be further inferred from the fact that the two dye-works in Bombay in 1893 only consumed about 140 tons of alizarine out of the 3,314 tons imported.

20. As to No. 1, the amount of protection enjoyed by the Indian dyer in goods shipped to Rangoon is magnified by taking 15 annas per lb., the full price of the best English turkey-red yarn as the price all round, Indian turkey-reds being  $2\frac{1}{2}$  annas per lb. less, but the shipments from Bombay to Rangoon consist chiefly of fancy colours—greens, yellows, benzo-purpurine, and congo reds, &c.—the average value of which would be about  $10\frac{1}{2}$  annas per lb. How the result is arrived at, that the British importer has to pay more than double the tax of his Indian competitor, there is nothing to show, but the untaxed  $9\frac{1}{2}$  annas is shown by the simple process of deducting  $5\frac{1}{2}$  annas per lb., the tariff valuation of the grey yarn, from 15 annas and ignoring the cost of chemicals,

packing, and other charges. In paragraphs 8 and 9 it is suggested that in Indian dyeing a large portion of the dye stuffs are native products, on which no duty is paid, instancing indigo and catechu. In the hands of dyers use it is impossible to say, but in the two Bombay dyeworks this is the case, practically all the chemicals used being imported articles. Indigo and catechu are only used in dyeing blues and browns. Of the latter none have been shipped from Bombay to Burma during the past two years, while blues have only been about 8 per cent. of the exports. A fair estimate of how the import duty falls at present on Indian-dyed yarns would be :—

Selling price		As. ps.
	-	10 6
Deduct—Duty paid on—		As. ps.
Grey yarn	-	5 6
Chemicals, paper, millboards, and twine	-	2 0
	-	7 6
		3 0

21. The Indian dyer has, therefore, 5 per cent. on that or 15 anna per lb. in his favour if the question of coal be left out entirely. That may, as mentioned, be a very small item in the Vale of Leven, where it probably can be had at 6s. to 7s. per ton, or even less, but in Bombay it costs at least 20s. per ton and constitutes something like 12½ per cent. of the cost of dyeing turkey-red and 8 per cent. of the cost of dyeing fancy colours.

22. Taking that into account and the very limited amount of trade involved in yarns over 20s, the question at issue is insignificant.

#### PAPER No. 2.

23. This paper purports to show how Lancashire is likely to be affected by counts 20s yarn or under being excise free, and it is significant to note, in connexion with the preliminary observations as to the method adopted in compiling the representation, that it only essays to prove what, in the writer's opinion, is likely to take place in the future, and nowhere gives an instance of existing competition and resulting protection. But if the value of that opinion is to be gauged by the same standard of credibility as the statements and examples on which it is founded, the injury to Lancashire is not likely to be of a very serious character.

24. To begin with, the writer in paragraph 2 makes a statement which he surely cannot have verified by actual reference when he states that he finds "in the Blue Book entitled 'Papers relating to the Indian Tariff Acts, 1894,' page 8, a practical acknowledgment that Lancashire might compete with India with American cotton at 3d. per lb." No such acknowledgment was ever made. What Sir James Westland actually did say was that "it would obviously never pay Manchester to use up American cotton at 4d. a lb. in making a class of goods which their Indian competitors can make up as well out of cotton that only costs 3d." The enormous difference which exists between these two statements is apparent at once even to non-experts, but the importance of the misrepresentation is only fully apparent when it is seen that it is carried through the whole of the paper, taken as the basis for all calculations, and necessarily colours the deductions in every example, the manifest absurdity being assumed that when American cotton declined in value Surats remained stationary. In taking the prices named Sir James Westland was clearly, for the purpose of illustration, speaking in round figures, but that in so doing he was in no way instituting an unfair comparison will be seen from the following statement of the average prices of standard qualities of American and Indian cotton during the past five years :—

*Average Prices of Mid Uplands and Good Dhollera in Liverpool from 1891 to 1895.*

	1891.	1892.	1893.	1894.	1895.
Mid-Uplands	4½	4¼	4½	3½	4¾
Good Dhollera	3¾	3¾	3½	3¾	3¾
Difference	¾	¾	¾	¾	¾
Percentage of difference	18·24	15·75	12·50	17·37	17·37

Average difference - - - - - 16·24 per cent.

25. To this percentage of difference, to make a fully absolute comparison between the Lancashire and Indian spinner, has, of course, to be added the suggested laying down of American cotton in Liverpool, which, on the average price of good American cotton, is less than 8.50 per cent., making an average difference of 27.72 per cent. less than Sir James Westland's 25 per cent. As a matter of fact, on 13th December 1895, when American cotton was quoted in Liverpool at 3d. per lb.—

Good Dhollera was quoted at	-	-	2 1/8d. per lb.
A difference of	-	-	
Or	-	-	
Add cost of shipping to and delivery in Liverpool	-	-	10c "
Actual difference between working cost of Indian and Lancashire spinner against the latter	-	-	<u>27.72</u> "

26. Totally ignoring this difference, the writer of the paper concludes paragraph 2 with the remark: "The deduction is, therefore, obvious that Lancashire with American cotton at 3d. per lb. can spin 20s yarn or under at a less cost than the Indian spinner can spin the same counts from Indian cotton." The obvious retort to this statement would be to inquire why English spinners during the 16 years between 1878 and 1894, when no import duty on 20s existed, have not only neglected to avail themselves of the large profits they could have earned by supplying the Indian markets, to which they have sent nothing, but have left to the Indian mills the practical monopoly of supplying China with low counts. According to Mr. William Noble, the reason was because American cotton was not 3d. per lb.; but the real reason is to be found in the following tabular statements showing what, irrespective of import duty, it actually costs to make 20s yarn out of American cotton and lay it down for sale in Bombay as compared with the cost of spinning it in Bombay out of Indian cotton.

27. The price of Mid-Uplands on 14th December 1895 is taken from Reuter's telegram, and of Surats from the Bombay Cotton Trade Association official prices of same date. Exchange from brokers' circular of same date.

*Cost of spinning 20s Yarn in Lancashire from Mid Uplands and delivering same in Bombay in Rupee Value.*

Cotton Mid-Uplands at 4 5/8d., less 1 1/4 discount, plus 10 per cent. wastage, gives	-	-	d.	per lb.	5.00
Spinning and bundling	-	-	"		2.00
Freight, insurance, and shipping charges	-	-	"		0.26
Total cost in sterling	-	-	"		<u>7.26</u>
At exchange 1s. 1 7/8d.	-	-	annas	-	<u>8-4.46</u>

*Cost of spinning best 20s Yarn in Bombay.*

Cotton one-third fully good Bhownuggur	-	at Rs.	215
" " Khangaum	-	"	213
" " Khandeish	-	"	198
			<u>3/626</u>
		Rs.	209
Average at Rs. 209 per candy, less 5 1/2 per cent. discount, plus 18 per cent. wastage, per lb.	-	annas	4-10.98
Cost of spinning	-	"	<u>1-4.00</u>
Total cost per lb.	-	annas	<u>6-2.98</u>
Difference per lb.	-	"	<u>2-1.48</u>

or 25 1/2 per cent. less than cost of 20s yarn spun from American.



28. The price of Mid-Uplands on 15th February 1895 is taken from Reuter's telegram, and of Surats from the Bombay Cotton Trade Association's official prices of same date. Exchange from brokers' circular of same date.

*Cost of spinning 20s yarn in Lancashire from Mid-Uplands and delivering same in Bombay in Rupee value.*

	<i>d.</i>
Cotton Mid-Uplands at 3 <i>d.</i> , less 1½ discount, plus 10 per cent. wastage gives	per lb. 3·25
Spinning and bundling	" 2·00
Freight, insurance, and shipping charges	" 0·26
	<hr/>
Total cost in sterling	- 5·51
	<hr/>
At exchange 1 <i>s.</i> 0½ <i>d.</i>	- Annas 6-10·57

*Cost of spinning best 20s yarn in Bombay.*

Cotton one-third Fully Good Bhownugger	- at Rs. 158
" " " Khamgaum	- " 155
" " " Khandeish	- " 146
	<hr/>
	3/459
	<hr/>
	153

Average at Rs. 153 per candy, less 5½ per cent. discount, plus 18 per cent. wastage, per lb.	- Annas 3-7·18
Cost of spinning	- " 1-4·00
	<hr/>
Total cost per lb.	- Annas 4-11·18
	<hr/>
Difference per lb.	- Annas 1-11·39

or 28 per cent. less than cost of 20s yarn spun from American.

29. As against these comparisons it may be alleged that 20s yarn would not be spun in Lancashire out of such expensive cotton as Mid-Uplands, but this argument, except to a very limited extent, is fallacious, as a cheaper mixture would mean an equivalent increase in wastage. In the same way the Bombay mixing is a particularly good one, better than is generally used, but if cheapened in price, the wastage would be greater. Relative values of different descriptions of cotton, in fact, are mainly based on the amount of waste which they respectively give in spinning, so long as the staple is long and strong enough to produce the required yarn without an undue expenditure in spinning, which is the case with the bulk of Indian cotton up to 20s. These figures, so far as Bombay costs and shipping charges on English yarns, are not hypothetical statements, but actuals that can be verified by real transactions, and may, the Association considers, be taken as fully disposing of the possibility of competition between Lancashire and Bombay in yarns of 20s, and practically, therefore, also of goods made from such yarns. The difference is a geographical one and is made up of the cost of sending the raw material to England and bringing back the manufactured product. Were the position what Mr. Noble alleges it to be, Bombay spinners would import and spin American cotton, the respective merits and day-to-day relative values being no hidden secrets.

30. The paper then proceeds to deal with the manufacture of yarn into goods, preliminary to which it discusses in paragraphs 4 and 5 the cost of dutiable stores used for the purpose in Indian mills. Some stress is laid in this connexion on a quotation from the Blue Book previously referred to, to the effect that the dutiable stores used in an Indian mill came to about 25 per cent. of the cost of production, upon which 5 per cent. would amount to a 1¼ per cent. tax. The remark was made by Sir Griffith Evans, who was right in the first part of the statement, as the value of the dutiable stores does come to 25 per cent. of the cost of production, but made a perfectly natural error, for a non-expert, in speaking of the 5 per cent. duty on the fourth of the cost of production as 5 per cent. on the fourth of the value of the cloth.

31. By taking the expenditure of an English mill and adding on varying per-centages, the writer of the paper arrives at the conclusion that the duty on imported stores used in Indian mills is equivalent to  $\cdot 005d.$  per lb., but to leave no doubt on the subject, the Association has obtained statements of actual expenditure on cloth woven from four leading Bombay mills operating in the aggregate 2,890 looms which gives an average result of  $\cdot 016d.$  per lb., equivalent to  $\frac{1}{4}$  per cent. on the value of the cloth, taking the average selling value at annas  $7\frac{1}{2}$  per lb. Lest any exception should be taken to the correctness of these figures, I enclose for your satisfaction copies of the statements received from the respective mills, but would ask that they should not be published as the companies are naturally averse to their respective costs of working being made public.

32. The writer then goes on to give examples of goods made in England and India respectively, but instead of basing these on actual figures, which for costs of yarn there would have been no difficulty whatever in doing, he assumes a basis which embodies, as regards 20s yarns, the false hypothesis with which the paper started and which has already been disposed of by the figures showing the costs of English and Indian made 20s yarn respectively.

33. But as showing the dependence to be placed on the illustrations given in this paper, the Association considers it advisable to test how cloth made from 20s/20s yarn really works out, taking Mr. Noble's own figure of cost - -  $38\cdot 74d.$  a piece  
his expenses at 26 per cent. come to - - - - -  $10\cdot 07d.$  „

leaving - - - - -  $28\cdot 67d.$

as the cost of the yarn in the piece. Now an  $8\frac{1}{4}$  lb. cloth, 24 yards 13 reed 13 pick, would contain of 20s yarn 58·1 oz. of warp and 55·8 oz. of weft, together 7 lb. 2 oz., which at  $28\cdot 67d.$  would give  $4\cdot 02d.$  per lb. against  $4\frac{1}{2}d.$ , and the cost of the piece on the latter price therefore would be  $40\cdot 41d.$

34. In paragraph 8 the writer states that he will next propose to show how substitution can take place, and instances the alteration in certain goods when cloths made of 30s yarn were, in 1878, exempted from duty, but he also states the significant fact, that even at the present time, most goods shipped to India are made from these counts of yarns, with only slight variations. In other words, the change which took place was no substitution in the real sense of the word, or in the sense which the English representatives claim they have now to fear as the result of the incidence of import duty and excise respectively, but a change to cloths which consumers preferred. The simple fact was that, when impelled by the difference caused by the duty, to try a change in the character of the cloth offered, they made the discovery that they had never previously known the real requirements of the Indian buyer, and that their competition for trade had been developed on wrong lines in endeavouring to offer a cheaper and still cheaper cloth by decreasing the weight of cotton, and increasing the weight of size in a piece, instead of trying the buyer with a better article. An important demand existed and had existed all along which had neither been suspected nor explored until compelled by pressure from without, and it is quite possible that the trade still holds similar surprises in store for manufacturers enterprising enough to make the test. Nor would it be surprising if Indian buyers evinced a tendency to favour a cloth containing more cotton than Mr. Noble's examples of typical Lancashire shirtings, which, he says, are largely shipped to India, and which, as his own figures show, are made with warps loaded with 85 per cent. of size, and containing only 54 per cent. of cotton. This preference, however, or substitution as the English representatives choose to call it, will only be manifested within certain and very restricted limits, as was the case in 1878, when shirtings formerly made from yarns of of 32s warp, and 36s to 44s weft, were supplanted by 30s/30s. The requirements of the consumers of the latter goods, say 30s/30s,  $8\frac{1}{2}$  lbs. to 9 lbs., will not be met by a  $10\frac{1}{4}$  lb. piece of 20s/20s, nor yet by the combination which Mr. Noble's other example consists of, and the sample he speaks of, while possibly commanding the preference of Her Majesty's Secretary of State, would meet with a different reception from a native piece goods expert who would relegate it to a different category; as a cloth suiting an entirely different purpose from the Lancashire sample it was proposed it should supplant, or quite as likely being neither one thing nor another and suiting no purpose at all.

35. But, even assuming the suggested alternatives would answer their supposed requirements, they could not be made on the comparative basis suggested, as the following analysis will show. Example No. 2 takes a Lancashire cloth, 35 inches, 38

yards, 16 × 16, 30s/30s counts, 8½ lbs. substitute of 9 lb. This is supposed to be produced for 52d.  
from which deduct expenses - - - - - 22·10d.

leaves - - - - - 29·90d.

as the cost of the yarn which would be 58·58 oz. warp, and 56·35 oz. weft, or together 7 lbs. 3 oz., which would give 4·16d. per lb. as the cost. The price of a fair quality of 30s cop yarn on the day was not less than 5d. per lb., and the cloth must then cost at least 58d. per piece, or 11½ per cent. more than stated.

36. The third example is to show how the Indian manufacturer can substitute a cloth for the Lancashire make by using duty-free warps and excisable weft, and for this purpose the same piece of Lancashire cloth is taken as in the preceding example, but the Indian cloth is 35 inches 38 yards, 14 × 16, 20s/30s yarn, to weigh 10 lbs. The yarn in the piece would be 76·89 oz. warp at annas 5½, and 56·35 oz. weft at annas 7 per lb., and the figures would stand as follows:—

	Mr. Noble's figures.	Bombay Actuals.
	d.	d.
Yarns - - - - -	35·01	40·77
Expenses - - - - -	17·50	12·66
Excise on weft - - - - -	·85	1·004
Duty on stores - - - - -	·06	·016
	53·42	54·45

37. It is only fair to point out that the wide difference between the alleged and actual costs of the Lancashire cloths admit of an explanation, in that the real construction would not be as it is stated to be, that finer yarns containing less weight of pure cotton but heavily sized would be used instead of the counts mentioned, but it seems to this Association that, by suppressing the explanation, an exceedingly doubtful mode has been adopted of presenting the case to non-experts. Under any circumstances, and from whatever point of view the figures may be considered, they cannot be accepted as proving any of the contentions of the English case; and it is interesting to set the results of the analysis against the points which, the writer says, he hopes he has made clear.

(a.) That Lancashire, with American cotton at about 3d. per lb., can produce coarse counts of 20s or under as cheaply as can be done in India.

When American cotton was at 3d. per lb., it cost As. 6-10·57 per lb. to lay down in Bombay 20s yarn made from American cotton, as compared with As. 4-11·18 per lb. for 20s made from Indian cotton in Bombay.

(b.) That the statement in the Blue Book that dutiable mill stores cost 25 per cent. of the cost of production, is a fallacy.

The statement in the Blue Book was a mere oversight; but the duty on stores used in Indian mills in making cloth, is more than three times the rate stated in the English representation.

(c.) That Lancashire can produce cotton goods such as are made in Indian mills at about the same cost.

The examples given on the contrary prove quite the reverse, and, provided the English goods are made of the yarns they purport to be, there is no approach to competition between England and India in either yarns of 20s count and under spun in England or goods made therefrom.

(d.) That by relieving Indian manufacturers from an excise tax on yarns, 20s and under, there is given to them a decided advantage and great protection which will enable them to produce goods of a quality equal to those made in Lancashire from finer yarns, which can only be admitted into India by paying a duty of 5 per cent. This is giving the Indian manufacturer protection to this amount.

There is no competition in yarns of 20s and under, and consequently no protection, and the examples given prove nothing as to substitution.

(e.) That the present arrangement of the countervailing duties omits a very important means of raising revenue.

The arrangements of the countervailing excise were never intended for the purpose of raising revenue, and from that point of view alone would be economically as unjust as an excise levied in Lancashire. In fact, the moment the excise exceeds or even equals the point at which it balances the import duty without making full allowance for the import duty on all stores consumed, both in yarns and goods exported, and the extra expense and harassment to trade, it becomes protective of Lancashire, and penalises India's own manufactures.

(f) That goods imported into India with 5 per cent. duty increases the market value of the Indian coarse goods to a like amount, and that the advantage thus derived goes into the manufacturer's pocket, and is of no advantage to the Indian consumer.

There is nothing in the previous portion of the paper in support of this conclusion, and it is merely a gratuitous assumption unsupported by a tittle of evidence.

38. The Association sees no necessity for dealing with the extraordinary allegation in paragraph 22, that the servants at the respective mills are appointed the assessors of excise. That is a statement which will doubtless be dealt with by the Government of India. It is also questionable whether any good end is to be served by noticing the remarkable character of some of the other general arguments in this paper. Such, for instance, as that contained in paragraph 7, that for a number of years India has been exceptionally prosperous and can well afford to pay a countervailing excise on cotton goods. To the ordinary mind the financial stress which demands the levy of import duties as a means of restoring the equilibrium between revenue and expenditure is scarcely evidence of prosperity, and that prosperity, if it existed, should be a reason for the infliction of a harassing and inquisitorial tax on the one important industry of the country is no more an economical sequence. Of a like nature and value is the suggestion in paragraph 23, that India should seek salvation and prosperity in agriculture, presumably leaving the manufacture of cotton goods to Lancashire. The writer loses sight of the important fact, however, that, if from undue taxation or any cause, India should lose ground as a producer of low count cotton yarns and coarse goods, the result would not be to the advantage of Lancashire, but would simply mean the transfer of the industry further east to China and Japan, where the recent extension of cotton spinning quite throws the moderate and gradual increase in India's production into the shade and has had far more to do with the existing depression in England than the Indian import duty.

#### PAPER NO. 3.

39. Consists of four examples of the cost of producing different cloths in England, with a view to showing the protection which the mode of assessing the excise on yarn only would afford to Indian manufactures if the goods were made in India, which however, they are not, and for all practical purposes cannot be. Examples II., III., and IV. consist respectively of bleached, dyed, and printed goods, and need not therefore be noticed; and, as regards example No. 1, it is of no practical value, as it gives no details as to what the piece is made of. All that can be said regarding it is that, if the value of the yarn in an  $8\frac{1}{4}$  lb. piece was only 2s. 1d., it must, of necessity, be made of fine yarns heavily sized and could not therefore be made in India at even an approximate to the Lancashire cost; but an  $8\frac{1}{4}$  lb. cloth, if made in India to sell at Rs. 4, would contain Rs. 3 of yarn instead of only Rs. 2.15 as alleged, and the amount on which no excise would be paid by the Indian manufacturer would be only 16 annas per piece or  $\frac{1}{8}$  of an anna instead of 1.48 annas, and this always assuming that the Indian cloth would answer the same purpose and take the place of the English piece, which it could not do, as the two fabrics would have nothing in common but the weight and dimensions.

#### PAPER NO. 4.

40. Is devoted to drills—the one description of cloth that the English representatives have been able to instance as, and so far as the Association is aware, the only one actually made in England of 20s yarns or under and imported into India. This particular cloth occupies a peculiar and unique position among cotton goods, in that it is scarcely worn at all by natives, but almost entirely by Eurasians, Europeans and their servants, and consequently the consumption is less affected by small fluctuations in price, while the quality required for the bulk of what is consumed necessitates it being made of something better than ordinary Surat cotton. While, therefore, grey drill is the special description of cloth that would at first sight appear most open to competition, it is also the special cloth in which yarns made from Indian cotton cannot be freely employed. If, accordingly, the demand for the Lancashire makes is falling off, it is not owing to the import duty, as their place is not being taken by Indian fabrics but by imported drill liable to the same duty as English. The statistics as to the imports of grey drills show this most conclusively. From the two following tabular statements—the first of which was kindly made up by Messrs. Ralli Brothers in continuation of the figures supplied by their Manchester house for the paper now under remark—it will be perceived that there is no falling off worthy of special notice in the total imports, the quantity for the first ten months of 1895 being only 176,300 yards below the average of the corresponding

ten months of the six previous years; while the decrease in 1895 as compared with 1894 is not nearly so heavy as took place in 1892 after the exceptional imports in 1891. The decline in Lancashire drills from 1st June to 31st October of this year is certainly more marked, but here again we have the fact that this movement had already set in to a very marked extent during 1894 before the imposition of the duty, and it is moreover quite possible that, as in 1894, the deficiency may be rapidly made up by heavy importations in the last two months of 1895 or the beginning of 1896.

*Imports of Drills into Bombay.*

	Year ending 31st December						Ten Months ending 31st October		
	1889.	1890.	1891.	1892.	1893.	1894.	1893.	1894.	1895.
Total importations (all merchants and dealers)	9,146	10,809	15,264	9,467	11,492	11,961	9,452	8,884	8,225
Ralli Brothers' portion of above	3,408	3,826	7,074	4,975	6,419	6,094	5,693	3,867	2,548
Total of Ralli Brothers' importation of drills made in Lancashire.	1,395	2,602	3,244	3,500	3,567	3,615	2,948	2,237	1,598
Ralli Brothers' importations of Lancashire-made drills in yards.	2,232,000	4,163,200	5,180,400	5,600,000	5,707,800	4,504,600	4,712,000	3,579,200	2,556,800.

*Imports of Grey Drills into Bombay from Europe and America.*

10 months, 1st January to 31st October.	Bales.	Yards as per Chamber's Returns.	12 months, 1st January to 31st December.	Bales as per Ralli Bros. Statement.	Yards as per Chamber's Returns.
1889	7,526	7,793,320	1889	9,146	9,390,160
1890	8,993	9,067,680	1890	10,809	10,970,080
1891	10,875	10,731,840	1891	15,264	15,153,160
1892	7,661	7,965,360	1892	9,467	9,607,760
1893	9,452	10,653,600	1893	11,592	12,859,360
1894	8,884	10,510,880	1894	11,961	13,594,920
Average	—	9,453,780	Average	—	11,929,240
1895	8,225	9,277,480	1895	—	—

41. But perhaps the most instructive comparison regarding drills is that afforded by the following statement, showing the value of the grey drills imported into Bombay during the five years preceding 1895 and the first 11 months of that year. Unfortunately it is impossible to get the imports of drills apart from other goods for all India, but Bombay is far and away the chief importer, and it is no exaggeration to say that, if the statistics could be obtained, they would show that on the average they do not amount to more than  $\frac{2}{4}$  per cent. of the total trade in cottons. It is noteworthy that the English representatives do not themselves speak of exports to any other Indian port than Bombay.

*Percentage of Grey Drills imported into Bombay on the total value of entire Cotton Goods from 1890 to 1895.*

Calendar years (1st January to 31st December).	Value of entire Cotton Goods imported excluding Yarns.	Approximate average value of Grey Drills imported.	Percentage.
	Rs.	Rs.	
1890	8,75,64,722	15,21,241	1.73
1891	8,03,80,929	20,83,559	2.59
1892	7,08,68,829	13,51,091	1.90
1893	7,78,42,481	18,63,602	2.39
1894	10,01,13,677	19,43,648	1.94
Average of the 5 years	8,33,54,127	17,52,628	2.11
1895 (11 months)	6,14,04,294	14,55,654	2.37

42. Not only does this bring out very clearly that the value of the drills imported during the 11 months of 1895 is well ahead of the average of the previous five years, but it shows what an infinitesimal proportion of the whole trade drills represent. As already remarked, moreover, the relative importance of the trade, when taken for all India, is much smaller, and it is further diminished by the fact which the English representatives are either not aware of or choose to ignore, viz., that their real competitors to the extent at least of a fourth, but probably nearer a half, of the entire trade are not Indian mill-owners, but American manufacturers. Or, to speak more correctly, the competition is the other way about, as the trade originally started with American drills and Lancashire followed with an imitation that, being offered cheaper, eventually secured a certain market. The American drills, however, owing to the better quality of cotton that they contain and their greater durability, still retain their first place in the estimation of buyers; and if Lancashire makers were to divert their form of competition more in that direction with less regard to cheapness, they might find their reward as they did in the case of the duty-free shirtings in 1878.

43. The question of dyed drills the Association does not feel called upon to discuss, as, beyond the reason already given in this behalf, the production of a fast *khaki* dye is a monopoly in the hands of one firm, and cannot be produced in India, nor can the example given of the cost of the grey cloth, purporting to show the operation of the exemption from excise, be criticised, as the constructive details of the piece are not given.

#### PAPER No. 5.

44. Is really an appendix to Paper No. 4 and, as such, has already been discussed, and

#### PAPER No. 6.

45. Deals with the law of substitution as exemplified by chicory, sugar and spirits, regarding which the Association does not feel called upon to offer any observations beyond pointing out that the effects of the heavy duties with which high-priced articles of luxury or vice in food and drink are weighted are in no way analogous to the influence exercised by such a tax as 5 per cent. on cotton goods, circumscribed in its incidence by a countervailing excise.

#### PAPER No. 7.

46. Has in reality been disposed of in connexion with No. 4, of which it may be taken as forming a subsidiary part.

#### PAPER No. 8.

47. In the main summarises the deductions drawn from the preceding papers and amplifies the arguments based thereon, formulating for the purpose six heads of objections to the mode in which excise is imposed on the products of Indian mills. These objections the Association proposes to discuss *seriatim*, restricting its observations as much as possible where statements or examples have previously been fully examined in detail.

#### OBJECTION 1.

*That the excise duty secures an immunity from competition in the Indian markets by England in counts 20s and below.*

48. This objection embodies a proposition that in the abstract is theoretically correct, but, as applied in this case, is untenable. The immunity from competition arises, not from the exemption of this class of goods from excise, but from the geographical position which places such a wide disparity between the respective costs of the English and Indian materials that the exemption of the latter from duty has absolutely no effect on the trade. If the cost price of low count yarns and the goods made from them in Lancashire and Bombay respectively were at all evenly balanced, the 5 per cent. import duty thrown into one side of the scale would at once decide the competition, but where an initial and irreducible difference of 20 to 30 per cent. exists, the influence of the duty disappears.

49. In the first paragraph devoted to this objection, those who hold contrary views to the English case are credited with an assumption that has no foundation in fact. The writers say that "because for some time India has by a combination of favourable conditions practically had a monopoly of the coarse yarn trade," the monopoly exists,

but where and what is the combination of favourable circumstances that has maintained and increased it during a period of 16 years, in which no import duty has been levied? Nothing of course, but the permanent advantage of geographical position, and if that is enhanced by exactions of operatives or other causes mentioned in paragraph 8, India cannot be called to account for them, nor can she be asked to abrogate the advantages of her natural position in consequence.

50. Paragraph 9 intimates that it is a fallacy to suppose that Lancashire does not spin yarns of 20s and below—that, on the contrary, she produces 250 millions pounds weight per year. No doubt this is so, and these yarns and the goods made from them are either used in the home trade or exported to other countries that have not the raw material and the means of manufacturing it at their own doors. To India, however, which does enjoy these benefits, these yarns and goods do not and cannot come, and the fact of the production, therefore, has no practical bearing on the matter at issue.

51. Paragraphs 11 and 12 reiterate the claims advanced in Paper No. 2, that low prices of American cotton would enable English spinners to compete on favourable terms with Indian yarns, and have already been disposed of in the Association's criticisms of that paper.

52. With the remark in paragraph 13 as to the insignificance of the revenue derived from the import duty on yarns under 20s or goods made of the same, the Association quite agrees and, holding that opinion, sees no valid reason why these goods should not be exempted from duty. The argument coming from the side of Lancashire manufacturers seems somewhat difficult to reconcile with the strenuous attempts made elsewhere to show the existence of competition in this particular class of goods, but if, as alleged, the effect of the import duty, so long as it remains without any corresponding excise, is to secure to the Indian producer a monopoly of the production, the Association agrees that it should be removed.

#### OBJECTION 2.

*That the import duty imposed on goods exported from this country made from 20s and below without any countervailing excise duty being imposed on goods made from similar counts in India is absolutely protective in its character.*

53. If the suggestion made under the previous objection and endorsed by the Association were certain to be given effect to, there would be no necessity to criticise this section, but, being unable to agree with the arguments advanced and the conclusions arrived at, it would not be advisable to leave them uncontested in anticipation of possible action which Government may, on consideration of the whole question, see no call to adopt.

54. If, as alleged in paragraph 15, evidence was submitted to Mr. Fowler showing that England exported to India yearly goods made of yarns not exceeding 20s to the extent of 6,000,000 lbs. weight of yarn, representing 25,000,000 yards of cloth, the Association must express regret that such evidence has not been embodied in the papers now under remark. The only tangible evidence is regarding drills, and of these the total imports of all makes into Bombay only average 11,929,240 yards per annum, equivalent in value to 2.11 per cent. of the total, while the contention that the Lancashire share was an increasing quantity is not borne altogether out by the figures, which show a marked retrogression in 1894, when they fell back almost to the level of four years previously. That this should take place in a year when the tide of imports of almost all other descriptions of cotton goods reached high-water mark is the more remarkable, and would be difficult of explanation but for the facts stated regarding the goods in dealing with Paper No. 4, which show that the demand for drills, unlike other goods, is confined to a limited class of the population, and that they cannot, moreover, be to any important extent made from Indian yarns.

#### OBJECTION 3.

*That the 5 per cent. import duty charged on the ad valorem value of our manufactured goods is not completely countervailed by the 5 per cent. excise duty charged on the yarn value of goods made in India from counts above 20s, and that, so far as any portion of the value of these goods is not chargeable with excise duty, the import duty becomes protective to that extent.*

55. With the proposition, as stated in this objection itself, the Association has no fault to find, but against the arguments used thereunder in paragraphs 20 to 27 I am

directed to enter a decided protest. The assertions and claims with which Indian mill-owners are credited have never been made nor advanced by this Association. What it has throughout contended and still contends is that there is no practical competition worthy of the name between England and India in goods made from yarns over 20s, and therefore no protection, and that none of the cases quoted nor examples given afford practical proof of protection, nor have been more than merely hypothetical. The example given in paragraph 33 is another of the same class that has already been dealt with, which cannot, by the nature of its construction, be made in India to compete with Lancashire. The piece selected in this instance is an  $8\frac{1}{2}$  lbs. 38 inches  $37\frac{1}{2}$  yards  $16 \times 14$ , and the weight of yarn in it is given at  $5\frac{1}{2}$  lbs., which simply means that 33 per cent. of the cloth is size, to attain which the warp is weighted with 84 per cent. of size. To make the piece, therefore, the warp would be 3 lbs. 4 oz. and the weft 2 lbs. 4 oz., which means that the counts of the yarn would be 36s warp and 44s weft—yarns that could not be spun in India at a price to permit of them being used in a cloth of the kind. Not only, therefore, does this example and others of a like character impute a power of competition to Indian mills which does not and cannot exist, but it answers another purpose in showing a much larger apparent protection to the Indian manufacturer than the cloth he could make—but cannot owing to the cost—would afford. This is done by minimising the apparent weight of yarn on which the Indian excise would be collected, and, as seen in previous examples, instead of paying on only  $5\frac{1}{2}$  lbs. of yarn in such a piece, he would have to pay on nearly  $6\frac{1}{2}$  lbs.

56. *If competition, therefore, were possible in goods made from the higher counts, and it were deemed necessary that the countervailing excise should be made to counterbalance with mathematical exactitude the import duty, the mode of ascertaining the incidence would have to be the reverse of that adopted by the English representatives, by assessing what the Indian weaver has not to pay excise upon—his true cost of production—not what the Lancashire weaver has to pay upon. What this is, the Association thinks, the following statements will show in a manner to which no objection can be taken. A copy is subjoined of the official weekly list of quotations for Bombay yarns and goods on 29th November 1895, and on these making a deduction from yarn for the cost of bundling that is not necessary where it goes direct to the weaving shed, an analysis is made showing exactly what it costs to produce the various descriptions of goods.*

CURRENT QUOTATIONS of Local-made PIECE GOODS and YARNS.

*Piece Goods.*

	In.	Yd.	lbs.	Net per lb.	
				As. cents.	As. cents.
T.-cloth	24	24	4	7 25	to 7 75
"	29	24	6	7 15	" 7 50
"	44	24	8	7 15	" 7 50
Long cloths	36	36	8	7 15	" 7 50
"	39	36	9	7 15	" 7 50
"	44	36	10	7 15	" 7 50
Domestics	27	72	14	7 15	" 7 50
"	32	72	19	7 15	" 7 50
"	39	72	24	7 15	" 7 50
"	44	72	27	7 15	" 7 50
Sheetings	60	5	3	6 65	" 7 25
Plain Dhoties	45	10	3	7 15	" 7 30
Fancy Dhoties	26	5	$0\frac{3}{4}$	7 25	" 7 75
"	32	8	$1\frac{1}{2}$	7 25	" 7 50
" R. B.	45	10	3	8 00	" 8 25

*Yarn.*

Twist	No.	6s Mule,	As.	$4\frac{5}{8}$ to $4\frac{7}{8}$	per lb.
"	"	8s	"	$4\frac{3}{4}$	" 5 "
"	"	10s	"	$5\frac{1}{8}$	" $5\frac{1}{2}$ "
"	"	12s	"	$5\frac{1}{4}$	" $5\frac{5}{8}$ "
"	"	16s	"	$5\frac{1}{2}$	" $6\frac{1}{4}$ "
"	"	20s	"	$6\frac{1}{8}$	" $6\frac{1}{2}$ "
"	"	24s	"	$6\frac{5}{8}$	" $6\frac{7}{8}$ "
"	"	30s	"	7	" $7\frac{1}{4}$ "
"	"	40s	"	8	" $8\frac{1}{4}$ "



Sort.		Weight of Warp and Weft.			Average of Counts.*	Rate per lb	Cost of Yarn in a Piece.	Price at which Piece sold.	Difference of Cost of Labour, Size, Profit, &c.	Difference per lb. between Yarn cost and Cloth sold.	
In.	Yds.	lbs.	lbs.	oz.			Rs. a. p.	Rs. a. p.	Rs. a. p.	As.	ps.
24	24	4	3	9 $\frac{3}{4}$	20	6 $\frac{1}{4}$	1 6 6	1 14 0	0 7 6	1	11
29	24	6	5	7 $\frac{1}{4}$	20	6 $\frac{1}{4}$	2 2 0	2 11 11	0 9 17	1	7
44	24	8	7	3	22	6 $\frac{7}{16}$	2 14 3	3 10 6	0 12 3	1	6
36	36	8	7	3	22	6 $\frac{7}{16}$	2 14 3	3 10 6	0 12 3	1	6
39	36	9	8	—	20	6 $\frac{1}{4}$	3 2 0	4 1 10	0 15 10	1	9
44	36	10	8	13 $\frac{1}{2}$	20	6 $\frac{1}{4}$	3 7 3	4 9 2	1 1 11	1	9
27	72	14	12	2 $\frac{1}{4}$	22	6 $\frac{7}{16}$	4 14 1	6 6 5	1 8 4	1	8
32	72	19	16	10	20	6 $\frac{1}{4}$	6 7 10	8 11 0	2 3 2	1	10
39	72	24	21	7 $\frac{1}{4}$	18	6 $\frac{3}{8}$	8 3 5	10 15 8	2 12 3	1	10
44	72	27	23	6 $\frac{3}{4}$	20	6 $\frac{1}{4}$	9 2 4	12 5 7	3 3 3	1	10
60	5	3	2	10 $\frac{1}{4}$	20	6 $\frac{1}{4}$	1 0 6	1 4 10	0 4 4	1	5
45	10	3	2	8 $\frac{3}{4}$	24	6 $\frac{3}{8}$	1 2 10	1 5 7	0 2 9	0	11
26	5	0 $\frac{3}{4}$	—	10	22	6 $\frac{7}{16}$	0 4 0	0 5 7	0 0 11 $\frac{1}{4}$	1	3
32	8	1 $\frac{1}{4}$	1	4	20	6 $\frac{1}{4}$	0 7 9	0 11 0	0 2 2	1	5
45	10	3	2	8	22	6 $\frac{7}{16}$	1 0 1	1 8 4	0 6 4	2	1
Averages					20	6 $\frac{1}{4}$	—	—	—	1	7

\* Allowing  $\frac{1}{4}$  anna for bundling not required in weaving.

57. This shows that the average cost of the yarn employed in making the goods is 6 $\frac{1}{4}$  annas per lb., and the average difference between that and cloth 19 pies per lb., which represents the cost of production *plus* profit. For facility of calculation, however, 3 pies per lb. has been taken as the cost of reeling, bundling, and baling, whereas the exact cost is 2.45 pies, and the difference between yarns and goods is somewhat increased by the mode of taking the average, as if all descriptions were produced to a like extent, which of course is not the case. A very full allowance for cost of Indian production would, therefore, be 1 $\frac{1}{2}$  annas, or 18 pies per lb., and a fair average price for cloth, 7 $\frac{1}{8}$  annas per lb. It follows accordingly that, if the Indian manufacturer could compete, he would be protected on

18 pies at 5 per cent. =	.9 pie =	1.00 per cent. on cost of cloth.
Less—cost of duty on stores		
which is .225 pie per lb. or	.25	” ”
	<u>.75</u>	” ”

that is to say, the Indian manufacturer is protected to the extent of  $\frac{3}{4}$  per cent. whenever he can compete, and against that problematical figure there must be set off the duty paid on stores consumed in the manufacture of all his yarn exported, and in the case of his goods exported the duty on stores consumed both in the yarn and goods. The Association holds that, looked at in this way, it will be found that the set-off exceeds the protection, and if the Indian manufacturer were excised on his cloth at 5 per cent. on the full market value, he would be at a disadvantage of the duty on stores used in products exported.

#### OBJECTION 4.

*That the exemption from excise duty of yarn 20s and below will encourage the manufacture of duty-free cloth, as such exemption enables the Indian manufacturer to avoid the excise duty altogether by substituting in the manufacture of cloth non-excisable yarns for excisable yarns.*

58. The value of the evidence of submitting samples of cloth to Her Majesty's Secretary of State for India to show the possibilities of substitution has already been commented upon. It is, no doubt, a very effective method of playing to the gallery of non-expert public opinion; but, as a means of illustrating how one piece of goods would take the place of another, with a native buyer having a perfect knowledge, not only of the quality and construction of the cloth, but of his own requirements, is absolutely

worthless. Nor is the suggestion made in paragraph 39, that this manipulation is rendered all the easier in India by goods being sold by weight, and not by the number of threads per inch, entitled to more weight. If buyers were to be captivated by this exceedingly simply and ingenious process, the coarser and honester goods of Indian manufacture would have displaced the heavily-sized shirtings of Lancashire years ago, and any one who would for a moment credit the idea has but a scant knowledge of Indian trade: No one has a more thorough knowledge of the expert part of his business than a native piece-goods buyer. By caste, born to it and trained to the examination of cloth, almost from the time he can think, a piece of cotton goods has no hidden secrets from him. By the mere handling, almost with his eyes shut, he can form a very accurate estimate of the yarns used in the manufacture, and should he have any doubt as to the weight of size which the piece contains, a few seconds' rubbing between the fingers, or ultimately the washing tub, settles the question conclusively. Trying substitution with these men might be interesting as an amusement, but would be exceedingly unremunerative as a trade. They make their purchases with a thorough comprehension of their intrinsic value, and an accurate appreciation of the purpose they will serve. And this brings us to the point which really indicates the limit of substitution, that all the numerous descriptions have their own definite uses, and, while each will permit of a certain limited variation in construction and manufacture, the one description will not act as a substitute for the other. The jaconet will not take the place of the mull, nor the shirting of the jaconet. Certain modifications of each would be permissible as took place in 1878, when the bait of a 5 per cent. difference induced Lancashire manufacturers to strike out a new line for themselves. What was practicable then, however, in making a purer 30s/30s, instead of a heavily-sized 32s/44s, would not now be practicable in dropping down from 30s to 20s. The change in quality and appearance would be too great, and in all probability the game has already been played out to nearly its fullest extent so far as Lancashire can go on the one side downwards and Bombay on the other upwards. It must not be overlooked that the competitive limits between Lancashire and Bombay are not separated by a fine dividing line as in some quarters seems to be supposed. In going above 20s the increased cost of spinning Indian cotton, owing to its short and weak staple, is very heavy—something like the expenditure of coal in adding another knot an hour to the ordinary full-speed of a steamer; while, to use the same simile, on the other hand, Lancashire, on going much below 28s to 30s is, by using high-class cotton and expensive high-skilled labour, working below her economical rate of speed. This is very clearly proved by the prevailing difference in value between the counts of English and Indian yarn. For instance, the "Manchester Guardian" of 7th December 1895 quotes—

20s water twist at	$6\frac{5}{16}d.$	to	$7\frac{5}{16}d.$	per lb.
30s	"	"	$6\frac{7}{8}d.$	"
			$7\frac{1}{8}d.$	"

a difference of  $\frac{2}{16}d.$  per lb., or less than  $\frac{1}{16}d.$  per count, while the Mill-owners' Association price list of 4th January 1896 quotes—

20s at annas	$6\frac{3}{16}$
30s at	" 7
40s at	" 8

a difference of anna  $\frac{3}{16}$  and anna 1 respectively, or an average of  $\frac{3}{32}$  of an anna per count.

59. These facts go to prove how circumscribed the limits of possible substitution really are, and at an earlier stage I have noticed the statement of the English representatives themselves as regards the change in the trade in 1878 being permanent and not transitory, as it would have been had its character been that which the Lancashire manufacturers say has already taken place since the re-imposition of the import duty at the end of 1894, and which they profess to dread so much in the future. But our Lancashire friends say that the substitution has already taken place, and in paragraphs 40 and 42 allege—

- (1.) That a great stimulus has been given to the production of non-excisable yarn, thereby circumscribing the production of the higher counts.

(2.) That the excise will consequently fall far short of the budget estimate of Rs. 7½ lakhs.

(3.) That the excise should produce Rs. 15 lakhs or double the estimate.

60. To the first of these statements it is impossible to give a categorical answer, as there are no statistics available of a reliable character showing what the productions of the mills are. In 1893 this Association obtained and compiled figures tabulating the production of all the Indian mills in that year, but the record is not one which could be accepted as a reliable basis to go upon, seeing that in 1893 the industry was in a demoralised state owing to the closing of the mints. The demand for low-count yarns for China was practically at a standstill, and spinners were accordingly having recourse to every possible expedient to avoid having to close their mills altogether. Under the circumstances the production of high-count yarns was accordingly expanded far beyond their usual proportions, while the weight of low-count yarns was also circumscribed by the limited demand for export. Latterly the condition has been quite reversed, an active demand has prevailed for some considerable time for 20s and downwards for export, and as such counts always pay better owing to the larger quantity that can be produced, and more especially are more profitable to mill agents in Bombay remunerated by a commission upon the weight of yarn absolutely spun, the spinning of high counts has necessarily been proportionately circumscribed. In any case, 20½s, 21s, and 21½s would necessarily be spun in much smaller quantities, as these counts were formerly made to a large extent for sale as 20s, the additional number of knots in a bundle being added to tempt buyers instead of a monetary discount. In view of this condition of affairs, there probably will be a considerable contraction shown during 1895 in the production of counts between 20s and 24s; but it is impossible to accept this as entirely attributable to the operation of the duties. The test of this will be found in the returns of yarns exported and consumed in the country, and a reference to these, as given in the appendix, will at once show that the increased demand for low counts has been for export, and that less local-made yarn has really been taken for internal consumption in 1895 than in the preceding year, proving that it has not supplanted importations from England, of which, on the contrary, the transmissions to the interior have been fully up to, and in some cases beyond, the average.

(2.) The actual collections for the first six months of the year are almost exactly the same as for the last six months and promise to exceed the estimate.

(3.) The English estimate is arrived at by taking the tariff value at annas 7 per lb., whereas the bulk of excisable yarns are under 24s, the tariff valuation of which is annas 5½, including the production of native states, and making no deduction for exports.

#### OBJECTION 5.

*That it is impossible to place a dividing line between the manufactures of Lancashire and India, whereby a duty levied on one, unless completely countervailed, will not afford a protective incidence to one to the consequent injury of the other.*

61. In the remarks submitted regarding the previous objection the Association has shown, or has attempted to show, that the mode in which the import duty and excise is levied does not in reality amount to the drawing of a fine dividing line between English and Indian manufactures, but that a considerable margin exists between the two, leaving room for a certain amount of give-and-take on both sides before actual overlapping and competition takes place. If this be so—and the Association contends that it is—there is no reason to suppose that the effect of the 5 per cent. import duty, countervailed, as the English case puts it, to within 1½ per cent., or, as the Association considers, entirely, would be to enhance the value of the non-excisable products. Nor can the few isolated figures quoted in this connexion be accepted as sufficient proof of the argument. Cheapness has certainly a great attraction for the natives of this country, but they still are in the matters of food and clothing conservative to a degree, and in this respect probably no other people have remained so comparatively untouched by Western influences. The people who have hitherto worn the finer classes of goods still continue to do so, and in articles, which are subject to such wide and frequent fluctuations as cottons, it requires a stretch of imagination to believe that a 5 per cent. tax on the finer qualities will have an appreciable effect on the values of the lower, divided as they are by such a considerable interval. The contention, moreover, is not borne out by facts as the following figures prove :—

## MONTHLY QUOTATIONS OF ENGLISH AND COUNTRY-MADE PIECE-GOODS AND YARNS.

Period.	Piece-Goods.			Yarns.					
	English 7½ to 8½ lbs. Grey Shirtings 34-38 in. per Piece.	Local 4 lbs. 24 in. x 24 yds. Grey T.-Cloth per lb.		English 40s Mule per lb.	Local 20s Mule per lb.	Local 24s Mule per lb.			
	Rs. a. p.	annas.	annas.	annas.	annas.	annas.	annas.	annas.	annas.
5th October 1894	4 0 0	8	to 8·25	8½	to 9½	5½	to 6½	6½	—
2nd November "	3 14 0	7·75	" 8·00	8	" 9½	5½	" 5½	6½	—
30th November "	3 12 0	8	" 8·25	8	" 9½	5½	" 5½	6½	to 6½
4th January 1895	3 15 0	8	" 8·50	8½	" 9½	5½	" 6	5½	" 6½
1st February "	4 0 0	8	" 8·25	8½	" 9½	5½	" 6½	6	" 6½
1st March "	4 0 0	8	" —	8½	" 9½	5½	" 5½	6½	" —
5th April "	4 0 0	8	" 8·15	8½	" 9½	5½	" 6	6½	" 6½
3rd May "	4 0 0	7·75	" 8·15	8½	" 9½	5½	" 6½	6½	" 6½
30th May "	3 15 6	7·75	" 8·15	8½	" 9	5½	" 6	6½	" 6½
5th July "	4 0 0	7·50	" 7·75	8½	" 9	5½	" 6½	6½	" 6½
1st August "	3 15 0	7·50	" 8·00	8½	" 9	6	" 6½	6½	" 6½
5th September "	3 15 0	7·50	" 8·00	8½	" 9	6½	" 6½	6½	" 6½
Average	3 15 2	*7·81	to 8·13	8½	to 9½	5½	to 6½	6½	to 6½

\* = Rs. 1-15-8 to Rs. 2-0-6 per piece.

62. As mentioned elsewhere, the usual local difference in yarns runs about 3/32 of an anna per count, and this, it will be perceived, was the ratio of the prevailing difference between 20s and 24s during the three months preceding the imposition of the duty, the margin having been, on the average, three-eighths of an anna per pound. Since the imposition of the duty the average has fluctuated between a half to three-quarters of an anna per pound, which, in the opinion of the Association, is reasonably conclusive evidence that the excise payable on the 24s is responsible for the increased margin, especially when due allowance is made for the fact that the demand latterly has been mainly on 20s and lower counts for export against a decidedly smaller inquiry for high counts for weaving purposes. The statement, moreover, makes it perfectly clear that the various counts of yarn and qualities of goods do not always move together; for instance, as between the 30th November and 4th January, English yarns, 40s mule, advanced half an anna per pound, while local 20s fell an eighth, and 24s an eighth to a quarter.

63. In several places throughout these papers the supposed prosperity of the Indian cotton mills is quoted as affording conclusive evidence of the protection afforded them by the import duty and the mode of levying the excise, and here a rise more or less general in Indian cotton mill shares as between 14th April 1894 and 14th June 1895 is adduced as proof in the case. Ignoring the fact that even at the advanced quotations the bulk of the shares still show a heavy discount on par values and that the month of April is in the heart of the export season when money is at its dearest, while June falls in the monsoon when money is generally cheap and seeking investment, it is tacitly assumed that the comparison is made on a fairly level basis. On the contrary, whether designedly or not, the periods selected are such as to render a fair comparison impossible. In April 1894 the industry was feeling the effect of the war between China and Japan, and was only beginning to recover from a prolonged period of intense depression created by the closing of the Indian mints on the 26th June 1893. Many of the best-managed mills had paid no dividends and even reported a heavy loss in working for the latter half of that year, and the shares were accordingly very depressed. During 1894, however, a decided improvement had set in long before the imposition of the cotton duties, and this was largely aided by the enhanced value imparted to all dividend-earning shares by the conversion of Government paper from 4 to 3½ per cent. Owing to that alone, shares of all kinds quite unconnected with cotton underwent a material advance in the interval selected as the following quotations demonstrate:—

	14th April 1894.	14th June 1895.
3½ per cent. Government Paper -	100¾	106½
5 " Municipal Bonds -	118 to 120	129 to 131
4 " Port Trust " -	103½	106
Bank of Bombay Shares -	1,150	1,415

	14th April 1894.	14th June 1895.
Bank of Bengal Shares - - -	1,100	1,290
Bank of Madras „ - - -	980	1,160
National Bank of India Shares - -	220	300
Bombay Flour Mill Co., Ltd.,*Shares -	1,300	1,725
Alcock, Ashdown, & Co., Ltd., „ -	300	345
Bombay-Burmah Trading Co. „ -	4,725	5,150

64. These prices prove that the improvement of which so much is made was not confined to cotton mills alone, but was a general movement throughout the stock and share markets, having no connexion with and quite uninfluenced by the import duty, while, as a matter of fact, there has been in many cases a considerable fall in cotton mill shares since 14th June 1895, and it is an open secret that, until the decline in cotton quite recently, most of the mills were for months working at a loss.

#### OBJECTION 6.

*That the imposition of these duties has inflicted serious injury to our (Lancashire) trade and will continue to do so unless completely countervailed.*

65. To this objection the Association must beg leave to submit an unequivocal and unqualified negative. It contends on the contrary that the imposition of the cotton duties has not contributed in a material degree to the adverse condition of trade in Lancashire and that practically the excise now levied countervails the import duty.

66. The only evidence submitted in support of the first part of the objection is a comparison of the shipment of cotton goods from England to India during the first five months of 1894 and 1895. On this method of substantiating a case the Association has already animadverted in the preliminary observations in this letter, and the reasons given in paragraph 68 under the head now being dealt with are not such, the Association ventures to think, as can be accepted as an adequate explanation of the omission. Large and weighty questions of the nature raised by the papers under review and involving, for India at least, issues in principle of almost national importance, are not to be discussed and adjudicated upon by the light of trade statistics for periods of five months in either two or three years, and the mere suggestion of such a basis being selected by abstention from adducing fuller information must be held as evidence of the inherent weakness of the case put forward in the English representation.

67. Were the questions at issue merely matters of trade controversy leading up to no ultimate decisions of moment, it might be sufficient to answer this part of the case by quotations from Manchester authorities alone, the following letter which appeared in the "Manchester Guardian" of the 5th November 1895, being a fairly unbiassed exposition of the statistical part of the argument:—

#### THE INDIAN IMPORT DUTIES.

To the Editor of the "Manchester Guardian."

SIR,

IN speaking of the Indian import duties to-day at the Chamber of Commerce I was glad to hear the President say "it appeared to him that they were suffering there now "from past over-supply rather than from the actual 5 per cent. duty on the goods "exported into India." No one dislikes these Indian duties more than I do. They savour of protection. It is all very well to say they are necessary to enable the Indian Government to meet its way. That is an excuse common to every prodigal; he never proposes to reduce his expenditure to his income. Let us attack these duties by all means, but do not let us over-state the case or spoil our cause by bad arguments. Several friends attribute the stoppage of mills and the present slow demand to these duties. What are the facts? The total shipments from the United Kingdom to British India of all cotton goods (in millions of yards) have been—1889, 2,001; 1890, 2,021; 1891, 1,836; 1892, 1,850; 1893, 1,888; average, 1,919. In 1894 they were 2,276 million, an excess of 357 million yards over the average of the five previous years. We cannot suppose that such an excess can be maintained; all our experience is against it. We have always found a fat year followed by a lean year. Our shipments for the first nine months of this year show, as compared with the average for the same months of 1889-93, a decrease of 134 million yards; but, as shown above, on January 1, 1895, there was a surplus of 357 million yards to absorb. Deduct from this the 134 million

yards, by which the first nine months of this year's shipments fall below the average of the previous years, and we have still on October 1 a surplus of 223 million yards from last year's shipments. Surely this is sufficient to account for the state of trade. Moreover, since January 1 of the present year exchange has risen 8 per cent., more than covering the duties, so that no increase of cost to the consumer comes from them. Our great trouble is that we have had to deal with a rise of prices of late, which, *pace* the bimetalists, does not usually give an impetus to trade. They will be able now perhaps to grasp the distinction between a rise of prices caused by an increased demand and a rise in prices caused by increased cost of production. Whether they can rightly read the facts before them or not, those facts have to be faced. Meanwhile Lancashire may as well be hopeful instead of anticipating difficulties.

November 4, 1895.

Yours, &c.

WILLIAM FOGG.

And again the "Manchester Guardian" of 20th November 1895 has the following in its commercial article, which expresses the same view in a slightly different formula:—

As doubt regarding the possibility of India abstaining from vigorous buying for any length of time has been expressed in many quarters, it may be of interest to consider the matter from a statistical standpoint. The shipments to India and Burmah of plain, dyed and coloured, and printed cotton goods for the 10 months of this year, compared with the corresponding period of the previous four years, are stated in yards, as follows:—

Years.	Yards.	Average in Yards.
1895 - - - - -	1,416,218,000	1,642,539,000
1894 - - - - -	1,868,860,000	
1893 - - - - -	1,508,144,000	1,511,135,000
1892 - - - - -	1,509,579,000	
1891 - - - - -	1,515,682,000	

It will therefore be seen that, in spite of the falling off in the shipments for this year compared with 1894, the average of these two years is 131,404,000 yards, more than the average for the preceding three years. The conclusion, therefore, seems quite irresistible that in the meantime India has been so fully supplied on the average that the natural resistance to high prices may very well encourage dealers to refrain from buying other than absolute requirements as they arise.

68. Conclusive as these figures are, however, the Association deems it advisable, indeed essential, that statistics of a more comprehensive character should be available, and I have therefore been directed to prepare the following statement showing the course of the trade during the past 27 years, which takes us back to a time when cotton manufacture in India exercised no appreciable influence on the imports:—

IMPORTS of PIECE-GOODS and YARNS into INDIA in QUINQUENNIAL PERIODS from 1868-9 to 1894-5. Official Years from 1st April to 31st March.

(Yards and lbs. in millions, and rupees in lakhs. 000's omitted.)

Official Years.	Piece-Goods.				Value of entire Cotton Goods, excluding Yarns.	Yarns.	
	Grey.	White.	Coloured, dyed, or printed.	Total.		Quantity.	Value.
	Yards.	Yards.	Yards.	Yards.	Rs.	lbs.	Rs.
1868-69 to 1872-73	764,267	151,895	134,118	1,050,280	1,501·05	32,087	276·78
1873-74 to 1877-78	869,522	786,740	142,937	1,199,199	1,623·24	33,813	283·31
1878-79 to 1882-83	1,007,812	241,423	250,533	1,499,768	1,923·14	39,571	316·49
1883-84 to 1887-88	1,172,116	321,390	344,373	1,837,879	2,274·42	47,530	337·97
1888-89 to 1892-93	1,230,120	371,298	364,194	1,965,612	2,590·29	47,724	343·92
1893-94 to 1894-95	1,333,215	445,592	415,533	2,194,340	2,954·54	42,144	298·00

69. These figures exemplify in the most marked manner the fallacy of attempting to form an idea of the course of trade by statistics extending over limited periods of time, and show, moreover, that for the two years ending with 31st March 1895 the average

imports of cotton goods of all descriptions have been on quite an unparalleled scale both in quantity and value, and there seems no reason to doubt that whether the present discussion eventuates in any modification of the excise duties or not, the current quinquennial period, of which more than half has already elapsed, will exhibit at the close quite as large, if not a larger, average increase than any of its predecessors.

70. Lest it should be thought, however, that these tabulated results obscure the movements of the later and shorter periods, I am directed to append the following table giving the—

IMPORTS, RE-EXPORTS, and EXPORTS of COTTON YARN and PIECE-GOODS into and from India in Millions of Lbs., Yards, and Rupees (April 1st to October 31st).

Seven Months— April 1st to October 31st.	Imports.						Re-Exports.			Exports.		
	Yarns.	Piece-Goods.			Total Value Goods and Yarns.	Yarns.	Piece-Goods.	Total Value.	Yarns.	Piece-Goods.	Total Value.	
		Grey.	White.	Printed.								
	Lbs.	Rs.	Yards.	Yards.	Yards.	Rs.	Lbs.	Yards.	Rs.	Lbs.	Yards.	Rs.
1895	28.0	17.2	626.2	182.7	170.6	146.0	0.6	51.9	10.4	110.7	56.9	49.3
1894	21.5	15.1	766.1	292.2	271.2	196.9	1.2	55.7	11.6	104.2	54.8	46.3
1893	22.9	16.5	698.2	188.3	215.4	165.5	0.6	44.7	9.1	74.0	44.4	35.3
1892	23.0	15.8	659.6	214.4	209.2	151.6	0.8	47.5	9.6	114.9	49.7	47.8
1891	29.9	20.9	654.2	204.0	195.9	164.9	0.8	49.6	9.9	101.3	41.8	44.4
1890	30.0	22.4	766.7	217.7	226.4	184.3	0.6	46.8	9.1	98.9	40.6	45.0
1889	27.1	20.2	727.2	196.3	250.4	174.1	0.7	49.8	9.9	83.2	34.7	39.9
1888	28.9	20.7	715.5	217.8	206.8	170.9	1.0	46.8	9.4	76.6	48.9	38.3
1887	25.5	17.7	669.8	168.2	190.0	149.0	0.5	43.1	8.3	70.8	44.2	32.5

71. This is a most instructive statement, and to show at a glance how the recent imports of goods and yarns compare I extract the following from it :—

PIECE-GOODS.

	Grey.	White.	Printed.	Total Value Goods and Yarns.
Average 1895-94	696.1	237.4	220.9	171.4
„ 1893	693.2	188.3	215.4	165.5
„ 1892	659.6	214.4	209.2	151.6

In paragraph 67 it is stated that it is only to India that the exports of cotton goods have fallen off during the early part of 1895. This position, it is evident, has undergone some change since, as from an analysis of a statement—which, to avoid cumbering the body of this letter with too many tables, is reproduced in the Appendix—showing the exports of cotton piece-goods and yarns from Great Britain to foreign countries, and proportion to India, for the first 10 months of each year from 1887 to 1895 inclusive, the falling off to all countries is very close on the same percentage of decline as to India alone, while the average percentage of the whole to India of the first 10 months of 1894 and 1895 together is slightly in excess of the mean of the first 10 months of 1892 and 1893 taken together.

72. From neither point of view, therefore, neither taking the imports into India by themselves nor in their relation to the exports from the United Kingdom to other parts of the world, can it be contended that England's trade in cotton goods to India, when fairly analysed, has undergone a diminution.

73. But there is yet another way of looking at this part of the question. Even if there had been a decline in the general volume of trade between the United Kingdom and India to the full extent claimed, it could not in justice be written down to the maleficent influence of an insufficient excise until it could be shown that the deficiency had been supplanted by the products of the Indian mills. Now to produce the 267,091,000 yards which, it is alleged, there was a decrease of in the first five months of 1895, would take six months' work of 1,000,000 spindles and 35,000 looms (the whole of the machinery in India at present is only 3,809,929 spindles and 35,338 looms), and seeing that all our spindles and looms were in full operation in 1894, that must have meant an increase in the working machinery of the country to that extent. As against

these figures the increase between 30th June 1894 and 30th June 1895 was only 160,193 spindles and 4,184 looms, only a portion of which could have come into operation for a fractional period of the year, and are therefore barely sufficient to account for the increase of 8,120,000 lbs. of yarn and 9,630,000 yards of cloth of Indian manufacture exported during the first 10 months of 1895 in excess of the corresponding 10 months of 1894 as shown in the Appendix, thus proving to demonstration that all our recent increase in productive power has been entirely worked for export and not in competition with imported goods in Indian markets.

74. These latter figures may perhaps be accepted as sufficiently explanatory of the remark in paragraph 69 as to the activity displayed by the Indian mills since the imposition of the duties, but it seems to the Association that it is advisable also to give some figures exhibiting the increase in the spinning power of India as compared with what has been taking place elsewhere.

75. Throughout these papers there is no shadow of a hint or suggestion that the bad times which have overtaken Lancashire of late can have any other source or origin than India, and any one reading them, and otherwise unaware of the facts would come to the conclusion that there had been no increase in spinning power in any other part of the world than in India. To show how utterly misleading this is, and how much is being unjustly inferred against Indian competition, I have been directed to tabulate what the increase of spindles has been during the four years preceding 1895 all over the world. The figures are as follows:—

	India.	United Kingdom.	America.	Continent.	Japan.	China.	Total.
1891 - - -	78,000	1,000,000	235,000	575,000	76,000	—	1,964,000
1892 - - -	50,000	600,000	560,000	370,000	31,300	—	1,611,300
1893 - - -	174,000	—	350,000	445,000	—	99,700	1,068,700
1894 - - -	74,000	—	150,000	500,000	278,200	177,900	1,180,100
Total - - -	376,000	1,600,000	1,295,000	1,890,000	385,500	277,600	5,824,100

A total increase during the four years of 5,824,100 spindles, of which India contributed 376,000.

76. A considerable feature is also being made of the report that there are 13 new mills projected in the Bombay Presidency. Between mills projected and mills ultimately built a wide margin has always to be allowed in this country, but, even assuming they are all promoted, they are mostly up-country concerns, chiefly in Ahmedabad and neighbourhood, ranging from 5,000 to 10,000 spindles each, and the whole of them would go within the four walls of one large modern Lancashire mill. Surely, in face of these figures India is being called upon to carry the burden of sins not her own, and it is possible to conceive that the sufferings of Lancashire may reasonably be attributable to some other cause than the supposed inequitable levy of the excise in this country.

77. This concludes the observations I have been directed to submit on the statements contained in the papers laid before Her Majesty's Secretary of State for India, but the Association considers that it would be well at this juncture to notice accusations which have been made in the English press of late, which, if allowed to go uncontradicted, may from mere reiteration obtain some credence with some sections of the public. These accusations are against the *bona fides* of Indian Government servants who are alleged to be prejudiced by their financial holdings in Indian mills stock in favour of Indian manufacturers. The allegation we in India know to be as ridiculously absurd as it is unwarranted and unmerited, but it may be advisable to "nail the lie to the counter" by an official contradiction at this the first opportunity. I am accordingly authorised to state that, of the shares of mills managed by native firms, the European holders do not represent more than a small decimal fraction of the capital, and in a great number are absolutely *nil*; while in the group of mills managed by Messrs. Greaves, Cotton, & Co. with European directors and in which such European capital as may be in mills is mainly invested, out of 19,680 shares in all only 2,883 are the property of officers of the naval, military, or civil services, covenanted and uncovenanted.

78. It now remains with the Association to reply to the general questions raised in the Government of India's covering letter and shortly recapitulated in the opening paragraphs of this communication. Taking them in the order they occur, the first



contention is that Lancashire exports to India a certain quantity of yarns of 20s. and lower counts and fabrics woven from such yarns.

79. As regards low count yarns, although the contention holds a place in the general statement, it is not seriously argued and no evidence is adduced in support of it throughout the papers. This part of the case therefore, to adopt a legal phrase, may be taken as abandoned by the prosecution. If not, the Association submits that the relative costs of production in Lancashire and India, as worked out in reply to paper No. 2, amply suffice to dispose of any possibility of competition, and for all practical purposes the same reason carries with it the answer to the claim in respect of goods made from such yarns. One exception only has been instanced, and that exception the Association believes to be the only one in reality—in the case of drills of which Lancashire supplies a quantity equivalent, as nearly as can be ascertained, to about  $\frac{1}{2}$  per cent. of the entire cotton goods imported into India. The imports of the Lancashire makes appear to have fallen off slightly in 1894 before the imposition of the import duty, and to a greater extent since, but the total imports do not show any notable decline, so that the import duty which is the same on all can scarcely be held responsible for the present contraction in the English makes. In view of that and the exceedingly limited extent of the trade, the question will be whether it demands special treatment.

80. The second contention regarding woven goods made from excisable counts of yarn is somewhat more complex, and is rendered additionally so to the non-expert mind by the vast halo of possibilities with which the compilers of the English representation have so skilfully surrounded the word "substitution." They have not, however, been able to quote one single instance where actual substitution has taken place, nor in the opinion of the Association will the examples they have selected to show what might be done, judged by the light of such criticism as the facts supplied permitted, carry conviction to independent minds. It is quite impossible at the present moment to say how far the allegation is justified, that there has been a decrease in the production of yarns above 20s and goods manufactured from same. Presumably, for the reasons already given, there would be a curtailment in the make of 20 $\frac{1}{2}$ s, 21s, and 21 $\frac{1}{2}$ s, of which a considerable quantity was for a time being spun; but the main incitement to spin 20s and under has been the activity of the export demand for low counts as evinced by the large increase of shipments to the farther east. As previously explained, it does not pay a spinner to convert Surats into yarns above 20s unless at a price much in excess of the prevailing difference in Lancashire, and in this fact lies the certainty of immunity from competition which the home spinner enjoys in the higher counts practically above 20s, but in an overwhelming proportion above 24s. Unfortunately we are without statistics which enable us to gauge with certainty what the tendency of production has been, as the excise has not been imposed for a sufficient length of time to render comparative Government returns from that source available, while the only other records of production are the returns compiled by this Association for 1893 which was quite an abnormal year. The demand for export for the greater part of the latter half of that year was quite at a standstill owing to the disorganisation of trade with China through the closing of the mints, and spinners were driven into the production of higher counts and many other expedients merely to keep their mills open.

*But whether there has or has not been a decrease in the spinning of yarns over 20s since the imposition of the duties, of one thing we can be quite certain, that nothing has gone into consumption in India to oust English yarns or goods, as the tabular statements in the Appendix show first that the increase, if any, must have been absorbed by exports, while there was no increase, but a heavy decrease, in the quantities of local goods and yarns transmitted up-country by rail.*

81. On what took place after 1878 as affording evidence of what is now supposed to be taking place or may take place in the future I have already touched, but the Association is desirous of emphasising the fact that the situations then and now are not at all on parallel lines. By fixing the limit of exemption then at 30s, the line was drawn not only in close contiguity to the great bulk, but actually impinging on some portion of the Lancashire productions, whereas at 20s, as I have already demonstrated, a wide margin exists between the goods produced in any quantity by Lancashire and India respectively, which is only trenched upon to a certain limited extent from both sides, or in specialities.

82. In this connexion, however, as the Association ventured to suggest at an earlier stage, the records of past experience have not been adequately studied, or at all events have not been given sufficient prominence to, by those on whom the compilation of the English case devolved, and it would not be inappropriate to give here the actual trade figures before and after the change in the duties in 1878 and their abolition in 1882.

83. The following exhibits the three years separately at each period :—

**TOTAL IMPORTS OF COTTONS INTO INDIA.**  
(Quantity in millions and value in lakhs. 000's omitted.)

Years.	Piece-Goods.					Yarns.	
	Grey.	White.	Coloured, Dyed, or Printed.	Total.	Value of entire Cotton Goods.	Quantity.	Value.
	Yards.	Yards.	Yards.	Yards.	Rs.	Lbs.	Rs.
1876-77	840·605	193·454	152·241	1,186·300	1,599·17	33·270	273·35
1877-78	992·538	215·624	150·549	1,358·711	1,732·23	36·194	285·04
1878-79	775·120	192·098	160·378	1,127·596	1,412·68	33·146	277·97
Average	869·421	200·392	154·389	1,224·202	1,581·36	34·203	278·78
1880-81	1,170·554	285·359	318·051	1,773·964	2,291·07	45·877	369·92
1881-82	1,098·469	269·804	254·843	1,623·116	2,077·21	40·762	322·21
1882-83	1,086·286	233·373	320·936	1,640·595	2,143·19	44·859	337·82
Average	1,118·436	262·844	297·943	1,679·223	2,170·49	43·832	348·31

84. An appreciative study of these tables might not be without a gleam of comfort to Lancashire, as they indicate that in a more modified form something of the present experience was undergone at the time of the partial removal of the duties in 1878. Probably, in anticipation of the change, heavy imports were made in the two preceding years, only to be followed by a sharp re-action in the year following to the extent in goods of 320 lakhs of rupees. So also in 1882 the abolition of the duty was concurrent with a marked decline in imports, and yet we see from the quinquennial movements given in a previous statement these temporary fluctuations did not interfere with the steady normal growth of the trade. In no greater degree have we any reason to regard the present contraction in imports as more than a temporary check—the result of the excessive supplies of the previous year.

85. From the foregoing it will be apparent that to the two first questions formulated by the Government of India—

- (1.) Whether any, and if so what new, difference is imported into the relative cost of English and Indian cotton goods by the amount or method of taxation, and
- (2.) Whether that difference has the effect of favouring one industry against the other,

the Association must respond in the negative. But at the same time the Association readily admits that there are apparent inequalities in the mode of levying the duties that may give rise to the belief that the respective industries are being unequally treated, and that, to remove such feeling which, if not actually obstructive of, is certainly not helpful to trade, it may be advisable to modify the existing lines and limits of assessment.

86. Before approaching the discussion of this branch of the subject, however, the Association would premise that, while they never have been in favour of the import duties and would gladly see them abolished now and for ever, such a proposition is in the existing nature of things quite beyond the pale of argument. If the cotton duties are to go, it is evident it must only be simultaneously with the abolition of import duties on other ordinary articles of trade, and of such a change the financial position permits of no immediate hope. Nor can the Association see its way to suggesting any other form of taxation, which would afford the desired relief. In a country like India import duties as a means of taxation have many advantages. They are collected easily and cheaply without being in any way inquisitorial or harassing to the people, they are light and equitable in their incidence, and they afford a means of obtaining some contribution to Imperial

funds from the inhabitants of Native States in return for the many benefits they receive from the protective rule of the paramount power. The one disadvantage which they have is, that they are associated with protection or, as in this case, the appearance of it and perhaps also the difficulty of constructing a perfect tariff.

87. While, therefore, Lancashire demands, and Government may be anxious to devise, such a re-adjustment of the excise on cotton goods and yarns as will remove every semblance of protection to native industry from the import duty, there is such a thing as an undue straining after the unattainable, and trade may be disturbed by making changes now, which another year's experience may show have only had the effect of transferring, not removing, the inequality.

88. To one modification, which would entirely wipe out an important section of the alleged grievances of Lancashire, the Association can see no serious objection if, in the opinion of Government, that portion of the trade warrants or demands a rectification of the duties, viz., the exemption from duty of all imported yarns of 20s and under, and goods made from such yarns.

89. This would undoubtedly place the Lancashire spinners on a better footing than India by the import duty on the dutiable stores used, which cost 3 pies per pound of yarn and would, therefore, represent  $\cdot 15$  of a pie per pound or on 6 annas  $\cdot 21$  per cent. on the value of the yarn, while their manufacturers would have this advantage *plus* the duty on stores consumed in the weaving of the cloth, say  $\cdot 21 + \cdot 25 = \cdot 46$ , or nearly  $\frac{1}{2}$  per cent. Seeing, however, that there is no real competition to be feared, the Bombay manufacturers, as represented by this Association, would be prepared to accept the difference without demur to attain the object in view.

90. The one other objection to the exemption, so far as the Association can see, would be the difficulty with the Custom House authorities in deciding what was or was not 20s. or over, but this was not found to be insuperable in 1878 when, with the limit of exemption fixed at 30s, the difficulty of distinguishing the count was infinitely greater. Moreover, the imports of this class of goods and yarns are so small and will continue to be so small, notwithstanding the substitution bugbear, that the necessity of giving a decision would seldom arise.

91. The question of the alleged inequality in taxation on imported and Indian woven goods made from yarns over 20s and the possible means of rectifying it required to be approached much more cautiously. When the decision was come to in the first instance to levy the excise on yarns only and not on cloth of Indian manufacture, it was not arrived at without careful consideration. On the contrary, the method was adopted by Government and accepted by the trade with a full knowledge of the apparent inequality, and also in the belief that not only was there no competition but that the duty on stores and the different basis of manufacture in the larger quantity of yarn employed in weaving the Indian fabrics constituted a fair set-off. The Association still considers there is no competition of any moment, all but a mere fringe of the imported cloths being well beyond the competing limit, and that the set-off is not only a fair one but that the compromise is, if anything, in favour of the English manufacturer, the duty on stores consumed on all yarns and goods exported outweighing, I am directed to state, the actual amount of protection. The amount of protection involved is problematical, but as it is on the cost of the Indian, not the English, cloth, it must be calculated, it can only be  $\frac{3}{4}$  per cent. on a comparatively insignificant amount. The cost of the Indian contribution to the compromise, however, is undoubted and admits of easy computation; it is  $\cdot 15$  of a pie per lb. on 158,853,716 lbs. of yarn exported - - - - - Rs. 1,24,104  
 $\frac{1}{2}$  per cent. on Rs. 1,47,66,558 value of cloth exported - - - - - „ 73,832

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1,97,936

Holding this estimate of the existing position, the Association cannot consider that in fairness any modification of the existing method of levying the excise is called for; but it has been suggested that to remove all appearance of inequality, the excise should be imposed at 5 per cent. instead of on the yarn only on the market value of all Indian cloths made from yarns over 20s. This solution, if adopted by Government, would, I am directed to say, meet with no objection from this Association, although, in accepting it as a means of closing the controversy, Indian manufacturers would do so with the perfect knowledge that their English competitors would have the advantage of the

bargain to the extent of the figure above mentioned. It would also be equally apparent that the Lancashire trade were being dealt with on a different basis from any other English exporters to India, and that, if the principle advocated in paragraph 19, page 15, of the English representation were to be accepted, the home manufacturers of paper, woollen, silk, and many other goods would be entitled to the same treatment and measure of justice.

92. This latter consideration would, the Association thinks, be a fatal objection to another proposed mode of meeting the apparent inequality under discussion, viz., to reduce the import duty on the goods made from yarns over 20s by one or even  $\frac{3}{4}$  per cent., and none of the other proposals which the Association has discussed or has heard mooted is not more fraught with objection than the one first mentioned.

93. To abolish all duties, import and excise, on yarns, and tax all cloth, English and Indian, at the same rate is one suggestion, and, by its simplicity and ease of application, may appeal to Government. But against it there is the diminution of revenue which would ensue, the inequity of taxing the products of the loom and not the spindle, the fact that the Indian industry would be penalised to the extent of the duty on all the stores consumed, and lastly, but most important of all, the decided protection it would afford to hand-loom weaving—a large and important industry—in competing with power-looms.

94. Yet another alternative has been brought forward and finds favour with Lancashire, failing the total abolition of the duties which is admittedly the real but unattainable object of the entire agitation, and that is to excise all products of Indian mills. The economical unsoundness of this proposition scarcely demands demonstration, and the manifestly inequitable incidence of the tax would probably induce, and rightly so, the most strenuous opposition throughout the country.

95. Altogether the first suggestion to excise Indian goods woven from yarn over 20s instead of the yarn only, as hitherto, is apparently open to the least objection and would be productive of least friction, and is therefore so far entitled to support.

96. In any case the question before Government is not easy of satisfactory solution. Any alteration, however slight, will be beset with difficulties, and it is with a certain knowledge of this, and a desire to assist the deliberations of Government, that I have been directed to discuss the subject so fully and in so much detail. Every calculation has been given and all statistics quoted likely to elucidate the real questions at issue, and I have only to add that, if there is any further information wished for that it is in the power of the Association to supply it will be happy to place it at the disposal of Government.

I have, &c.

JOHN MARSHALL,  
Secretary.

#### APPENDIX.

EXPORTS of COTTON PIECE-GOODS and YARN from GREAT BRITAIN to FOREIGN COUNTRIES and proportion to INDIA in million of yards, lbs., and pounds sterling (January 1st to October 31st, 1887 to 1895).

January 1st to October 31st.	Piece-Goods.				Yarns.			
	All Countries.		India only.		All Countries.		India only.	
	Yards.	£	Yards.	Per cent.	Lbs.	£	Lbs.	Per cent.
1895	4204·4	38·8	1463·2	34·80	213·1	7·7	35·8	16·80
1894	4431·0	42·2	1899·0	42·85	195·0	7·8	32·5	16·66
1893	3807·0	38·9	1496·1	39·30	169·2	7·4	30·8	18·20
1892	4031·2	40·5	1539·0	38·17	195·0	8·1	33·3	17·08
1891	4092·2	43·9	1520·3	37·14	207·4	9·5	41·4	19·96
1890	4273·9	45·0	1688·9	39·52	215·5	10·2	40·7	18·88
1889	4178·0	42·9	1685·3	40·33	211·2	9·7	38·1	18·04
1888	4203·8	44·0	1664·0	39·58	215·3	9·8	44·9	20·85
1887	4022·7	42·4	1501·4	37·32	204·0	9·2	38·5	18·87

## EXPORTS OF INDIAN MANUFACTURED PIECE-GOODS and YARNS by SEA from 1885 to 1895.

Years.	Piece-Goods.			Yarns.	
	Grey and White.	Coloured or Dyed.	Total.	Bales.	Lbs.
1885	71,184,739	5,988,074	77,172,813	223,722	86,693,377
1886	68,171,065	5,258,994	73,430,059	272,300	106,024,856
1887	79,400,234	4,921,099	84,321,333	299,581	117,074,663
1888	88,797,223	5,636,166	94,433,389	343,030	134,622,583
1889	78,140,482	4,837,045	82,977,527	384,729	150,497,237
1890	85,166,237	4,887,121	90,053,358	440,220	171,993,173
1891	88,523,452	5,540,421	94,063,873	465,399	181,645,149
1892	99,754,263	6,837,067	106,591,330	487,773	190,705,398
1893	97,366,292	6,561,214	103,927,506	412,584	159,960,286
1894	118,960,215	6,360,875	125,321,090	468,995	182,123,551
1895*	106,918,966	6,408,597	113,327,563	421,254	163,450,867

\* For 10 months only (1st January to 31st October).

## EXPORT by SEA of COTTON PIECE-GOODS and YARNS from BOMBAY (January 1st to October 31st, 1890 to 1895). (0000's omitted.)

January 1st to October 31st.	European Piece-Goods in Million of Yards.					Indian Piece-Goods in Million of Yards.			European Yarn.		Indian Yarn.	
	Grey.	White.	Coloured or Dyed.	Country Dyed.	Total.	Grey and White.	Coloured and Dyed.	Total.	Bales.	Million of lbs.	Bales.	Million of lbs.
1895	65.52	46.03	49.35	33.82	189.72	106.92	6.41	113.33	9.336	2.82	421.254	163.45
1894	65.81	44.20	87.80	27.54	175.05	98.94	4.76	103.70	10.400	3.14	398.946	155.33
1893	69.29	42.19	39.46	26.38	177.27	80.59	5.22	85.81	8.082	2.52	340.547	131.97
1892	62.61	38.12	33.68	30.33	164.74	88.59	5.38	93.97	9.694	2.99	417.112	163.12
1891	67.47	42.40	31.63	28.89	170.39	76.05	4.15	80.20	10.999	3.38	400.510	156.46
1890	62.34	38.05	27.95	27.12	155.46	70.66	8.67	79.33	10.387	3.17	362.731	141.70

## DESPATCHES by RAIL of COTTON PIECE-GOODS and YARN from BOMBAY (January 1st to 31st October 1890 to 1895).

Years.	European Piece-Goods.				Country Piece-Goods.		European Yarn.		Country Yarn.	
	Bales.	Maunds.	Cases.	Maunds.	Packages.	Maunds.	Bales.	Maunds.	Bales.	Maunds.
1895	82,635	496,815	23,878	105,987	36,878	204,135	57,210	224,768	9,896	29,369
1894	91,272	547,843	26,006	116,524	42,107	216,712	56,215	239,396	13,088	41,926
1893	105,230	621,353	26,848	119,707	31,210	160,586	58,230	233,847	11,379	30,849
1892	101,054	606,091	31,685	150,169	29,510	158,827	60,260	233,777	16,082	33,984
1891	104,945	648,783	35,970	159,886	30,862	165,909	55,457	214,245	11,440	38,859
1890	84,664	538,080	23,587	101,147	42,351	227,914	37,847	143,738	34,870	56,483

N.B.—A maund is equal to 82½ lbs.

## TELEGRAM from MILL-OWNERS' ASSOCIATION, Bombay, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 23, 1896).

MILL-OWNERS' Association view with strong disfavour, and beg respectfully to submit a most emphatic protest against, the proposed amendment of Cotton Duties and Import Tariff Acts. The measure as now proposed simply amounts to handing over the entire improvement in the finances of the country to reduction of duty levied on Manchester goods at the expense of the other moiety of the import trade and the cotton industry of

India. The proposed alterations will result in reducing the duty on imported cotton goods from 135 to 88 lakhs, while the excise will be increased from 7 to  $17\frac{1}{2}$  lakhs, showing that whereas the import duty on English goods is being reduced by 30 per cent., the excise on Indian manufactures is being increased by 150 per cent. Mill-owners beg that the suggestion to excise only cloths made from yarns above 20s and exempt yarns below and goods made from same be again considered. The difficulty in the way of discriminating counts of yarns in cloth is unduly magnified, and this Association is prepared to demonstrate the practicability of the suggestion discussed in paragraph 91 of letter of 7th January. The Association has always been, and is, anxious to remedy any real injustice from which Lancashire manufacturers or spinners may suffer, but they must protest against any means being adopted to that end which must injuriously affect and repress the weaving industry in India.

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TELEGRAM from SECRETARY TO GOVERNMENT OF INDIA, Finance and Commerce Department, to SECRETARY, Mill-owners' Association, Bombay (dated January 24, 1896).

Your telegram of yesterday. The question to be considered is not only the difficulty in discriminating counts but the allegation that the exemption of low count goods from all duty gives these goods a comparative advantage in the market which tends to divert existing trade from Manchester finer goods to Indian coarser goods. See page 3 of Sir J. Westland's speech beginning: "They claim," also see top of page 9. Government would be obliged if Mill-owners' Association would communicate their views on this point.

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TELEGRAM from SECRETARY, Mill-owners' Association, Bombay, to SECRETARY TO GOVERNMENT OF INDIA, Finance and Commerce Department (dated January 25, 1896).

Your telegram twenty-fourth. The Association considers that points raised have already been so fully met in their letter of seventh January that they feel unable to make their arguments clearer by wire. The Association has therefore, with a desire that Government should have every item of information at their disposal, deputed the Honourable Mr. Nowroji Wadia, Mr. Jamsetjee N. Tata, members of the Association, and Mr. John Marshall, Secretary of the Association, to proceed by to-night's mail to Calcutta, and there, on behalf of the Association, place at the disposal of Government all and any information which Government may require.

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TELEGRAM from CHAMBER OF COMMERCE, Bombay, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 24, 1896).

The Chamber adheres to its original recommendations, namely, that all yarns imported of twenties count and under and goods made from such yarns shall be exempt from duty, and that an excise duty of 5 per cent. be imposed on the market-value of all cotton goods made in Indian mills from yarns over twenties, leaving the percentage of excise and import duty as a purely fiscal question to be fixed by Government according to their financial position. The system proposed in the Bills of assessing duty by weight combined with counts of yarn would, in the opinion of the Chamber, be more intricate and cause greater trouble, difficulty, delay, and expense to the Custom House authorities than the original scheme as above mentioned. If the proposed measures are adhered to by Government, notwithstanding the Chamber's protest, it recommends that duty and excise be assessed without exception *ad valorem*.

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TELEGRAM from SECRETARY TO GOVERNMENT OF INDIA, Finance and Commerce Department, to SECRETARY, Chamber of Commerce, Bombay (dated January 25th, 1896).

Your telegram of yesterday. Does the Chamber oppose tariff valuations such as now exist in regard to yarns? Absence of such valuations would, it appears to Government, give rise to continual disputes about quality and value, and would necessitate mill goods being detained in Custom officers' custody, like imported goods, until duty is paid by the person removing them. It is presumed that the mills would find such a plan most inconvenient. Please refer to your letter of the 31st January 1895, proposing tariff valuations.

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TELEGRAM from SECRETARY, Chamber of Commerce, Bombay, to SECRETARY TO GOVERNMENT OF INDIA, Finance and Commerce Department (dated January 25, 1896).

Yours to-day. Fear my telegram has not been sufficiently explicit. Chamber foresees difficulty in working tariff owing to basis being a combination of weights and counts. Would have suggested tariff valuations instead of *ad valorem* had it not believed Government were determined to adhere to latter. Chamber sees no insuperable difficulty in fixing fair scale of tariff valuations, if required to do so.

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TELEGRAM from SECRETARY, Upper India Chamber of Commerce, Cawnpore, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 25, 1896).

This Chamber's views coincide with those expressed Bombay Chamber's telegram to Government of India twenty-fourth. Chamber further holds that loss of 50 lakhs of revenue to the Indian Exchequer will still further weaken the ability of the State to expand its railway communications; that within the last five years two mills in Cawnpore have had to discontinue the weaving of cloth and stop their looms because of their inability to compete with hand-woven cloths, and that power-loom weaving of cotton cloths is unknown in Bengal for the same reason; that the statement that hand-woven cloth does not come into competition with mill-woven cloth is not correct; that about two-thirds of the cotton cloth production in India is from hand looms, and the remaining one-third from power looms, and that the impending legislation proposes to penalise the weaker industry; that the proposal to exclude all cloths under 20s from duty is again urged, and that the duty on imported cloths be fixed on the weight of yarn in the cloth, which should be stamped on the piece. Should amendments pass regardless of united protests of all Indian Chambers, this Chamber recommends that excise be levied on production of cloth off looms taken from weavers' wages sheets instead of on production as defined in draft Act, which is complicated and irksome, in fact, impracticable. That the argument that the duty will be passed on to the consumer is fallacious, as in India all experience shows that it is difficult, if not impossible, to effect changes in prices; that impending distress in many districts of the North-Western Provinces and Oudh render the present time a most inopportune one for the imposition of the duties under contemplation; that the proposed duties will constitute protection of Lancashire against Indian industries.

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TELEGRAM from UPPER INDIA CHAMBER OF COMMERCE, Cawnpore (dated January 25, 1896).

In continuation of to-day's telegram. If amendments pass, clause 35, Part I., Cotton Duties Act, 1894, should be retained, and unless excise is levied on actual production of looms, provision must be made for stocks of cloth on hand at date of passing of the Act.

TELEGRAM from MUIR MILLS COMPANY, LIMITED, and ELGIN MILLS COMPANY, Cawnpore, to SECRETARY TO THE GOVERNMENT OF INDIA, Legislative Department (dated January 25, 1896).

Humbly protest against proposed legislation as necessitating closing of our weaving mills. Two mills already closed in Cawnpore through inability to compete with hand-loom. Also beg respectfully to represent that proposed rules do not provide for goods which are used inside mill premises in production of tents, clothing, &c., and goods retailed inside mills. Impracticable, if not impossible, to keep records of goods thus sold and used.

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From the Honourable P. PLAYFAIR, C.I.E., to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 27, 1896).

I HAVE the honour to hand you a copy of a letter dated Calcutta, 25th instant, addressed to me by Mr. C. H. Wilkie, chairman of the Calcutta Import Trade Association, together with a statement illustrating the divergent ways in which the proposed method of assessing import duties per pound weight of cloth may operate on the value of grey shirtings.

(Signed) P. PLAYFAIR.

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From CHAIRMAN, Calcutta Import Trade Association, to the Honourable P. PLAYFAIR, C.I.E. (dated January 25, 1896).

At a meeting of the Calcutta Import Trade Association held yesterday the question of the proposed new tariff on cotton goods imported into India was discussed.

A very strong feeling was manifested at the meeting against the numerous changes to which the duty and the tariff have been subjected. These changes are most objectionable, not only because of the trouble they entail in bringing business into line with new arrangements, but they entail a serious actual money loss, the amount of which cannot be estimated. The hope was, therefore, expressed that when a settlement is come to next Thursday, it may be a lasting one, and that importers may be allowed to conduct their business in peace for many years to come.

In the proposed new tariff, the point to which we would particularly direct your attention is the method of assessing the duty on goods made from 30s and under. It appears strange that Sir James Westland having in one part of his speech condemned a dividing line should at once proceed to institute one, thus providing the means for disputes as to the yarns in goods made of counts or or about the dividing line.

At present the only subject upon which a dispute can arise with the Custom House is "valuation," but under the new tariff to this will be added "counts of yarn" and "weights."

But apart from this aspect of the question, the proposed method of assessment is objectionable, because the duty as levied by it at  $\cdot 28$  of an anna really means that, as shown by the figures which have been supplied to you, one make of grey shirtings will pay as low as  $2\frac{3}{4}$  per cent., while another will pay as high as  $4\frac{3}{8}$  per cent. If the duty is to be collected on actual weights, this will mean that importers cannot calculate their charges in advance within  $\frac{1}{4}$  per cent., and it also means delay of the most vexatious kind in passing goods through the Custom House, and extra expense.

For these reasons the members of the Import Trade Association are strongly opposed to the proposed method of assessment, and they are unanimously of opinion that the simpler plan of  $3\frac{1}{2}$  per cent. *ad valorem* all round is preferable.

In conclusion, we have to express the hope that you will see your way to concur in the opinions expressed by a body which is so deeply interested in the question, and to urge their acceptance as strongly as possible on the Select Committee and also in Council if necessary.

(Signed) C. H. WILKIE.



EXAMPLES showing ordinary VARIATIONS in WEIGHT and the VARIATIONS in PERCENTAGES under the proposed TARIFF in GOODS not containing YARNS above 30s.

Heavy Shirtings.	Weight bought.	Average Weight of different Shipments.		Sold at	Duty per Piece at 28 Annas per lb.	Percentage of Duty on Sale Price.
	$11\frac{0}{4}$	$11^8$	$11^{24}$	Rs. a. p.	Annas	
	$11\frac{1}{8}$	$11^8$	$11^{104}$	5 1 0	3·19	3·94
	$12\frac{1}{8}$	$12^1$	$12^8$	5 7 0	3·27	3·70
	$11\frac{1}{8}$	$11^{11}$	$12^1$	5 9 6	3·38	3·78
	$12\frac{0}{8}$	$12^0$	$12^0$	5 4 9	3·27	3·86
	$12\frac{1}{8}$	$12^{10}$	$12^9$	5 8 0	3·36	3·82
	$12\frac{1}{8}$	$13^4$	$13^6$	5 14 0	3·53	3·76
	$10\frac{1}{8}$	$11^8$		6 0 6	3·71	3·85
	$10\frac{1}{8}$	$11^8$		5 4 6	3·25	3·85
	$11\frac{1}{8}$	$11^8$		5 5 9	3·13	3·65
	$11\frac{1}{8}$	$11^{10}$		5 7 9	3·25	3·70
	$11^0$	$11^9$	$11^4$	4 10 3	3·24	4·36
	$11^4$	$11^8$	$11^{11}$	4 13 3	3·17	4·10
	$11^8$	$12^0$		5 0 6	3·36	4·17
	$12^{13}$	$13^0$		5 8 0	3·64	4·14
30—30s	$10^0$	$10^8$		5 7 3	2·94	3·37
	$7^{13}$	$8^8$		4 8 6	2·29	3·16
	$8^0$	$8^7$		4 9 6	2·36	3·21
	$8^4$	$8^{10}$		4 13 0	2·42	3·14
	$8^8$	$9^1$		5 1 0	2·54	3·14
	$8\frac{8}{13}$	$8^{10}$		5 7 6	2·42	2·77
					duty 2625 as. per lb.	
Chudder 24—32	—	$2^1$		1 2 0	·54	3·00
„ 30—30	—	$1^{14}$		1 3 3	·46	2·44
Drills	—	$14^0$		0 3 9	3·675	2·40
American	—					

*Weight.*—What allowance will be made for variation in weights ?

If actual weights are to be taken, it will be impossible to calculate charges for forward business.

*Count.*—In testing counts of yarns, will they be weighed as they are taken out of the cloth or after ascertaining actual counts as near as possible by boiling out the size ; if so, what margin will be allowed for stretching ? Has the enormous labour involved in and the uncertainty of such test been considered ; also the delay and consequent loss certain to be involved when disputes arise ?

TELEGRAM from the Honourable P. M. MEHTA, M.A., C.I.E., President, Bombay Presidency Association, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 27, 1896).

I am instructed by the Council of the Bombay Presidency Association to telegraph to you the following resolution passed to-day : That the pending proposal with regard to cotton duties before the Council is calculated to cause serious discontent among people, inasmuch as coming on top of various recent measures it leads people to firm conviction that their interests are being constantly sacrificed to those of a section of the British community ; that it is a measure of grave political and economic impolicy to put an excise on coarse cloths worn by the poorest classes, especially when it is done after remitting a portion of duty paid by richer classes on finer cloths, and that avowedly for no existing substantial reason, but, as admitted by Finance Minister, solely for purpose of enabling Lancashire to make experiment ; that intense and real excitement and indignation prevail among all classes of people at proposed legislation, and the Council venture to urge that such policy cannot fail to be extremely detrimental to the best interests of the Empire.

FROM SECRETARY, Upper India Chamber of Commerce, Cawnpore, to UNDER SECRETARY TO GOVERNMENT, North-Western Provinces and Oudh (dated January 25, 1896).

*Cotton Duties Act.*

I AM directed to acknowledge the receipt of your letter of 23rd instant, together with the enclosures therein referred to, namely :—

- (1.) A Bill to amend the Indian Tariff Act, 1894 ;
- (2.) A Bill to provide for the Imposition and Levy of certain Duties on Cotton Goods ;
- (3.) A speech to be made by Sir James Westland, in asking for leave on Thursday, the 23rd, to introduce those two Bills ;
- (4.) A speech in introducing them ; and
- (5.) Rules under the Cotton Bill.

Under instructions from the Committee of the Chamber the following telegram was despatched to-day in duplicate addressed to the Government of India and to Government, North-Western Provinces and Oudh, namely :—

“This Chamber’s views coincide with those expressed Bombay Chamber’s telegram to Government of India twenty-fourth. Chamber further holds (1) that loss of 50 lakhs of revenue to the Indian Exchequer will still further weaken the ability of the State to expand its railway communications ; (2) that within the last five years two mills in Cawnpore have had to discontinue the weaving of cloth and stop their looms because of their inability to compete with hand-woven cloths, and that power-loom weaving of cotton cloths is unknown in Bengal for the same reason ; (3) that the statement that hand-woven cloth does not come into competition with mill-woven cloth is not correct ; (4) that about two-thirds of the cotton cloth production in India is from hand-looms, and the remaining one-third from power-looms, and that the impending legislation proposes to penalise the weaker industry ; (5) that the proposal to exclude all cloths under twenties from duty is again urged, and that the duty on imported cloths be fixed on the weight of yarn in the cloth which should be stamped on the piece ; (6) should amendments pass regardless of united protests of all Indian Chambers, this Chamber recommends that excise be levied on production of cloth off looms taken from weavers’ wages sheets instead of production as defined in draft Act which is complicated and irksome, in fact, impracticable ; (7) that the argument that the duty will be passed on to the consumer is fallacious, as in India all experience shows that it is difficult, if not impossible, to effect changes in prices ; (8) that impending distress in many districts of the North-Western Provinces and Oudh render the present time a most inopportune one for the imposition of the duties under contemplation ; (9) that the proposed duties will constitute protection of Lancashire against Indian industries.” Also, “In continuation of to-day’s telegram, if amendments pass, clause 35, Part I, Cotton Duties Act, 1894, should be retained, and, unless excise is levied on actual production of looms, provision must be made for stocks of cloth in hand at date of passing of the Act.”

These messages I am now instructed to confirm ; the Bombay Chamber’s telegram referred to therein reads as follows :—

“From the Secretary, Bombay Chamber of Commerce, to Government of India.

“The Chamber adheres to its original recommendations, namely, that all yarn imported of twenties count and under, and goods made from such yarns shall be exempt from duty, and that an excise duty of 5 per cent. be imposed on the market value of all cotton goods made in Indian mills from yarns over twenties, leaving the percentage of excise and import duty as a purely fiscal question to be fixed by Government according to their financial position ; the system proposed in the Bill of assessing duty by weight combined with counts of yarns would, in the opinion of the Chamber, be more intricate and cause greater trouble, difficulty, delay, and expense to the Custom House authorities than the original scheme as above mentioned ; if the proposed measures are adhered to by Government notwithstanding the Chamber’s protest, it recommends that duty and excise be assessed without exception *ad valorem*.”

The Chamber beg to place on record an emphatic protest against the further proposed sacrifice of the commercial interest of India to the exigencies of home party politics. It quite appreciates the motives which have induced politicians to endeavour to fulfil, regardless of right or justice, reckless understandings made when out of office with a view to gain the suffrages of a powerful section of the British electorate. It would be difficult

to expose more thoroughly than has Sir James Westland the energy and unscrupulousness displayed by Manchester in its efforts to cripple the cotton industry in this country, but the Indian public are entitled to look to the Viceroy's Council to act up to the responsibilities which they have accepted, and to endeavour to safeguard the interests and welfare of this Empire against such machinations, political and commercial.

As it however appears clear that Government are determined to carry out the mandates of the home authorities, it is probable that no good purpose would be served by dwelling further on this phase of the question. I am therefore directed to solicit attention to the statement made by the Finance Minister and to certain of the provisions of the proposed Cotton Duties Act, 1896.

(a.) Sir James Westland says that it is believed that the improvement in the financial position warrants Government sacrificing some 50 lakhs per annum of its income. The Chamber can hardly believe such to be the case in the light of the fact that throughout the country practically all original works have been stopped; the income of the spending department reduced to a minimum, the estimate for the necessary annual repairs and maintenance of buildings and other public works in many cases entirely withdrawn, owing, it is stated, to financial pressure.

(b.) Again, the Finance Minister makes light of the effect of a tax of  $3\frac{1}{2}$  per cent. on cloth while he must be well aware that competition is so keen, and profits cut so fine nowadays that a margin of  $3\frac{1}{2}$  per cent. makes all the difference between it being worth while to carry on a business or abandon it. In fact, in this part of the country hand power looms hardly hold their own against hand weaving. Two Cawnpore mills have abandoned weaving; in Agra it is understood the power looms are standing idle, and the Bengal mills have done no weaving to any extent for many years past. The fact that approximately two-thirds of the cotton cloth produced in India is made on hand looms disposes of the statement that hand weaving does not enter into competition with power looms.

(c.) Part I., Excise, paragraph 6, defines that "goods are said to be produced within the meaning of this section when they are issued out of the premises of the mill." From the nature of the business carried on in mills in these provinces such a provision would prove to be unworkable, and to cause loss and inconvenience. For instance, after cloth comes from the loom it is not, as is the custom of Bombay and Lancashire, necessarily, or as a rule, packed in bale at all; in many cases it is issued to washermen, who take it to their villages to be bleached; on being returned it is again sent out to be dyed or it may be made up into floor-cloths, tents, uniforms, police clothing, or a hundred other things; again, imported cotton goods, such as turkey-red cloth, khaki drill, &c., are often stored in the same godown as cloth of local manufacture. To quote one instance of the difficulty that would arise under the bale register system: what excise would be leviable on a tent, the outer fold of which was made of imported khaki drill, the inner fold of bleached power-loom drill, and the intermediate fold of the hand-made cloth? As stated in Chamber's telegram, the difficulty would be met by the levy of excise on the production of cloth off the looms as taken from the weavers' wages sheets, and the Chamber trust that Government may accept this view.

(d.) With reference to the alternative proposal made by the Bombay Mill-owners' Association that the excise duties should be assessed *ad valorem* instead of on weight, the Chamber begs to urge that the cotton manufacturing industry in these provinces differs from that of Bombay in one important respect. An *ad valorem* excise would suit those of the weaving mills in the Bombay Presidency which size their goods, *i.e.*, a certain amount of size or finish is put on their production over and above what is actually necessary, so that a piece of cloth weighing 6 lbs. may contain only 4 lbs. of yarn. The extent to which this sizing is carried does not approach anywhere near the adulteration which is common in Lancashire goods, much of which contains about equal quantities of yarn and size, and consequently an excise on weight brings in the whole piece, whereas an excise on value touches only what is after all the essential requirement. Whilst therefore in the case of Bombay excise levied on value is a reasonable request, the method is not suited to this part of the country, and the excise levied should be on the total weight of cloth actually made from month to month, rather than excise on the real value of cloth sold from day to day. Market rates fluctuate daily, discounts also vary, and therefore it would be practically impossible to fix upon a satisfactory unit of value from day to day for each of the many different descriptions of cloth made.

(e.) The present Act will undoubtedly give a great stimulus to purely spinning mills and to hand looms weaving at the expense of weaving mills, many of which will undoubtedly find it better to stop the looms and confine their operations to the manufacture

of yarns for the use of hand weavers, thus transferring to Manchester an industry that might under more considerate treatment become one of the most important in these provinces.

(Signed) W. B. WISHART.

Copy of the foregoing submitted to the Secretary to Government of India, Legislative Department, Calcutta, for favour of consideration.

(Signed) W. B. WISHART.

TELEGRAM FROM MR. R. M. SAYANI, Chairman of Public Meeting of Citizens, Bombay, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 28, 1896).

On behalf of the public meeting of the inhabitants of Bombay held this afternoon, and by virtue of the resolution passed thereat, I beg to communicate the following resolutions: firstly, that this meeting protest against the proposal to re-arrange the cotton duties in such manner that the poorer classes hitherto exempt will have to pay  $3\frac{1}{2}$  per cent. duty on the coarse cloths manufactured in India which form their wearing apparel, while the rich who use the finer goods manufactured in Lancashire are relieved by a reduction of  $1\frac{1}{2}$  per cent. of the duty hitherto paid by them without hardship or complaint; secondly, that this meeting further protest against the wholly groundless assumption that the finances of India are in a condition to admit of the remission of half a crore of rupees, one-third of the amount of the cotton duties, in presence of the notorious fact that the Famine Insurance Fund is suspended, necessary public works are stopped throughout the Empire, while every provincial government in India is embarrassed and the administration impaired owing to the necessity of meeting the ever-recurring demands of the Government of India; thirdly, that the chairman be requested to transmit the above resolution to the Government of India and to the "Times" newspaper.

TELEGRAM FROM SECRETARY, Maratha A. I. Sabha, Bombay, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 29, 1896).

The secretaries of six different associations representing the Hindu backward classes of Bombay respectfully protest against the imposition of the new cotton duties, which, if passed into law, will press hard upon the poor and result in general discontent.

Memorial of Ahmedabad Mill-owners' Association (dated January 25, 1896).

To the SECRETARY TO THE GOVERNMENT OF INDIA, Legislative Department.

The Memorial from the Ahmedabad Mill-owners' Association—

RESPECTFULLY SHEWETH,—

THAT having heard from Bombay that Government of India were going to introduce a Bill to amend the Cotton Excise Act authorising the levy of excise duty on all cloths over and under No. 20s woven in Indian mills, your memorialists took the liberty to send an urgent telegram to you on the night of the 22nd instant, a copy of which is enclosed herewith.

2. Your memorialists consider such a measure very objectionable, some of the reasons of which are found to have been described in a letter published in the Bombay "Times of India's" issue of the 14th instant, a copy of which is enclosed herewith for ready reference.

3. In considering the question of excise duty on cotton manufacture in India it is to be borne in mind that from time immemorial cotton has been growing and is being converted into yarn and cloth in this country, and the cloth made here was not only used for the domestic purposes, but was being exported in large quantity to foreign countries. When the East India Company established itself in India they used to deal in Indian cloth and exported it to Europe and other countries. It is since A.D. 1820 that some quantity of foreign piece-goods and yarn began to come to India, and it is

through the aid of improved machinery invented in Europe that large quantity of cotton goods is being imported into this country for the last 40 or 50 years. Thousands and lakhs of hand-loom which were engaged in weaving "dhooties" and "sarees" and other sorts of cloth have been stopped and are being stopped by the imported goods of similar nature.

4. Thanks to the peace and education ensured by the good administration of the British Government that the Natives of India are trying for some years past to regain to some extent their old cotton industry by introducing the improved modern method of spinning and weaving which prevails in Europe and America, and up to this time this attempt has received approval and fair encouragement from Government.

5. But the recent policy of Government to restrict or check the development of this industry by imposing an excise duty upon it, as if it were an evil, has surprised good many persons who are loyal and great admirers of the British Government. Your memorialists are unable to find out that in any part of the world any civilised Government has imposed an excise duty on an industry like cotton manufacture, which is not only a harmless thing, but provides employment to thousands of persons, and supplies cheap cloth to millions of poor people.

6. The reason assigned for this unusual policy is that as Government are obliged to impose an import Customs duty on cotton goods along with other articles of import for revenue purpose, and as the Lancashire people, whose goods are being imported into India, complain that this import duty will be a protection to the Indian mill industry; Government are induced to put an excise duty to restrict it from development. Here your memorialists beg to observe that the import duty on cotton goods and other articles was in existence ever since the British Government was established in India. It was only in 1882 when Government of the day thought that the surplus in their Budget was large enough to justify them to abolish import duties on all articles imported, among which were also the cotton goods. The surplus of revenue having now disappeared, Government are obliged to reimpose the import duties on all articles, including cotton goods; and there seems no reason why the policy of Government towards the cotton industry should not be as it was before 1882. It is rather surprising that out of all the industries relating to the articles upon which import duty is reimposed only the cotton industry is singled out as a fit one to be taxed with an excise duty.

7. It cannot be said that the development of Indian cotton industry has checked the English trade. The average import of piece-goods into India from 1868-69 to 1894-95 has been as follows :—

	Yards.
From 1868-69 to 1872-73	1,05,02,80,000
„ 1873-74 „ 1877-78	1,19,91,99,000
„ 1878-79 „ 1882-83	1,49,97,68,000
„ 1883-84 „ 1887-88	1,83,78,79,000
„ 1888-89 „ 1892-93	1,96,56,12,000
„ 1893-94 „ 1894-95	2,19,43,40,000

The above statistics will convince anyone that the Indian mills have not been able to compete with the foreign goods the import of which has been increasing rapidly and steadily for the last 28 years.

8. If the English cotton industry has suffered, or is likely to suffer, it is through the actions and rivalry of other nations of the world; we see from the statistics furnished by the Bombay Mill-owners' Association that in the year 1894 while India has added only 74,000 spindles, Japan has increased its number of spindles by 2,78,200, China 1,77,900, Continent 5,00,000 and America 1,50,000. As England cannot prevent other nations from adding to their strength of spinning and weaving power, the only wise policy for British Government seems to be that they should take advantage of the cheap labour and fertile land of India, and by encouraging the Indian industry check other rivals.

9. Your memorialists will not be surprised to see that in a short time Japan may be able to export cotton goods to India. Japan is sending to India a good many things which formerly used to be received from Europe. Japan has as cheap labour as in India. It has got as cheap coal as in England. It has got no restrictions of Factory Act, and there is no fear of excise duty there, and Japan can get good cotton from America nearly at the same price as in England. Under all these circumstances we

should not wonder if Japanese supply India with fine cotton goods and check the Lancashire trade seriously. Government should therefore bear in mind that by checking the Indian local industry by the excise system they are facilitating the attack from Japan.

10. It is further to be borne in mind that the system of heavy import duty of a protective nature is prevailing in a great many English Colonies, such as Canada, Australia, &c., &c., which are under the dominion of Her Majesty the Queen-Empress; but Government of Great Britain has never thought of checking the local industries of those Colonies by putting any sort of excise duty there; and the people of India are not able to make out why the British Government should adopt a different line of policy towards India.

11. Having so far treated the general question of excise duty on cotton goods, your memorialists take the liberty of laying before Government their views regarding the amendment proposed by Government—

1st. That the strongest objection to levy excise duty on all sorts of coarse cloth is that it is not a countervailing duty as it is professed to be. Such cloth is not imported from England, and therefore it cannot be called to have been protected by any import duty.

2nd. That it would ultimately affect the poorest class of people who are the consumers of this cloth.

3rd. That it would make an invidious distinction between a power loom and a hand loom. It is not fair that a person wishing to introduce an improved machine into the country should be checked and discouraged.

4th. It will be very difficult to ascertain the correct value of different sorts of cloth woven.

5th. As the mills situated in Native States cannot be taxed by any Act of the Government of India, the mills situated in the British territory will not be able to compete with them.

12. Under all these circumstances it was better that in the Excise Act of 1894 the cloth is left out and only the yarn over No. 20s is taxed. The objection taken by the Lancashire people, that by omitting the cloth the Indian mills get a slight protection on the cloth woven, might be remedied by reducing the import duty on English cloth to a certain extent. According to the calculation given in the 57th paragraph of the Bombay Mill-owners' memorial of the 7th instant, the difference comes to be about  $\frac{2}{3}$  per cent., and therefore, if Government think it proper, they might reduce the import duty on grey English cloth from 5 to  $4\frac{1}{2}$  per cent. The loss of revenue by reducing the import duty by  $\frac{2}{3}$  per cent. on grey cloth will not be more than rupees 10 lakhs per annum only, and this comparatively small sum can be met by Government from the savings effected by the improvement in the rate of English exchange.

On behalf of the Ahmedabad Mill-owners Association,

(Signed) RUNCHORELAL CHOTALALL,  
Chairman of the said Association.

P.S.—13. After this memorial was so far ready your memorialists had an opportunity to see in the papers the draft Bill of the excise duty, together with the speech of Sir James Westland delivered on Thursday last.

14. Your memorialists observe, from Sir James Westland's speech, that the main principle of Government was that the Indian mills should not be allowed to compete with Lancashire by making goods similar to those imported from England without having a countervailing excise duty; but, as it is proved beyond doubt that the coarse cloth similar to those manufactured in Indian mills is not imported from Lancashire, the proposed Bill violates the original main principle by levying excise duty on coarse cloth woven in Indian mills.

15. According to the calculation made by Sir James Westland, if the Indian yarn of over No. 20s be taxed at 5 per cent. and the cloth be left free, India will pay excise on 6 annas while Manchester will have to pay import duty on 8 annas. This amounts to  $1\frac{1}{2}$  per cent., and therefore, if the present system of taxing the yarn be kept as it is, and duty on English grey cloth be reduced to  $3\frac{2}{3}$  per cent., everything can be squared, and there will remain no valid complaint from Lancashire. As there is no rivalry between India and England as far as bleached and printed cloth is concerned, Government will have to reduce duty only on grey English cloth; and the loss of revenue to Government will be less than 20 lakhs instead of 50 lakhs which Sir James Westland is prepared to sacrifice.

16. By adopting the course suggested above, the following good result will be secured:—

- 1st. That Lancashire shall have no reason to complain that any protection is allowed to the Indian mills.
- 2nd. That Government will be saved from the trouble and difficulty of ascertaining the true value of the different sorts of cloth manufactured in Indian mills.
- 3rd. That the great hardship which is sure to be inflicted upon the poor people of India, who use common coarse cloth, will be saved.

17. If the Excise Bill introduced on Thursday last be passed, its effect will be that the Lancashire industry and the rich persons of India who use finer cloth will be benefited; while the Indian industry will seriously suffer and the poor inhabitants of India who use coarse cloth as a necessary of life will be burdened with a new tax without any adequate reason.

Your memorialists trust that your honourable Council will take the above representation into your just consideration.

On behalf and by orders of the Ahmedabad Mill-owners' Association,

(Signed) RUNCHORELAL CHOTALALL,  
Chairman of the said Association.

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#### THE COTTON DUTIES.

To the Editor of the "Times of India."

SIR,

WITH reference to your leading article in your issue of the 7th instant regarding the cotton duties, I beg to offer a few observations for consideration. The proposal to levy 5 per cent. excise duty on all cloth woven in Indian mills seems to be most objectionable on the following grounds:—

1st. The cloth woven in Indian mills is very coarse, and is principally consumed by all the poor classes of the people, and it is therefore a great pity that the poorest class of our fellow subjects should be so heavily taxed without any adequate reason. As this sort of coarse cloth is not imported from Lancashire, the excise duty thereon cannot be called a countervailing duty levied to prevent protection. It would therefore create an undesirable impression that Government wish to discourage and check the local mill industry, simply with a view to please the Lancashire people.

2nd. The best proof that can be produced to show that the imposition of 5 per cent. duty on English cloth has not acted as a protective measure for the country coarse cloth is that the price of the coarse cloth woven in Indian mills has not improved at all, but on the contrary it has been lower by half an anna per pound than what it was before the import cotton duties were imposed.

3rd. The condition of the mills having a full number of looms is worse than those producing yarn alone, and, if Government were to impose duties on all sorts of coarse cloth, most of the looms will have to be stopped, because they will not be able to bear the burden of 5 per cent. excise on production. Each loom will have to pay about Rs. 100 per annum, and there are many mills which are not able to earn so much per loom per annum.

4th. As it is said that Government will not be able to tax any hand-loom weaver, it would look most inconsistent and impolitic that they should charge the same industry when worked with any improved instrument or machine. It will be equivalent to saying to the Indian people that you should continue in the same primitive state while the whole world is progressing rapidly. Government as well as other well-wishers of the country are rightly advocating the extension of technical education in the country. But, if the working by machinery is to be discouraged and checked, what is the use of technical education.

5th.—As Government cannot extend by law the levy of such excise duty to the territories of Native States, which occupy about one-third of the area of India, the mills erected in such Native States will have a great advantage over the mills situated in British India. It would induce capitalists residing in British territory to invest their money in industry in the Native States. No true friend of British India would like to see such a state of things. It is asserted by some people that our Government would induce the rulers of Native States to impose similar excise duty on the mills situated in

their districts. But, if the Chiefs say that they do not consider it fair and desirable to crush the rising industry in their territories, and bring forward the argument that the former British representatives have often advised them to remove all kinds of restrictions and taxes from manufacturers and traders, and that they are acting in accordance with that sound advice in declining to impose the excise duties suggested by Government, how difficult it would be for the political officers attached to the Native States to defend the action of Government! Would it be wise and politic to say that the Government of India are obliged to adopt this course simply to protect the interest of the Lancashire people, and, if the Native Chiefs further ask how is it that the jute mills, woollen mills, silk mills, and paper mills in India are not taxed, while the cotton industry alone is selected for checking, it would not be desirable for political officers to admit that the pressure of the Lancashire influence is too strong for Government to resist it. Supposing the Native States flatly refuse to impose any excise duty, the Government of India can only say that when the goods manufactured in Native States enter British territory they will charge a transit duty on it. Such goods can pass hundreds of miles without entering British territory, and about one-third of India can be supplied with such goods. Besides, it would be a most difficult and expensive job to prevent the smuggling of such goods into British territory by numerous routes. How would it look if our Government, who have always been preaching and telling the Native States to abolish the transit duties, should attempt to impose transit duties in their own territory.

Taking all the difficulties and objections into consideration it will be far better for our Government to give up the idea of imposing excise duty on cotton goods at all. They might abolish or reduce the cotton duties on English goods, and make up the loss either by curtailing expenditure or by increasing the rate of import duties on the goods imported from all other foreign territories except England. Why should not India impose a much higher rate of duties on the goods imported from the United States of America, who impose duty on Indian goods at more than 50 per cent. *ad valorem*.

There is a good deal to be said about the desirability of not checking or discouraging the cotton industry of India, but, as this letter has already been rather lengthy, I postpone it for some future occasion.

Ahmedabad,  
11th January 1896.

A FRIEND OF INDIA.

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TELEGRAM sent by the AHMEDABAD MILL-OWNERS' ASSOCIATION to the GOVERNMENT OF INDIA on the 22nd of January 1896.

It is rumoured in Bombay that Government intend introducing a Bill to levy excise duty on all cloths over and under 20s. We strongly protest against such measure which we consider unfair, unreasonable, and unjust to the mill industry as well as to the poor people using coarse cloth. We do not agree with the suggestions made in the Bombay Mill-owners' Association's memorial of 7th January for excising cloths. We beg Government will wait until our written representation is received.

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TELEGRAM from SECRETARY, Chamber of Commerce, Madras, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 29, 1896).

This Chamber adheres opinions letter 18th December. Strongly opposes excise on cloth. Recommends admitting free yarns and cloth 24 and under. This small change entirely removes Lancashire's grievance and is easy to work. Chamber deprecates adoption proposals present Bill as needlessly upsetting English import trade, which suffers from constant uncertainty, and as harassing mill industry without reason. Mills find difficulty compete hand looms, and proposed duty cloth will seriously affect their local trade. Chamber much regrets Finance Minister should introduce proposals contrary opinions all authorities consulted and anticipates renewal agitation against this exceptional treatment of Lancashire. Considers spare funds should be devoted relief taxation other directions, salt for example.



TELEGRAM from CHAIRMAN, Sarvajanak Sabha, Poona, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 29, 1896).

Committee of Sarvajanak Sabha submit strong protest against proposed duty on coarse cloth, especially as it will press heavily on the poor. They further protest against reduction in the rate of import duty, and beg to remind Government of the declaration of Secretary of State for India that any improvement in finance would be utilised first in reducing salt duty.

TELEGRAM from SECRETARY, Local Sabha, Nagpur, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 30, 1896).

Protests hurried passing Cotton Duties Bill. Principal provisions thereof unfair, oppressive. Prays fortnight's time to memorialise.

From the SECRETARY, Bombay Mill-owners' Association, to the SECRETARY TO THE GOVERNMENT OF INDIA, Legislative Department.

SIR,

Calcutta, January 29, 1896.

I HAVE the honour, by direction of the Bombay Mill-owners' Association, to respectfully submit, for the information of his Excellency the Governor-General in Council, the views that the members of that body entertain respecting the Cotton Duties Bill, 1896, and a Bill to amend the Indian Tariff Act, 1894, as introduced by the Honourable Sir James Westland, K.C.S.I., at the meeting of the Legislative Council of the Government of India on the 23rd instant, and further to urge the serious objections that, with all due deference, they venture to think exist against these Bills in their present form being passed into law.

2. Before, however, succinctly stating these views and consequent objections, it appears to the Association absolutely necessary that the reasons for the proposed legislation should be stated in the clearest possible terms and kept always in view. In the representation submitted by the representatives of the cotton interests in England to Her Majesty's Secretary of State for India, the claims advanced were of such an exaggerated character and so voluminously stated that the Association was compelled in dealing with them to cover a vast amount of unnecessary ground. The discussion, therefore, has been burthened with a mass of irrelevant argument and reply and excessive technical detail calculated to obscure the real question at issue.

3. What that is, and what alone must be the object of further legislation in this connexion, was laid down with the utmost clearness and exactitude by Her Majesty's Government in December 1894, and recapitulated by Sir James Westland when introducing the proposed Bills on the 22nd instant. In sanctioning the imposition of an import duty on cotton goods Her Majesty's Government made it a condition, and the Government of India undertook, "to deprive it of a protective character by imposing an equivalent duty upon similar goods manufactured in India *to the extent to which these enter into direct competition with goods imported from the United Kingdom.*"

4. Under that definite condition the Government enacted, and this Association loyally accepted, the Cotton Duties and Tariff of 1894. The members of this Association viewed this undertaking as a solemn contract, a charter of right, under which their interests were securely safeguarded, and with the utmost respect they venture to submit that to any legislation which proposes to depart from that well-defined contract they are entitled to enter the most emphatic protest which the limits of official communications of this character and entire respect for constitutional observances permit.

5. I have taken the liberty of quoting in italics a portion of the condition precedent to the legislation of 1894 that the Association desires to emphasise as being, it thinks, likely to be, if it has not been already entirely overlooked. It will be observed that there is nothing undecided, nothing equivocal in the condition. An excise duty is only to be imposed on Indian goods which enter into *direct* competition with goods imported from the United Kingdom. This language precludes the consideration of by far the greater portion of the case as submitted by Lancashire, and leaves no room to read into it any portion of the so-called law of substitution and its marvellous possibilities. Indirect competition has no place in this sanction, and any measure, therefore, which takes it into consideration or contemplates more than dealing with direct competition is transgressing the limit so definitely demarcated.

6. From this arises the first objection which the Association desires to formulate, viz. :—

“That, as imposing an excise on Indian goods made from yarns of 20s count and under, the Cotton Duties Bill, 1896, is taxing goods which do not enter into direct competition with goods imported from the United Kingdom, and is therefore not in accordance with the condition laid down by Her Majesty’s Government and the Government of India in December 1894.”

In his speech of 22nd instant Sir J. Westland said :—

“The first of these is the effect of our drawing the line of taxation, for Indian goods, at 20s. We did so because we ascertained that the amount of imported goods below that line was very small. As regards yarns, indeed, the amount of goods imported below that count (if we except the coloured yarns imported into Burma, for which we have made special arrangements) is admitted to be insignificant. The amount of coarse woven goods imported from England is at the most very small indeed, but it cannot be said to be non-existent ; but Manchester claims, and there appears to be some reason in the claim, that the exemption of the coarser goods creates a difference in price between the coarser and the finer, which tends to divert the course of consumption from the finer to the coarser.”

7. The latter portion of this setting forth what Manchester claims, the Association contends, is not entitled to be taken into the account, as it manifestly contemplates consideration being extended to a form of indirect competition which, even if it existed, Government at the outset placed beyond the line as against which a countervailing excise was to be imposed. But the first part of the statement concedes that for all practical purposes no competition exists in goods made from yarns below 20s, and should not, therefore, be excised, and it is no answer to this to say that Manchester should be permitted to try the experiment of making such goods under the auspices of the same rate of taxation. That experiment has already been tried for 13 years under the still fairer condition of no taxation whatever, with a result which is well known, demonstrating beyond doubt to all unbiassed minds that in view of the relative geographical positions Lancashire does not, and cannot, compete with India in goods made from yarn of 20s and under.

8. When, therefore, the Association, in its letter of 7th January, stated its willingness to see all imported goods of 20s and under exempted from duty, it was conceding more than the necessities of the case absolutely demanded, and at the same time indicating the utmost limit to which the Association considers legislation ought to be pushed to meet the theoretical claims of Lancashire, having regard to the original principle of taxation previously laid down and accepted.

9. The second objection that the Association raises against the Bills is to—

The inequitable character of the proposed measures : (1) in the large reduction made in the taxation on imported goods, while a heavy increase is levied on Indian manufactures ; (2) in exempting yarn and reducing the levy on cotton goods, while the tariff on other imports is maintained at 5 per cent.

10. By the abolition of all duties on yarn, both imported and Indian made, and the imposition of a  $3\frac{1}{2}$  per cent. excise on every description of Indian woven cloth, while the duty on all imported cotton fabrics is reduced to  $3\frac{1}{2}$  per cent., Government announced that the total income from the cotton duties would be reduced by about 50 lakhs, although the contribution from the excise would be increased by 6 lakhs. From an analysis of the figures the Association was at once able to point out by telegraph that this calculation was erroneous, the estimate of the excise on Indian goods being underestimated by 6 lakhs.

The account, therefore, stands thus :—

Duty as previously collected at 5 per cent.	-	-	Lakhs.
			139
Reduction by exempting yarns	-	-	Lakhs.
„ lowering duty on cloth to $3\frac{1}{2}$	-	-	14
			37.5
			<hr/> 51.5
Total from imports	-	-	87.5
Total from excise	-	-	18
			<hr/> 105.5
Total net reduction	-	-	<hr/> 33.5

11. The result, therefore, will be, if the two Bills are passed into law, that the taxation on imported goods will be reduced by 51·5 lakhs, or 37 per cent., while the excise on Indian goods will at the same time be increased by 11 lakhs, or 300 per cent., a difference in treatment for which the Association contends there is absolutely no justification. If, as may be inferred from what the Government has almost in so many words stated is the case, the financial position justifies a reduction in taxation of 50 lakhs, there can be no difficulty whatever in allocating that sum in a perfectly equitable manner. Assuming even that in the general interests of the country the import duties should be the first to go—which is an argument the Association is by no means prepared to concede—the only extra claim to consideration which cotton goods has by any possibility over other articles of trade is the alleged competition which they have to encounter from goods made in India.

12. Unfortunately there are no figures available anywhere which would show with any degree of exactitude what this alleged competition really amounts to either in yards or rupees, but a fairly approximate idea can, nevertheless, be formed from the yarn production of India, the returns of which for the past year must already be in the hands of Government, who are, therefore, in a position to verify the statement. The Association feels sure that it is well within the mark in estimating the production of all yarns over 20s at one-tenth of the whole production, and assuming that the whole of that one-tenth went into goods entering into competition with imported cloths, which is more than liberal, the value would be:—

Total value of cloth produced in Indian mills	-	Rs. 6,45,60,000.
1-10th of which would be	-	64,50,000.
$\frac{3}{4}$ per cent. on which is	-	48,375.

13. In its previous letter to Government the Association showed very clearly that the actual protection enjoyed by Indian weavers under a 5 per cent. import tariff, against which the excise was levied only on the yarn in goods, and not on the cloth in its completed state, was  $\frac{3}{4}$  per cent., so that the special claim for redress which Manchester could show in this respect was Rs. 48,375, to equalise which the Bills under discussion proposed to allocate 51½ lakhs, besides taking an additional 11 lakhs from the excise on the Indian industry.

14. The Association invites the closest possible scrutiny of these figures. They will both bear and repay inspection, and become still more striking when amplified, as it is evident that if every yard of cloth made by power looms in India came into actual competition with imported goods, Lancashire's special claim only amounts to a little over 4½ lakhs.

15. But lest the basis of calculation taken by the Association be considered incorrect, the comparison to all intents is quite as startling if the scale of protection actually accepted by Sir James Westland is taken as the basis. In dealing with this special point on the 22nd instant, he said: "Ordinary grey shirtings pay duty at 8 annas per pound, manufactured in India, the calculation comes out thus: a pound of woven goods contained about '85 of yarn, which, if 25s or 30s, pays duty at 7 annas a pound. The articles, therefore, pay duty in this respect alone on 7 by '85, or 6 annas a pound." This, worked out further, is equivalent to 1¼ per cent. on the value of goods, and only differs from the Association's figures when allowance is made for stores by ¼ per cent. But taking the full equivalent of protection conceded by Sir James Westland, the following is the resulting comparison:—

Under a 5 per cent. duty and excise Indian goods were protected by 1¼ per cent. On 1-10th of the whole Rs. 80,625. On the whole „ 8,06,250.		The concession made by the Bills now before Government are:— Off imported goods 51½ lakhs. On excise 11 „ <hr style="width: 50%; margin: 0 auto;"/> Total 62½ „
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16. In thus stating the case the Association is not for a moment overlooking the point made elsewhere that this should not be regarded as a concession made to Lancashire mills against Indian mills, that duties are all paid by the consumer and not by the producer, and that the members of the Association will not be ultimately affected by what is merely a reduction and equalisation in the mode of assessing duties. If this be so the converse of the argument holds equal force, and would of itself have been a sufficient reply to the English representatives of cotton interests. Moreover, if this mode of reasoning be carried further, and the losses of Indian mill-owners during the levelling up of prices is

entirely excluded, we come back to the incontrovertible fact that this is an entire reversal of the previously declared policy of Government, who have always been averse to laying further taxation on the poorer classes. Viewed from this standpoint, it means lightening the tax by 51½ lakhs on the finer descriptions of goods worn by the well-to-do and exacting an additional sum of 11 lakhs per annum from the very poorest, who were previously exempt, and that, too, without involving competition with English-made goods.

17. In any case this feature of the two Bills will not stand examination under the condition laid down by the Government in December 1894, which, the Association holds, should be applied as a test to every clause of the new Bills.

18. The third objection, and in some respects the most important so far as concerns Indian owners of weaving mills, is "the protection which will be afforded to the hand-loom weavers by the exemption of all yarns from taxation."

To this objection Government, as evidenced by the remarks of the Finance Minister, would appear to attach some little importance, under the belief apparently that hand-loom weaving is a small, struggling and decaying industry, entirely overshadowed in extent by the mills, and mainly resorted to by cultivators as a means of filling up their spare time, and eking out an otherwise precarious livelihood.

19. Such may be the state of things in parts of Bengal, but it is not so in that part of the country respecting which the members of the Association are more familiar. There the trade is followed as a special calling, and, as entire families are devoted to it, and work under no factory laws or other restrictive measures, many of them are prosperous, and deserving of no special protective care against the rest of the poor or labouring classes. Even if they were, mills are not philanthropic institutions run on sentimental grounds, and the magnitude of the industry is too great to permit of it being considered otherwise than as a most important factor in the entire question. According to the census returns there are no less than seven millions of people working as weavers in India, and the Association has placed at the disposal of Government information which goes to show that hand looms produce two-thirds of all the cloth woven in India, as compared with one-third by power looms. That this should be the case to-day after 30 years' competition with the mills, speaks volumes for the solidity of the industry, and indicates, moreover, that the competitive line is drawn sufficiently fine to admit of a 3½ per cent. county exercising a material influence towards enabling it to gain additional strength in the future at the expense of the weaving mills.

With these facts before them, and in view of the important objections that I have stated, the Association trusts that it is not yet too late to permit of Government reconsidering the situation, and amending their proposed Bills in accordance with the suggestions favoured by the Association in their former letter of 7th January. These suggestions, so far as the Association is aware, have had the unanimous approval of all representative bodies throughout the country, whether connected with mills or, as in some cases, more closely concerned with the import trade. And in face of such a consensus of independent opinion, the members of the Association cannot bring themselves to believe that there are other just grounds of sufficient force to warrant any departure, however slight, from the definite line laid down so recently as December 1894, by both Her Majesty's Government and the Government of India.

I have, &c.  
JOHN MARSHALL,  
Secretary, Bombay Mill-owners' Association.

From VICE-PRESIDENT, Upper India Chamber of Commerce, Cawnpore, to SECRETARY TO GOVERNMENT OF INDIA, Legislative Department (dated January 31, 1896.)

We beg in the first place to represent that the promise made by the Secretary of State for India, that the views of the mill industry and of the public in India would be heard before any final decision was arrived at on the representations of Lancashire, has apparently not been carried out, as the dates of the following replies will show:—

The reply of the Bengal Chamber of Commerce is dated the 3rd January 1896.  
The reply of the Bombay Mill-owners' Association is dated the 7th January 1896.  
The reply of the Bombay Chamber of Commerce is dated the 20th January 1896.

2. Thus the earliest reply was dated the 3rd of January and the latest the 20th of January, and the Finance Minister introduced the new Cotton Duties Bills into Council

on the 23rd of January. The conclusion appears therefore irresistible, that legislation was decided upon before the views of Indian mill-owners were known, and the promise of the Secretary of State for India remains accordingly unfulfilled.

3. There can be no charge of unnecessary delay or any delay at all, because, the representations of Lancashire, upon which a re-arrangement of the cotton duties has been decided, were not circulated in India until November, and in the North-Western Provinces not until December.

4. The belief that the Government of India have resolved upon legislative measures before consulting the various interests involved appears further borne out by the fact that rumours of impending changes and their nature were current in the Indian bazars long before the intentions of Government were authoritatively known.

5. The next point on which we respectfully desire to be heard is on the position taken up by the Government of India that it cannot allow discussions of the principle of the new Bills, which we take to be that the duties on imported goods and similar goods manufactured in India must be alike. But, in affirming this as the principle upon which legislative measures are to be framed, Government do not seem to fully realise the magnitude of the hand-loom industry, and that to exempt this great branch of the Indian trade is to fail to carry out the very principle upon which they desire to proceed. In letter No. 5184 S.R. dated Simla, 30th October 1895, written by the Government of India, Finance and Commerce Department, to the Secretary to Government, North-Western Provinces and Oudh, and passed on to the Upper Indian Chamber of Commerce on the 9th of December, along with the papers constituting the Lancashire case, opinions are invited as to the existence of any protective effect, and suggestions are expressly asked for (*vide* paragraph 5) as to the remedies that could be applied, "if without disturbing the course of trade." We would respectfully represent that if all cloths are excised and all yarns freed, there will be a far-reaching disturbance of trade.

6. The Finance Minister has stated that about half of the mills in Bombay are purely spinning mills, and more than that proportion in the rest of India; in Calcutta about 60,000 lbs. of yarn are spun daily, of which only about 10,000 lbs. are made into cloth, the remainder being entirely used in the hand-loom industry, so that, allowing for foreign exportations and imports of English yarns, the output of hand-loom cloth in India may be put at two-thirds against one-third from power looms.

7. But it is impossible to subject the hand-loom industry to excise, and therefore the principle stated by Government to be the basis on which it is proceeding, though correct enough in itself, is one which circumstances make it impossible to follow.

8. The statement that hand-woven cloths do not come into competition with mill-woven cloths is, we beg leave to state, quite contrary to our experience. The difference in price between the two articles can, after all, be but very small, for since the price of the raw material—the yarn—is the same, a divergence can only arise in the cost of weaving. Hand-loom weaving is mostly carried out in village homes free from all Factory Act restrictions, and, since any amount, however small, that can be earned by a family in its own home is better than no wage at all, the difference in the price of the two cloths is a little less than the cost of weaving the mill cloth. The mill-woven cloth is in some respects better and stronger than the hand-woven cloth, and these two factors, namely, the somewhat lower cost of making the hand-loom cloth and the better mill cloth, combine together to regulate the prices at which each sells in open competition. If the difference in price is trifling, the mill cloth is preferred; if considerable, the hand-made cloth is chosen.

9. Not only is the principle of equal duties enunciated by Government impracticable, but the very law (namely, that of substitution, so far as such a law can be said to prevail), the operation of which is denounced by Lancashire, is brought into play between two local industries by the proposed excise. A 3½ per cent. excise is equivalent to 6½ pies in the rupee: a pair of the commonest dhories costing, say, Rs. 1-8-0 a pair, would thus be enhanced in price to Rs. 1-8-9, but in the cloth trade a difference of 1 pie in the price of a pair of dhories very often influences business, so that the imposition of a 3½ per cent. duty compels resort to hand-made cloth when under other circumstances mill cloth would be preferred. There is no benefit to the people by this substitution, for what they save in first cost they more than lose in quality. They will merely be compelled to adopt inferior fabrics made of yarn, which at a very slightly higher cost could be converted into better and more durable material; that is, to say, the exemption of hand-made cloths will inevitably force the industry back to hand looms. It is precisely as if the State were to put a heavy duty on mill yarns; this would revive hand-spinning, but no one can say that either course benefits or would

benefit the country ; the effect in either case would be to retard industrial development. In this connexion we would represent that power-loom weaving is unknown in Bengal ; that one of the mills near Calcutta disposed of its looms many years ago and has confined itself to spinning ever since ; that two mills in Cawnpore have disposed of their looms and now confine themselves to spinning, and that one mill in Agra also has stopped weaving and restricts itself to spinning. These facts are sufficient, we think, to show that the dividing line between mill cloths and hand cloths is very narrow, and that the proposed duty can only operate towards closing the mill-weaving industry altogether.

10. The next point we desire to represent is that the proposal to amend the cotton duties had its origin in the argument advanced with much warmth, but with more than doubtful accuracy, by Lancashire, that she can spin coarse yarns and make coarse cloths as cheaply as India can. But there is absolutely no foundation for the statement, and the figures and calculations produced overlook entirely two most important factors, namely, cheap cotton and cheap labour. The case of Lancashire summed up in this respect is that with American cotton at 3*d.* a pound she can produce as cheaply as India ; but American cotton has never before for 59 years been down to 3*d.* a pound, and at the time it was at 3*d.* Indian cotton was about 25 per cent. cheaper. We think that this point cannot be too strongly emphasised, namely, that, in the yarns and cloths that can be satisfactorily made of Indian cotton, England cannot compete. We note that exception has been made in the case of drills, but the explanation is simple enough ; drill is a difficult cloth to weave, and in finish and dye India cannot at present produce as good drill as England, but the difficulties are gradually lessening, and the moment Indian weavers and dyers attain the necessary skill, English drills must cease to be imported.

11. The next point we desire to refer to is the argument advanced by Lancashire, that the duties are unequal in their incidence owing to their being on the manufactured article in the one case while they are only on the yarn in the other. There is no doubt that there is slight protection in this respect on cloths made from exciseable counts ; but this we consider might easily be overcome by reducing the import rates on cloth to 4 per cent., or even 3½ per cent., whilst maintaining the present excise on yarn at 5 per cent. Moreover, the Chamber is in a position to state that the mills would not object to the increase of the excise on yarn over 20s to 6½ per cent. or 7 per cent., if it is desired to adhere to a uniform rate of 5 per cent. on imports.

12. The next point on which we desire respectfully to be heard is whether the Government of India is in a position to yield up so large an amount of revenue—a revenue obtained from an impost which it may be fairly stated is not unpopular in India. At the present moment what India wants are railway communications, feeder roads, canals, and the opening out of its mineral resources ; yet none of these public works can be taken in hand or commenced on a scale which the needs of India demand because of the chronic impecuniosity of the Indian Exchequer. Even when there is no frontier war, and the receipts from the opium sales are normal, exchange always brings income to a level which does not permit of any expenditure that can be avoided.

13. At the present time the grounds on which it is said the Indian Government can remit 50 lakhs of its revenue is that exchange has improved. But the improvement may be only a temporary one, and there is no more certainty of sterling exchange remaining at its present figure than there is of its rising or falling. In the event of its falling, the position will be serious in the extreme.

14. If Government can spare 50 lakhs of revenue, it should at once remove the tax on incomes, or reduce the salt duties ; no action of Government would be more applauded than either the one or the other, and none would be more just or be more conducive to the welfare of the people. We submit that a temporary rise in exchange, of, so far, only very brief duration, does not justify Government in yielding so large a portion of its income, and that, if revenue can be yielded, it ought to be taken off the tax on incomes, or off the salt duties, or both. At the time the tax on incomes was levied the Viceroy in Council is reported as having stated that nothing but the disastrous condition of the Indian finances justified its imposition, and we submit that Government is bound to repeal the cess as soon as it is in a position to do so.

15. Another point regarding which a great deal has been stated is that the import duties have combined to create a demand for coarse goods of counts 20s and under, and that the prices of these goods have risen in sympathy with the higher prices for goods of finer counts. Neither statement is accurate. Until about eight years ago Indian mills were laid out to spin average 20s, but year by year there have been influences at

work lowering this standard, so that within the last few years the standard in laying out new mills has been average 16s: mills in Cawnpur that were built to spin average 20s have within recent years had to alter their machinery to suit the lower standard. The import duties have had nothing to do with this change, which was completely established before the import duties were thought of. Neither have the prices of cotton goods of low counts risen. The price of 20s yarn in Cawnpore in January of each of the last five years was as follows:—

								Rs.	A.	P.
1892	-	-	-	-	-	-	-	3	10	0
1893	-	-	-	-	-	-	-	4	7	0
1894	-	-	-	-	-	-	-	4	0	0
1895	-	-	-	-	-	-	-	3	10	6
1896	-	-	-	-	-	-	-	3	12	6

16. As regards the method of assessment of the excise on cloth, should our arguments fail to induce Government to modify the contemplated enactments, we would submit that up-country mills work under totally different conditions to those that obtain in Bombay. This is more particularly the case with the Cawnpore mills, who, to ensure a more ready sale for their cloth, make them up into tents, clothing, &c., and sell by retail on the premises. The system of baling all goods made, and of keeping a bale register, would therefore not be suitable, and in fact would not be practicable at mills where these operations are carried out. We therefore suggest that to facilitate the collection of the excise it be levied on the out-turn from each loom as ascertained from the weavers' pay sheets. This Chamber made a somewhat similar suggestion when the excise on yarn was imposed, namely, that it should be on the quantity of yarn spun and not on the quantity packed and sold, and the proposition was accepted. We are also of opinion that excise should be levied on the weight of material at the fixed rates as specified in the schedule, and not *ad valorem*.

17. We would further ask that Government make due provision in the Bills for the levy of excise on all gaol-made goods sold to the public.

18. A difficulty may arise, unless provided for in time, in connexion with those mills who have located on their premises hand looms for weaving durries, niwar, and similar goods. The intention of Government presumably is that only power-loom goods should be taxed, but we have searched in vain for any clear definition of what constitutes power-loom production. This point is of small importance to the majority of mills, but in those we represent it is of considerable moment.

19. In conclusion, we would respectfully urge that all that Lancashire has asked for, and all that the Secretaries of State have insisted upon, so far at least as their public utterances have indicated, is the removal of such element of protection as may be shown to exist in consequence of the duties now levied; but the Government of India proposes remitting 50 lakhs of revenue; it also proposes transferring a portion of the taxes hitherto paid by the well-to-do to the poorer classes of the population; it proposes to protect the hand-loom as against the power-loom industry, and to give Lancashire whatever benefit may arise from Indian mill-owners having to pay 5 per cent. import duty on their stores. We beg therefore that legislation upon the Bills be postponed until the Secretary of State has had the opportunity of considering the protests sent from India, and also of receiving a deputation composed of members from the principal public bodies in India should such be decided upon.

We do not wish by incautious or hasty criticism to render the responsibilities of Government more onerous than they really are; but we certainly consider that in the matter of the cotton duties the Government of India lays itself open to the charge of legislating for India in the interests and at the mandate of Lancashire; that it is sacrificing revenue which it cannot afford to lose; that it affirms principles which it cannot follow; that it is removing an impost which is not felt, while it retains on its statute-book taxes which are hateful to the people, both European and Native, and that the action of Government during the last months has tended to hamper the most important of India's industries.

Finally, we venture to request that this representation may be submitted to his Excellency the Viceroy in Council.

(Signed) A. McROBERT.

No. 831, dated 27th January 1896.

From J. MONTEATH, Esq., Acting Secretary to the Government of Bombay, Revenue Department, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

In continuation of my letter, No. 725, dated 23rd instant, I am directed to forward copy of a letter from the Secretary to the Chamber of Commerce on the subject of the existing cotton duties in India, together with copy of a letter from the Collector of Land Revenue, Customs, and Opium, Bombay, No. 1325 C., dated 25th instant, and memorandum from the Commissioner of Customs, Salt, Opium, and Abkari, No. 455 of the same date, forwarding it.

2. The letter of the Chamber has reached this Government only this morning, and it is feared that it cannot be in the hands of the Government of India by the date fixed for the further consideration of the Bills, but it is probable that a copy has been sent direct to the Government of India by the Chamber. As was anticipated, the views of the Chamber of Commerce are in entire accord with those of the Mill-owners' Association, and this Government have no remarks to make in addition to those contained in my letter above quoted.

No. 1325 C., dated 25th January 1896.

From J. M. CAMPBELL, Esq., C.I.E., Collector of Land Revenue, Customs, and Opium, Bombay, to the COMMISSIONER OF CUSTOMS, SALT, OPIUM, AND ABKARI, Bombay.

I HAVE the honour to forward, for submission to the Government, the accompanying letter from the Chamber of Commerce, dated 20th January, and received last evening, on the Lancashire objections to the existing mode of assessment and incidence of cotton duties in India.

2. Before discussing the questions at issue, the Chamber are careful to notice (paragraph 5) that they have been and are at one with Manchester in claiming that the import duties on goods and yarns should be entirely non-protective.

3. As regards Manchester's contention that the absence of excise duty on 20s yarns and under and on cloth made from those yarns protects the Indian produce, the Chamber show that in the matter of yarns it is not practically possible for Manchester to compete with low count yarn in India, and that the competition in cloths made of 20s yarn and under is of the smallest. At the same time to avoid the theoretical objection which they admit to exist the Chamber propose that imported yarns and cloth of 20s and under should pay no duty.

4. As to the objection that to tax Manchester on the cloth value and Indian cloth on its yarn value is unduly favourable to the Indian producer, the Chamber, while admitting that the contention is correct in theory, hold that in practice the arrangement complained of gives little protection. Still the Chamber are willing and would propose that local cloth made of yarns of 20s and over should be taxed on the cloth value. The Chamber further hold that these proposed changes will remove from objections IV. and V. any force they may have under existing arrangements, though the Chamber hold that such force as may belong to these objections is theoretical rather than practical.

5. As regards Manchester's sixth contention that the existing tariff has inflicted serious injury on the English import trade in cotton goods, the Chamber give with great fullness and care their reasons for holding that the decline in the imports into India of Manchester goods during the past year, though serious, has not been the result of the import duties.

6. With reference to coloured yarns and coloured and printed cloth, the Chamber hold that as the chief competitors of imported dyed and printed goods are hand-dyers and printers, no action is either necessary or possible; that in the case of the two Indian dye-workers the import duty on the yarns and on the chemicals used leaves a comparatively small unexcised margin; that at present there are neither bleach fields nor print works in India and that conditions are unfavourable to their establishment; that, therefore, no action is required in the matter of Indian dyed and printed cotton goods.

7. The Chamber show how greatly during the four years ending 1894 the number of spindles has increased in different parts of the world. They hold that this competition, and not the Indian import duties, is the cause of the present depression in the Manchester cotton trade.



8. Finally, the Chamber notice the proposal to exempt yarn and to tax cloth. To this the Chamber offer objections which, though sound in principle, are perhaps of no great practical consequence. In the Chamber's opinion the chief practical objection to the proposal is that in coarse goods the removal of the 5 per cent. duty on yarn would operate to the serious detriment of the Indian mill industry. In reply to this argument it may be noticed that under the existing system the coarse hand-loom cloths referred to being made of yarns of 20s and under do not pay duty on the yarn used. Still it is beyond question that to tax mill cloth and exempt hand-loom cloth will give the hand industry a certain protection. The Chamber hold that a 5 per cent. protection of hand looms would so increase hand weaving as to cause many weaving mills to close. This I should venture to doubt, though the question is one on which considerable difference of opinion must prevail. In any case it appears to me beyond question that the reduction which has been found possible from 5 to  $3\frac{1}{2}$  per cent. in the excise on Indian mill cloth reduces the protection of hand looms to a point at which all practical importance disappears.

9. In submitting the report of the Mill-owners' Association I have already had the honour of stating the grounds which, so far as my information goes, incline me to hold—

- (a.) That there is more weight at least in theory and in possibility in certain of the objections taken by Manchester to the existing excise arrangements than either the Mill-owners' Association or the Chamber of Commerce admit.
- (b.) That the difficulties in working the proposed exemption of yarns and cloth of 20s and under, and still more in taxing both yarn and cloth of 20s and over, are so grave as to make the proposal to tax cloth and exempt yarn the only practical solution of the question.
- (c.) That though the objection that it shifts a share of the burden of the duties from Manchester to the Indian weaving mills is serious, the reduction from 5 to  $3\frac{1}{2}$  per cent. which the Government of India are now in a position to grant takes from this objection much, and from the other minor objections all or nearly all of their practical significance.

10. It is a matter of regret that delays for some of which, as they show, the Chamber were not responsible, should prevent their letter from being so fully considered by Government and by the public as its importance deserves. Still Government have for some time had the advantage of the knowledge of the conclusions at which the Chamber had arrived, while the full and explicit information and the weighty and moderate arguments now furnished form a contribution of permanent value towards the settlement of the questions in dispute between the Lancashire and Indian cotton industries.

No. 455, dated 25th January 1896.

Enclosed by the ACTING COMMISSIONER OF CUSTOMS, SALT, OPIUM, AND ABKARI,  
Bombay.

SUBMITTED to Government in the Revenue Department.

From the CHAMBER OF COMMERCE to the COLLECTOR OF LAND REVENUE, CUSTOMS, AND  
OPIUM, Bombay.

Bombay, January 20, 1896.

I HAVE the honour to acknowledge the receipt of a letter No. 8810, of 11th November 1895, from the Under Secretary to Government, Revenue Department, covering copy of a letter from the Government of India, No. 5185 S.R., and its accompaniments, being copies of papers laid before Her Majesty's Secretary of State for India, by gentlemen interested in cotton manufacture in the United Kingdom, urging their objections to the mode of assessment and incidence of cotton duties in India, upon which it was requested the opinion of the Chamber might be submitted through you to Government.

2. The Chamber having only in the first instance been favoured with three copies of the papers, quite insufficient to admit of adequate consideration being given to such an important question, additional copies were applied for, but were not forthcoming until 26th November. Owing to this and the intervention of the Christmas and New Year holidays, a certain amount of unavoidable delay has occurred in drawing up and submitting the Chamber's views.

3. As the best means of insuring a thorough inquiry into, and obtaining independent opinion on, the subject, a special Committee was appointed, consisting of the following gentlemen:—

The Honourable Mr. W. R. Macdonell (Messrs. Wallace & Co.), Chairman of the Chamber; A. Abercrombie, Esq. (Messrs. Latham, Abercrombie, & Co.); A. F. Beaufort, Esq. (Messrs. Lyon & Co.); R. S. Campbell, Esq. (Messrs. W. and A. Graham & Co.); S. M. Moses, Esq. (Messrs. David Sassoon & Co.); Edw. Yeo, Esq. (Messrs. C. Macdonald & Co.); R. Wehrli, Esq. (Messrs. Volkart Brothers); O. Schilizzi, Esq. (Messrs. Ralli Brothers); L. B. Ker, Esq. (Messrs. Ritchie, Steuart, & Co.); J. Tintner, Esq. (Messrs. A. Blascheck & Co.); and J. M. Ryrie, Esq. (Messrs. Fwart, Latham, & Co.).

4. The conclusions unanimously arrived at by this Committee were concurred in by the Chamber, and are embodied in this letter, and it may be well to mention here that, while only two of these gentlemen are connected with firms interested in Indian cotton mills, they are all members or representatives of houses largely concerned in the import trade in cotton goods and yarns.

5. Before discussing in detail the statements and arguments of the English representation, I am directed to again place on record that while in 1894 the members of this Chamber unanimously protested against the exemption of cotton goods and yarns from the import tariff, they were equally unanimous in claiming that the duty should be so levied as to be non-protective in character and incidence. From this attitude, originally arrived at after mature consideration of the financial necessities of Government, and a close study of the effects of an import duty on trade in the past, the Chamber has never swerved, and it is from the same standpoint, with the additional light of the practical experience of the working of the cotton duties during the past 12 months, that the Chamber's views are now formulated.

6. With the object of dealing with the papers as clearly and concisely as possible, the Chamber will take *seriatim* the six objections laid down in paper No. 8, under the heads of which the whole of the arguments in support of the case put forward by the various English cotton interests are mainly summarised.

Objections I. and II. may be taken together; they are—

#### I.

*That the excise duty secures an immunity from competition by England in counts 20s and below; and*

#### II.

*That the import duty imposed on goods exported from this country (the United Kingdom), made from 20s and below, without any countervailing excise duty being imposed on goods made from similar counts in India, is absolutely protective in its character.*

7. Although these objections are directed to show that by the exemption of the Indian manufacturer from excise on yarns of 20s and under, and goods made from such yarns, Lancashire spinners and weavers of similar goods are debarred from competition in Indian markets, the arguments used in paragraphs 7, 8, and 13, concede the fact that India has created and enjoyed a monopoly of that branch of the trade during a prolonged period in which not a shadow of protection existed. It is admitted, indeed, in almost so many words, that the natural advantages India possesses in having both the raw material and the demand for the manufactured article at her own mill doors, so far preclude competition that the revenue likely to be derived from the import duty on coarse yarns would be a *quantité négligeable*. It is, however, contended that, with American cotton at 3*d.* per lb., Lancashire spinners who already produce 250 million pounds of low count yarns in a year, would be in a position to compete successfully with Bombay. The admitted fact that so much yarn of 20s and under is produced in the United Kingdom annually has no bearing on the question at issue, so long as it is not exported to India, and the contention that, when American cotton has declined to 3*d.*, the English spinner could convert it into yarn and lay it down at a price below what it would cost the Bombay spinner to convert the indigenous staple into 20s, not only leaves out of the calculation the enormous difference arising from the relative geographical position, but embodies the fallacy that, while American cotton declines in value, Indian remains unaltered. The history of the cotton trade shows that until February 1895, Mid-Orleans had only once been at or below 3*d.* per lb. for a period of 40 years, so that the ideal competing point is not likely to recur again so quickly as to call for hurried legislation; but to disprove the assumption, it is only necessary to mention that on the day American

cotton was at 3*d.*, good Dhollera cotton in Liverpool was quoted at 2 $\frac{1}{8}$ *d.*, a difference of 17·07 per cent.; and as the Bombay spinner has not to incur the expense of shipping, freight, insurance, and delivery charges in England, amounting to 10·65 per cent., he stood on the day mentioned with an initial advantage of 27·72 per cent., while his English competitor had further to bundle, bale, and ship his yarn to Bombay, costing 15 per cent. more—in all 42·72 per cent. of a difference. Against this it is claimed there is a saving of 13 per cent. in the wastage of American as compared with Surat cotton, and that the former would be easier spun and give a larger out-turn per spindle per day, but the residual margin is still so wide that, making every allowance, it is impossible to entertain the feasibility of competition within such limits as would permit of a 5 per cent. excise affecting the ultimate result.

8. With such an adverse margin to contend with in the cost of his yarns of 20s and under, it necessarily follows that the English manufacturer of goods made from such yarns is also out of the competition except in special cloths where a longer and stronger stapled cotton than Surats has to be used. Such a speciality is drill, the one make that the English representatives bring forward in evidence, and presumably therefore the only instance they are able to quote of English goods made from yarns of 20s and under, and consequently liable to import duty against which no countervailing excise is levied in India.

9. The representatives of the English cotton interests allege that the Lancashire weavers of drills have been almost entirely driven out of the Indian markets by the operation of the import duty, and adduce figures supplied by Messrs. Ralli Brothers, the largest importers of Lancashire drills into Bombay, in proof of this. That statement, which Messrs. Ralli Brothers have been good enough to amplify and bring down to a later date for the information of the Chamber, undoubtedly does show that, as far as the business of that firm is concerned, there has been a decided falling off in English drills; but the peculiar feature of the decrease is that it had already begun in 1894 before the imposition of the duty, as in that year, while the total imports of drills into Bombay increased by 369 bales, Messrs. Ralli Brothers' share fell off by 1,325 bales, of which 752 bales were Lancashire makes; and the further falling off which has taken place during the first 10 months of 1895, as compared with the same period in 1894, is less in extent than what took place in 1894 as compared with 1893. Nor do the total imports indicate any such reduction as would support the contentions of the English case, the quantity received into Bombay during the first 10 months of 1895, being only 1·8 per cent. below the average of the corresponding period of the previous six years—a movement that fades into insignificance before the heavy drop of 26 per cent. that took place in 1892, after the exceptional imports of 1891, and is equally insignificant when regarded in conjunction with other cotton trade fluctuations.

10. When the figures are thus carefully analysed, the conclusion is irresistible that the import duty has so far exercised little or no hostile influence on the importation of grey drills, and that such decline as may have taken place in the demand for Lancashire makes, arises from American, not Indian competition; while Khaki-dyed drill is a practical monopoly in the hands of one Manchester firm, with whom no Indian dyers do or can compete.

11. Insignificant as the actual competition may be, however, the possibility does exist of protection being afforded to Indian spinners and weavers of low count yarns and coarse goods by exempting them from excise, and to remove this the Chamber would recommend that imports of 20s yarn and under, and goods made therefrom, be exempted from duty.

12. The adoption of this remedy would possibly entail some slight additional trouble to the Custom House authorities, in deciding what yarns or goods were or were not entitled to exemption, but the trade is too small to permit of much additional work being thrown upon the appraisers—a fact that the Lancashire representatives quite appreciate and acknowledge.

### OBJECTION III.

*That the 5 per cent. import duty charged on the ad valorem value of our (English) manufactured goods is not completely countervailed by the 5 per cent. excise duty charged on the yarn value of goods made in India from counts above 20s, and that, so far as any portion of the value of those goods is not chargeable with excise duty, the import duty becomes protective to that extent.*

13. To the theoretical justice of this objection the Chamber quite agrees, and to meet it would suggest that, instead of levying the excise on yarn only as at present, it should

be assessed on the market value of all cloth made in Indian mills from yarns of counts above 20s.

14. In making this recommendation, the Chamber at the same time is constrained to admit that practically no competition or protection at present exists and that it attaches no serious importance to the probability of it arising in the future by substitution. The examples that the English representatives put forward in support of this portion of their case are all of goods that are not now made, and cannot be made, in India to a profit, and members of the Chamber engaged in the trade can of their own experience state that numerous attempts that have been made to imitate Indian-made goods in England in the manner suggested, and *vice versa*, have invariably proved unsuccessful on the score of cost.

15. The proposed remedy, moreover, will, if adopted, undoubtedly operate to the disadvantage of Indian manufacturers, in that they will be excised twice over on the cost of their imported stores; but what this will amount to or to what extent that item already counterbalances the apparent inequality of the existing method of levying the excise, is a practical question on which the Chamber does not pretend to speak with authority, and is one that the Indian mill-owners themselves can alone answer.

#### OBJECTION IV.

*That the exemption from excise duty of yarns 20s and below will encourage the manufacture of duty-free cloths, as such exemption enables the Indian manufacturer to avoid the excise duty altogether by substituting in the manufacture of cloth non-exciseable yarns for exciseable yarns.*

#### OBJECTION V.

*That it is impossible to place a dividing line between the manufactures of Lancashire and India whereby a duty levied on one, unless completely countervailed, will not afford a protective incidence to the consequent injury of the other.*

16. In view of the overwhelming advantage Indian spinners have, from geographical position, in spinning yarns of 20s and under as compared with Lancashire, the Chamber is of opinion that the additional incitement of exemption from excise has had no appreciable effect on the trade either in the way of encouraging an increased manufacture of duty-free cloths or in the substitution of non-exciseable for exciseable yarn in the manufacture of cloth. Nor does the Chamber agree that, in placing the limit of exemption at 20s and under, anything of the nature of a fine dividing line is being drawn between the production of Lancashire and India where the imposition of, or exemption from, a 5 per cent. duty would exercise a determining influence in favour of one or the other. In reality Lancashire has a practical monopoly in yarns down to 30s and goods made from same, supplying a little in a rapidly diminishing ratio down to 26s, while Indian manufacturers in like manner enjoy the monopoly up to 20s and operate to an insignificant extent up to 24s. That this was so before the imposition of the duty and has continued so since is very effectually demonstrated by the following statement of the imports of grey yarns into Bombay during the past five years as extracted from the statistics made up by the Chamber:—

IMPORTS of GREY YARNS into BOMBAY during the Years 1891 to 1895.

Description of Yarns.	1891.	1892.	1893.	1894.	1895.
	lbs.	lbs.	lbs.	lbs.	lbs.
<i>Grey Mule and Water.</i>					
No. 20 and under	24,848	8,174	8,500	14,744	6,900
" 21-24	3,791,509	3,321,458	2,774,029	4,140,375	4,120,316
" 26-32	4,119,670	2,647,560	1,470,224	2,109,048	2,688,198
" 34-52	773,482	335,687	355,555	496,044	332,905
Above 54					
Total grey yarns	8,709,509	6,312,879	4,608,308	6,760,211	7,148,319

17. Unfortunately no similar statistics have been kept elsewhere in India, and none at all are available to show of what counts the yarns are in imported cloths, but the trade of Bombay may be fairly taken as representative of the average of the country, and the movements of yarns are to some extent an indication of the nature of the woven

fabrics. That being so, it is evident from the figures that there has been no import worthy of notice of yarns under 24s for some years past and that the great bulk of the trade is above 26s—really, as the members of this Chamber know from practical experience, 30s and over.

18. In any case, whatever force the argument adduced under these two objections might have is entirely removed by the recommendation already made.

#### OBJECTION VI.

*That the imposition of those duties has inflicted serious injury to our (English) trade and will continue to do so unless completely countervailed.*

19. From this, as a general statement, the Chamber dissents, and I am directed to take exception to the reasons adduced in support of it. The opening contention in support of the objection in para. 63 is manifestly not in accordance with ascertained facts.

“Ever since their imposition (the duties) was threatened, our trade with India has been harassed and uncertain. In anticipation of their imposition, merchants would only place such orders as could be completed and delivered in India by the time it was expected the duty would be levied.”

20. So far from this being a correct representation of the case, the statistics of the exports from the United Kingdom to India show that, owing to anticipations of the duty being imposed, the trade in cotton goods between England and India in 1894 was the largest on record, supplies being rushed forward far in excess of this country's requirements or power of absorption, and that, while an enforced restriction has taken place during the past 12 months as the natural result of the previous excess, yet the two years taken together show a large average increase, exceeding indeed the normal gain dependent on increase of population and improved means of communication.

21. Nor, when the same basis and mode of comparison is adopted, is there any evidence that the Indian demand for English cotton goods is not keeping pace with the rest of the world. On the contrary, the proportion absorbed by India out of the entire exports from the United Kingdom in the first 10 months of 1894 and the same period of 1895 taken together shows an increase over the mean of the first 10 months of 1892 and 1893 and is also somewhat in excess of the average of the previous seven years. The following are the figures:—

Average percentage of India, first 10 months	1894 and 1895	- 38·82
” ” ” ” ”	1892 and 1893	- 38·73
” ” ” ” ”	1887 to 1893	- 38·76

25. In the face of these figures it cannot, with justice, be contended that the trade between England and India in cotton goods is undergoing on the average any diminution and that the depression existing in Lancashire is due, as alleged, to that cause.

23. Statistical tables could be multiplied to almost an unlimited extent to controvert this part of the English case, but it is sufficient perhaps, so far as this Chamber is concerned, if the true basis of comparison be clearly indicated. The figures are equally at the disposal of the Government of India, Her Majesty's Secretary of State, and indeed the English representatives themselves. Two extracts from the “Manchester Guardian” only the Chamber thinks it desirable to give as showing how perfectly the position is understood in Lancashire. On the 20th November 1895 the commercial editor of that journal says:—

As doubt regarding the possibility of India abstaining from vigorous buying for any length of time has been expressed in many quarters, it may be of interest to consider the matter from a statistical standpoint. The shipments to India and Burmah of plain, dyed, and coloured and printed cotton goods for the 10 months of this year, compared with the corresponding period of the previous four years, are stated in yards as follows:—

Years.	Yards.	Average in Yards.
1895	1,416,218,000	1,642,539,000
1894	1,868,860,000	
1893	1,508,144,000	1,511,135,000
1892	1,509,579,000	
1891	1,515,682,000	

It will therefore be seen that, in spite of the falling off in the shipments for this year compared with 1894, the average of these two years is 131,404,000 yards more than the average for the preceding three years. The conclusion, therefore, seems quiet irresistible that in the meantime India has been so fully supplied on the average that the natural resistance to high prices may very well encourage dealers to refrain from buying other than absolute requirements as they arise.

24. And again, in summarising the course of the export trade in cotton goods on 31st December 1895, the following:—

Although the exports to India show a startling falling off in the quantities shipped during the 11 months as compared with the corresponding period in 1894, the average for these two periods show that about 135,000,000 yards more were shipped than the average of the three corresponding periods of 1893, 1892, and 1891.

25. With reference to that part of the representation dealing with dyed yarns, the Chamber does not propose to make any recommendation. The large importations of alizarine and other dye stuff, to which the memorialists refer, are mainly consumed by hand dyers, whose operations it would be exceedingly difficult either to excise or control, and as they are already taxed both on the grey yarn and the chemicals they use, the unexcised margin is comparatively small, probably all round not more than one-third of the figure alleged. In the papers submitted to Her Majesty's Secretary of State the amount of protection enjoyed by Indian dyers is exaggerated by taking as a basis of calculation the market price of the best Glasgow turkey-red yarn and merely deducting therefrom the tariff value of grey Indian yarn, taking no account of the duty on chemicals and stores. Nor is it noticed that a considerable proportion of the yarns used for dyeing are English, and this is more particularly the case in the only two dye-works working in India under European supervision. It is perhaps mainly as against these establishments and the proportion of their products exported to Rangoon that the paper emanating from the Glasgow dyers is mainly directed, but seeing that the duty on imported dyed yarns of 20s and under has already been reduced from 5 to  $\frac{1}{2}$  per cent., and that according to a return furnished to the Chamber by the Rangoon Chamber of Commerce, the total imports of Indian dyed yarns during 1894 was only 1,136,200 lbs., the case made out seems scarcely one for specific relief, and is certainly not more entitled to it than numerous other trades whose articles of local manufacture compete with those of European make.

26. The import of coloured yarns is, undoubtedly, a declining branch of trade, as the subjoined figures, giving the receipts into Bombay during the past five years, indubitably demonstrate, but that it is not owing to the working of the import tariff is palpable, as the decline was already heavy and continuous years before the duty was imposed:—

—	1891.	1892.	1893.	1894.	1895.
Coloured yarns, all counts - -	5,646,754	5,041,533	4,289,016	3,501,022	2,898,704

27. As in yarns, so in cloth, a very considerable industry exists throughout the country in hand dyeing and block printing; and for some years past, as the knowledge of imported chemicals and the methods of using them has spread, there has been an undoubted development of this industry, quite irrespective of the import duty. That it is likely to still further increase owing to the cheapness of labour, and the preference which consumers have for some kinds of hand-made articles of clothing is also highly probable, but the goods thus produced are not now, and never can be, competitors in the true sense of the word with the products of European machinery, and there are neither print works nor bleach works in the country. Whether such establishments may be started in India in the future it is impossible for non-experts, such as the members of this Chamber, with any certainty to say; but it appears to them that difficulties in the way of finding the necessary combination of cheap fuel and an abundant water supply in suitable localities, to say nothing of the highly skilled labour requisite, are not such as to be overcome by a 5 per cent. import tariff, whether countervailed by an excise or not.

28. So far, the Chamber has mainly discussed the statements submitted by the representatives of the English cotton interests from the point of view of, and the light thrown upon them by, the statistics of the import trade, but there are other considerations

material to the real issues that come well within the purview of the Chamber, and should not be overlooked. One of the most important of these, and one that has received most inadequate attention—if indeed it has been mentioned at all—in the English case, is the fact that the Bombay mills mainly work for export, from 70 to 80 per cent. of their entire production being shipped to markets, where they compete with Lancashire mills on absolutely level terms, or with only such advantages as the geographical position affords. The extent of competition is thus not only largely restricted, but it also permits of such an analysis of the trade figures as to prove almost to demonstration what the nature of the competition has been. If the general statements of the English representatives are correct that the trade of Lancashire is suffering solely from the protection afforded by the import duty in India, it necessarily follows that any deficiency in imports from England in 1895 have been made up by Indian-made yarns and goods. Instead of this being the case, the figures show that during the first 11 months of 1895, as compared with the same period of 1894, Bombay exported 11,800,000 lbs. more yarn, and 12,420,000 yards more cloth, and that to the interior Indian markets there was a decrease of 941,431 lbs. yarn of Bombay make. In the opinion of the Chamber, this alone disposes of the contention that Lancashire trade has been suffering from Indian competition; but, as additional proof to the same end, and also as probably indicating the real origin of the depression in Lancashire, the Chamber gives the following comparison of the increase in the spindle power of the world in the four years preceding 1895:—

—	India.	U.K.	America.	Continent.	Japan.	China.	Total.
1891 -	78,000	1,000,000	235,000	575,000	76,000	—	1,964,000
1892 -	50,000	600,000	560,000	370,000	31,300	—	1,611,300
1893 -	174,000	—	350,000	445,000	—	99,700	1,068,700
1894 -	74,000	—	150,000	500,000	278,200	177,900	1,180,100
Total -	376,000	1,600,000	1,295,000	1,890,000	385,500	277,600	5,824,100

29. In the foregoing remarks the Chamber has endeavoured to answer as concisely as possible the various points raised in the Government of India's letter, No. 5185 S.R. of 30th October 1895. It holds that the main contention of the English case—that the depression said to prevail in the Lancashire cotton industry—is entirely attributable to the imposition of the Indian import duty, is unfounded; that the protection afforded to the Indian manufacturer by the relative incidence of the import duty and excise as now levied, is, at present, very limited in extent, and attaches little weight to its possible development in the future by means of substitution; but that, in order to remove any semblance of protection and the alleged grievances of the English cotton interests, the best means in the opinion of the Chamber, and involving the least disturbance to trade, would be to enact:—

- (1) that all yarns imported of 20s count and under, and goods made from such yarns, shall be exempt from duty; and
  - (2) that an excise duty of 5 per cent. be imposed on the market value of all cotton goods made in Indian mills from yarns over 20s;
- leaving the other provisions of the Import Tariff and Cotton Duties Act untouched.

30. Several other suggestions have been put forward for removing the apparent existing inequality of taxation, one of which it is currently reported is favourably regarded by the Government of India; that is, to abolish both import duty and excise on all yarns, and levy duty and excise at the same rates on all cotton goods imported and Indian made. The arguments in favour of this appear to be two only: one that it would probably be acceptable to the English interests as the first and a considerable step towards the total abolition of the duties, and the other, that it would simplify for Government the assessment and collection both of excise and import duty. These, no doubt, are both desirable conditions, but considerations adverse to the scheme should not be overlooked. It would be regarded, and not without a certain amount of justice, as an abandonment of principle to satisfy Lancashire. It would be manifestly inequitable in principle in taxing one branch of industry and not another. It would be distinctly unfair to all Indian mills, both spinners and weavers, as the former would be taxed beyond Lancashire to the extent of the duty on their stores, and the latter would have to pay that duty twice over. It would lay a tax on the clothing of the poor, from which they are now exempt, without practical injury to Lancashire. But the most serious result would be the protection extended to hand-loom weaving against Indian mills. In the coarse goods

which the latter produce the competition is already so close that a difference of 5 per cent. in the cost of the yarn would unquestionably operate to the serious detriment of the industry, and might lead to the closing of many of the mills altogether.

31. Another alternative would be, in addition to exempting yarns of 20s and under, and goods made from such yarns, to reduce the import duty on cloths made from yarns over 20s by 1 per cent., or whatever percentage it may be found the Indian manufacturer has an advantage over his Lancashire competitor after allowing for the duty the former has to pay on his stores. This arrangement would not be inequitable so far as the cotton trade alone is concerned; on the contrary, it would probably enable a more exact balancing of the contending interests than any other, but it would possess the undoubted disadvantage of departing from a 5 per cent. tariff, and would justify other trades in demanding similar treatment.

32. It appears unnecessary to the Chamber to seriously discuss the question of the abolition of the cotton duties. They could not equitably be removed without the total abolition of the import tariff, and, gladly as the Chamber would welcome that, it understands that the financial situation of Government renders the step quite impracticable.

I have, &c.

JOHN MARSHALL,  
Secretary.

W. R. MACDONELL,  
Chairman.

FINANCE AND COMMERCE DEPARTMENT.

NOTIFICATION.

*Separate Revenue. Cotton Duties.*

Calcutta, the 3rd February 1896 (No. 580 S.R.).

In exercise of the power conferred by section 7 of the Cotton Duties Act, 1896, the Governor-General in Council is pleased to fix, for the descriptions of cotton goods (unbleached) specified below, tariff values as follows:—

Description of Goods.	Tariff Value per lb.	
	Annas.	Pie.
Chadars and Dhutis, plain or with borders not exceeding one-quarter of an inch.	7	0
Domestics		
Drills		
Jeans		
Long cloth		
Sallas		
Sheetings		
Sheets, bed		
Shirtings		
T-cloth		
Chadars, Dhutis, and other cloth, with borders exceeding one-quarter of an inch, but not exceeding one inch and a half.	8	0
Drills and jeans, striped and checked		
Figured goods		
Towels and napkins		
Trouserings, corded		
Checks, Susi, and other coloured cloths	10	0
Flannelettes	10	6

J. F. FINLAY,  
Secretary to the Government of India.



No. 894 S.R., dated 6th February 1896.

From H. H. RISLEY, Esq., C.I.E., SECRETARY TO THE GOVERNMENT OF BENGAL, Financial Department, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

I AM directed to acknowledge the receipt of your letter No. 5184 S.R., dated the 30th October 1895, forwarding, for communication to the Bengal Chamber of Commerce, copy of certain papers in connexion with the protest made by certain gentlemen interested in cotton manufacture in the United Kingdom against the cotton duties which are levied in India, on account of their having the effect of protecting Indian against British industry, and asking for the opinion of the Chamber upon three questions in particular, and requesting to be favoured with information as to the extent to which bleached and printed goods of Indian manufacture compete with imported goods.

2. In reply, I am directed to submit, for the information of the Government of India, the accompanying copy of a letter from the Board of Revenue, No. 72 B., dated the 24th January 1896, and of its enclosure, submitting, with an expression of their own opinion, the opinion of the Bengal Chamber of Commerce on the subject. Sir Alexander Mackenzie regrets that it was received so late and thinks it unnecessary now to add any comments of his own, as the law has since been amended so as to meet the objections taken by the English manufacturers.

No. 72 B., dated 24th January 1896.

From E. H. WALSH, Esq., Officiating Secretary to the Board of Revenue, Lower Provinces, to the SECRETARY TO THE GOVERNMENT OF BENGAL, Financial Department.

I AM directed to acknowledge the receipt of Government order No. 5582 S.R., dated the 13th November 1895, and its enclosures, forwarding, for the Board's information, a copy of letter No. 5581 S.R. of the same date, to the address of the Bengal Chamber of Commerce, requesting the Chamber to report, through the Board, their views on the several objections urged by the gentlemen interested in cotton manufacture in the United Kingdom to the cotton duties levied in India. In reply, I am to say that the Board regret the delay which has occurred in sending on the reply of the Chamber of Commerce now forwarded. The statements and facts made use of in their letter had to be examined, and when this had been done the member in charge met with an accident which rendered him unable to deal with the matter for some days.

2. The Board agree with the Chamber that it is unfortunate that the figures for the statistics of the importation of yarns of counts of 20s and under are not available. The Collector of Customs has reported that separate figures are not recorded for each range of yarn imported, and the figures, if they can be obtained, must therefore be supplied from England.

3. Even without these figures the Board think that the case against the cotton duties is by no means so fully made out as the Lancashire memorials would indicate. The Chamber in paragraph 5 of their reply refer to the question of old machinery as an important factor in the question. This view of the case is very strongly supported by Messrs. Ellison & Co.'s Annual Review of the Cotton Trade for the year ending 30th September 1895 as quoted in the "Economist" of 26th October. Messrs. Ellison & Co. state that "the margin of profit has been so poor that none but the best appointed mills have been able to make both ends meet, with the result that at the close of the season there is a good deal of machinery idle." There can, the Board think, be no reasonable doubt that the above is a very potent factor in the Lancashire depression.

4. The same article shows that the total number of spindles in the world had increased from 90,435,000 in 1892 to 93,593,000 in 1895, or by over three millions, and the increase is thus roughly divided—

Great Britain	-	-	-	-	50,000
Continent	-	-	-	-	1,800,000
United States	-	-	-	-	855,000
East Indies	-	-	-	-	408,000

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

the producing powers of the Continental and American mills must have a far more direct and damaging effect on British trade than the imposition of Indian duties.

5. The same trade review also emphasises the facts given in paragraph 6 of the reply of the Chamber in connexion with the price of cotton. The article runs thus: "The reason ascribed by Messrs. Ellison & Co. for the better and more remunerative business done by our competitors during the past season is that American and Continental spinners were smarter in taking advantage of the market by laying in huge stocks of the raw material at the low prices current during the winter months, whereas English spinners purchased very little cotton in anticipation of actual requirements. The fluctuations in the price of American cotton have ranged from  $2\frac{3}{4}d.$  to  $4\frac{3}{4}d.$  per lb., the highest being also the closing quotation of the season." The same report pointed out to the spinners of Great Britain that "it is the Continent and not India whose competition is most felt."

6. The Board call special attention to this report as giving a fair resumé of the cotton trade of the year ending 30th September, when the duties had been in force for more than nine months; yet the contraction of English trade is nowhere attributed to these duties, but to its real causes, viz., competition of the Continent and America, old machinery, and the failure to take advantage of a cheap market of the raw material. The first of these causes is intimately connected with the great labour question, including short hours and strikes. If the British workman will insist on working shorter hours than his Continental or East Indian competitor, while his pay is not decreased in proportion, but is kept at the old rate, or even increased, we must be prepared to see trade go elsewhere, and to have British mills standing idle. Another point not touched on by the Chamber, but which to some extent affects the trade and favours Continental spinners, is the low rate of freight from the Continent to India which gives the Continental spinners a further advantage.

7. Apart from these general causes which the Chamber have touched upon, they also contend in their paragraphs 9 to 11 that the duties have not had the effect complained of by Lancashire, at least as regards twist and yarns. The Chamber have quoted figures up to the end of October, but the Board of Trade returns for November have since been published, and the results for 11 months are given below:—

TOTAL EXPORTS of YARN and TWIST from the UNITED KINGDOM for Eleven Months ending 30th November.

1.	To all Countries.		To India.	
	2.	3.	4.	5.
	lbs.	£	lbs.	£
1895 - - - -	234,561,900	8,581,988	38,632,900	1,515,925
1894 - - - -	216,452,100	8,547,968	36,164,200	1,477,072

These figures show that India has taken more twist and yarn in 1895 than in 1894, and the ratio taken by this country in the later year, as compared with that taken by the world at large, is exactly the same as in 1894. If the duties had been so prohibitive as is alleged, India would have shown a decrease as compared with other countries, where no such disturbing element had been introduced. The same returns show that the export of piece-goods to India has decreased considerably in 1895, but the large importations of 1894, in view of the expected cotton duties, must be taken into consideration, and it must also be noted that India is not the only country which has taken less manufactured goods from England.

8. On the whole figures seem to prove that, since the imposition of the import duty, the exports of twist and yarn from England to India have been in no way interfered with, while the trade in manufactured goods has suffered to some extent; but whether that is due to the duties or to unduly large importation in 1894 is still doubtful; and the experience of at least another year would be necessary to decide the question even approximately. In any case it is certain that there has been no such increase of production of manufactured material on this side of India as would in any way explain the decrease.

9. The proposals of the Chamber, contained in their last paragraph, appear to the Board to be fair and workable. That they will in any way benefit Lancashire is, in the opinion of the Board, extremely doubtful, as the causes of the depression of the cotton industry go far deeper. Still the proposals made, if approved and acted on, will remove what is held to be a grievance, and will possibly arouse Lancashire to a sense of the far more real dangers that menace the cotton industry than those now complained of.

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From SECRETARY, Bengal Chamber of Commerce, to the SECRETARY, Board of Revenue, Lower Provinces (dated January 3, 1896).

In compliance with the request of the Government of Bengal contained in the letter of the Financial Department of that Government, No. 5581 S.R., dated the 13th November 1895, and with reference to the correspondence forwarded under cover of that letter, I am now directed by the Committee of the Bengal Chamber of Commerce to offer the following observations upon the questions connected with the levy of duties on cotton goods and yarns imported into and manufactured in India.

2. The Committee notice that whilst the Indian import duties and the Indian cotton duties were imposed at the end of December 1894, the first protest against them on the part of the cotton manufacturers of the United Kingdom appears to have been made by a deputation which waited on the Secretary of State so early as the 27th March. The last statement given in the correspondence referred to above was submitted by Mr. John Whittaker, director of the United Cotton Manufacturers' Association, and of other cotton manufacturing associations in Lancashire on 9th July, and raises a number of questions tending to show not only that the Indian import duties are protective as against Lancashire, but that they are protective to such an extent as to seriously affect the Lancashire trade in the goods made from the lower counts of yarn. It is also urged that the general effect of the import duties is injurious to the trade of Lancashire, and that they should be abolished. It has since been reported by telegram that several mills producing fabrics specially made for the Indian market have had to shut their doors.

3. The Committee have to remark that it would appear that the cotton manufacturing trade of the United Kingdom must apparently be in a somewhat critical state when the imposition of a 5 per cent. duty on goods sent to a special market appears to affect the whole trade to an extent which imperils its existence, and the conclusion they draw is that the complaint on the part of the cotton manufacturers of the United Kingdom is either exaggerated or that there are other causes at work, among which may be instanced strikes, affecting the trade as a whole, and that these causes have not been explained and have not been inquired into as their importance evidently requires should be the case. The Committee have carefully examined the information available to them, but are unable to find, so far as India is concerned, an explanation which will fit in with the pessimistic declarations put forward in the papers given as enclosures to the letter of the Government of India, forwarded with the letter from the Government of Bengal, under notice.

4. They would also state that in approaching this subject the Indian Chambers are at a disadvantage, inasmuch as the statistics relating to the manufacture in Lancashire and import into India of goods from yarns of the counts of "20s" and under, promised to the Government of India by the Secretary of State, appear not to be forthcoming. The Committee would, however, here briefly draw attention to a few facts connected with this controversy, which seem to them to call for careful and close investigation.

5. The first is that they have nowhere seen any reference made to the effect of old machinery, although there is reason to believe many mills in Lancashire have run their machinery for such a term as to require either considerable modifications of their plant or even its complete renewal. It would be interesting to know how many of the mills are affected by this cause, especially those mills which have closed their doors.

6. The Committee in dealing with certain figures given below relating to British trade in cotton manufactures start from a period antecedent by one year to the fiscal legislation of 1894, and the first thing that strikes them is the great fall in the prices of raw cotton which marked the years 1894 and 1895, and the fact that at the present

time cotton appears to have recovered itself and to have regained the price at which it was saleable in Liverpool two years ago. The following are the figures :—

	Medium American.	Good Dhollera.	Good Bengal.	Fair Brown Egyptian.
27th December 1893 - - - -	4½	3½	3½	4½
3rd July 1894 - - - -	3½	3½	2½	4½
27th December 1894 - - - -	3½	3½	2½	4½
6th July 1895 - - - -	3½	3	2½	6
21st December 1895 - - - -	4½	3½	3½	5½

7. The Committee will not occupy the time of the Board by analysing these figures. It will be sufficient for them to say that they do not show the actual lowest point to which American and other cotton fell, and that their effect has not been explained.

8. It must strike every commercial man as strange that the cotton manufacturers of Lancashire, in putting forward their case as against India, have not dealt with the very important subject of exchange, yet there can be no doubt that the fall in exchange, although accompanied by a fall in the price of raw cotton, must have undoubtedly exercised a powerful influence upon the operations of manufacturers. The fall in exchange in the 12 months which elapsed between December 1893 and the imposition of the Indian cotton duties was  $2\frac{7}{8}d.$ , a difference which in itself would largely account for the crisis to which Lancashire has so strongly drawn attention. Following the dates given in the preceding table, the course of exchange is given below :—

27th December 1893 - - - -	- - - -	- - - -	- - - -	- - - -	1 3½
3rd July 1894 - - - -	- - - -	- - - -	- - - -	- - - -	1 0½
27th December 1894 - - - -	- - - -	- - - -	- - - -	- - - -	1 0½
6th July 1895 - - - -	- - - -	- - - -	- - - -	- - - -	1 1¼
23rd December 1895 - - - -	- - - -	- - - -	- - - -	- - - -	1 1½

Here, again, it will be sufficient for the purpose of the Committee to indicate a factor which, in their opinion, ought to have been considered, but which has apparently been left out of account in formulating the grievance set up against the Indian import duties.

9. Naturally, a body like the Chamber of Commerce would look to see whether the trade returns of the United Kingdom support the contention as to the injurious protective effect of the import duties levied in India under Act XVI. of 1894. They have therefore examined the figures of the trade for the 10 months ending 31st October, during which the import duties have been enforced, as compared with the same period in 1893 and 1894. They have not confined their attention to India merely, but have considered the trade of the United Kingdom with the principal consumers of cotton goods. The result is given in the following table :—

COTTON MANUFACTURES.—TRADE VALUE IN £.

Ten Months ending 31st October.

Country.	1893.	1894.	1895.
	£	£	£
Turkey - - - - -	2,487,756	3,142,633	2,797,772
Egypt - - - - -	1,065,901	1,424,846	1,179,979
Dutch India - - - - -	1,118,944	1,085,412	1,215,365
China - - - - -	3,101,550	3,459,317	3,608,567
Japan - - - - -	621,353	633,829	705,458
United States - - - - -	1,338,721	834,211	1,361,280
Brazil - - - - -	2,706,692	2,195,559	1,621,016
Argentina - - - - -	1,173,897	742,973	1,231,658
India - - - - -	12,403,237	15,226,245	10,673,762
Straits Settlements - - - - -	607,262	925,740	734,545
Australasia - - - - -	1,331,519	1,680,616	1,906,082
Other countries - - - - -	1,383,677	1,593,466	1,514,098
Total for 10 months, all countries -	38,926,762	42,276,348	38,786,909

10. It is noteworthy that, as compared with the 10 months of 1893, the same period of 1895 shows a falling off in the total trade of only 139,853*l.*

The other points disclosed by the table are the following :—

	£
Increase in total British exports of cotton goods, 10 months of 1894 over the same period of 1893	3,349,586
Increase in British exports to India of cotton goods in the same interval	2,823,008
Decrease in exports of cotton goods to India, 10 months 1895 as compared with same period of 1894	4,552,483
Decrease in exports of cotton goods to India, 10 months 1895 against same period 1893	1,729,475
Percentage increase of total British exports of cotton goods, 10 months, 1894 as compared with same period 1893	8·6
Percentage excess exports of cotton goods to India, 10 months 1894 as against 10 months 1893	22·7
Percentage exports of cotton goods to India, less in 10 months 1895 as compared with the same period of 1893	13·9

These figures show that whilst there was an increase in the general trade in 1894, the increase in the particular instance of the trade with India must be regarded as so excessive as to amount to over-trading. The Indian market was largely overstocked with cotton goods, with the result that it could not wholly recover itself in 1895. These figures, therefore, do not support the contention as to the effect of the duties levied under the Indian Tariff Act, XVI. of 1894. Another fact of some interest disclosed by the table given above is that in the three years given there is an actual progressive increase in the cotton trade of the United Kingdom with China and Japan.

11. The comparison would be incomplete were the figures not given which relate to the trade in twist and yarn. The Committee accordingly take the 10 months ending 31st October last of the last three years, giving the figures below :—

TWIST AND YARN.—TRADE VALUE IN £.

*Ten Months ending 31st October.*

Country.	1893.	1894.	1895.
	£	£	£
Turkey	641,396	687,138	505,573
Germany	1,198,972	1,275,358	1,623,553
Holland	1,262,551	1,355,345	846,686
Austria	103,563	149,566	291,869
China	229,733	258,109	277,788
Japan	653,967	607,460	642,778
India	1,414,551	1,329,993	1,394,101
Straits Settlements	43,584	103,762	106,820
Other countries	423,104	454,487	564,429
Totals for 10 months, all countries	7,441,962	7,753,437	7,735,996

This table shows that the total trade has made a progressive increase, whilst India shows in 1895 an increase as compared with 1894, but a very small decrease as compared with 1893, so that the duties would not appear to have affected the yarn trade so injuriously as it is laboured to make out.

12. Although the Committee are obliged to draw the conclusion that if there be a grievance on the part of the cotton manufacturers of the United Kingdom it is a grievance affecting a particular section only rather than the whole trade, they would yet deprecate friction between India and England, and would be unable to accord their support to fiscal measures of a protective character.

The general conclusion to which they have come, after consultation with gentlemen interested in the cotton industry in India, is that, provided the state of the Indian finances will permit of the concession being made to remove the cause of complaint and avoid further friction, Schedule 4 of Act XVI. of 1894 should be so amended as to allow of the exemption from import duty of cotton goods manufactured from 20s yarns and under, and also the exemption of imported 20s yarns and under, placing at the same time an excise on Indian-made cloth of yarn over 20s and bundled yarn over 20s.

Dated 2nd February 1896.

TELEGRAM from A. C. PARTHASARADHE NAIDU, Esq., Chairman, Public Meeting, Madras, to his Excellency the VICEROY IN COUNCIL.

Public meeting this evening, above two thousand present, resolved unanimously emphatic protest anent proposed re-arrangement cotton duties.

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No. 914 S.R., dated 7th February 1896.

From H. H. RISLEY, Esq., C.I.E., Secretary to the Government of Bengal; Financial Department, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

In continuation of my letter No. 894 S.R., dated the 6th February 1896, on the subject of the protest made by certain gentlemen, interested in cotton manufacture in the United Kingdom, against the cotton duties levied in India on account of their having the effect of protecting Indian against British industry, I am directed to submit, for the information of the Government of India, the accompanying copy of a memorandum from the Board of Revenue, No. 87 B., dated the 30th January 1896, and of its enclosure, communicating two resolutions passed at a special general meeting of the members of the Calcutta Import Trade Association on the subject.

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No. 87 B., dated 30th January 1896.

MEMORANDUM from the OFFICIATING SECRETARY TO THE BOARD OF REVENUE, Lower Provinces, to the SECRETARY TO THE GOVERNMENT OF BENGAL, Financial Department.

\* Letter No. 7 M., dated 17th January 1896, from the Secretary, Calcutta Import Trade Association.

Copy\* submitted to the Secretary to the Government of Bengal, in the Financial Department, in continuation of the Board's letter No. 72 B., dated 24th January 1896, for the information of Government.

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No. 7 M., dated 17th January 1896.

From the SECRETARY, Calcutta Import Trade Association, to the SECRETARY TO THE BOARD OF REVENUE, Lower Provinces.

I AM directed to hand you copy of two resolutions passed at a special general meeting of members of this Association, held this morning, to consider letter No. 7—96 of 3rd instant, addressed to you by the Secretary of the Bengal Chamber of Commerce, recommending the exemption from import duty of cotton goods manufactured from 20s yarns and under. The first resolution runs as follows:—

“The members of the Calcutta Import Trade Association, having had before them the letter addressed on 3rd January by the Committee of the Bengal Chamber of Commerce to the Secretary of the Board of Revenue, in which the exemption from import duty of cotton goods manufactured from 20s and under is advocated, hereby record their emphatic protest against the renewal of the system of drawing a line of demarcation for duty purposes between cloths made of different kinds of yarn. They consider that the proposal is unsound in principle, that it is certain to lead to much friction between the Custom House authorities and the importers, and that it is objectionable as interfering with trade and tending to destroy the value of established trade marks.”

The second resolution was as under:—

“That a copy of this resolution be sent to the Secretary of the Board of Revenue and the Committee of the Chamber.”

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No. 2067, dated 8th February 1896.

To his Excellency the Right Honourable the GOVERNOR-GENERAL AND VICEROY OF INDIA IN COUNCIL.

The humble memorial of the people of Borsad, Zilla Kaira, Bombay Presidency.

MOST RESPECTFULLY SHOWETH—

THAT the people of Borsad, an isolated and out-of-the-way place in the province of Gujarat, on learning of the imposition of duty on Indian cloth by your Excellency's Council, assembled together under the presidentship of the undersigned, to discuss the propriety and far-reaching consequences of the Act, on the 7th instant.

2. That the Act on the subject, which has recently been passed by your Excellency's Council without waiting for the answers of the Indian mill-owners to the allegations made by the Lancashire agitators, has struck panic and created a feeling of distrust in the policy of Government among the people.

3. That the meeting has unanimously resolved that the Act imposes an additional burden on the people, especially the poorer classes, who have been already taxed to the utmost, and that the people of Borsad therefore express their thorough disapproval of, and protest against, the Act.

4. That the Act is an improper evasion of the promises made by Her Majesty's representatives of every rank, of treating Her Majesty's subjects with impartiality and kindness without any distinction of caste, creed, or colour.

5. That the Act is a very oppressive measure, and has the effect of virtually depriving the poorer classes of one of the necessities of life, inasmuch as the coarser cloths worn by the poorer classes are rendered so far more dear that the people are much grieved to see that justice, equity, political economy, righteous principles, and common sense are all thrown overboard when the interests of the British public are concerned.

6. That the people assure your Excellency's Government that the Act is disliked not only by the people of large towns, but also by people living in the most distant and secluded corners of the British Empire, and its effect is dreaded and more severely felt in villages and places like Borsad, where poverty is more raging than in towns.

7. That the people most earnestly request your Excellency's Council to reconsider the Act recently passed, having regard to its disastrous effects on the poorer classes.

8. That they also assure your Excellency that if the measure is allowed to take effect in its present form, the discontent will be enhanced, and instead of benefiting Lancashire or other English cloth emporiums they will make them suffer a great loss by being goaded to a desperate measure of not using any foreign cloth at all.

9. That the memorialists humbly trust that your Excellency and your wise councillors will nip in the bud the evil that augurs serious consequences.

10. That in duty bound your Excellency's humble servants will ever pray, &c.

LALLOOBHAI ASHARAM,  
President of the Public Meeting, Borsad.

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APPENDIX (see page 17 above).

STATEMENT by Mr. JOHN WHITTAKER submitted to the Right Honourable LORD GEORGE HAMILTON, Her Majesty's Principal Secretary of State for India, and approved by the JOINT COMMITTEE of COTTON MANUFACTURERS AND OPERATIVES.

MY LORD,

1. YOUR predecessor in office, the Right Honourable H. H. Fowler, requested a representative deputation which waited upon him at the India Office on May 27th, 1895, to submit to him in writing a statement dealing with the protective character of the import duties on cotton goods.

In accordance with that suggestion, and at the request of the gentlemen forming that deputation, I beg to lay before you the reasons why, in our opinion, the excise duty, as at present imposed on the products of the Indian spinner and manufacturer, being only partial in its operation, does not "satisfactorily and equitably remove any and every

“ protective character ” of the import duty levied on the whole of our cotton exports to India, as promised by the Right Honourable Mr. Fowler to the House of Commons, on February 21st, 1895.

2. We regret that any financial necessity has arisen for the levying of import duties on any articles imported into India ; but as Mr. Fowler informed the deputation that so far as the Government of which he was a member was concerned, “ the question of levying of import duties was a closed question,” we do not propose, at the present time, to discuss the wisdom or otherwise of the policy adopted ; but as Mr. Fowler also informed the deputation that “ it was also a closed question that there was to be no exemption from the import duties,” then we have a right to expect that the products of such a large and rapidly increasing competing industry as the cotton industry in India shall be subject to the same conditions as our own, so that we shall be under no disadvantage as compared to them in competing for the trade of the Indian market.

3. It is the existence of this competing industry in India which demands that special consideration should be given to the products of the home industry ; for while an import duty levied on the majority of our exports inflicts no injury upon the producer, because no competing industry of any moment exists in India, yet the existence of a rapidly increasing industry such as is shown in the following statement makes it essential that the import and excise duties should be so adjusted that no inequality should exist, otherwise the advantage given to one will be to the detriment of the other.

STATEMENT SHOWING INCREASE IN NUMBER OF SPINDLES, LOOMS, AND WORKPEOPLE employed in INDIA.

Year ending June 30th.	Number of Spindles.	Number of Looms.	Number of Work-people.
1861	332,000	Not stated.	Not stated.
1874	593,000	Do.	Do.
1876	1,100,112	9,139	Do.
1877	1,244,206	10,385	Do.
1878	1,289,706	10,533	Do.
1879	1,452,794	13,018	42,914
1880	1,462,590	13,602	44,410
1881	1,513,096	13,707	46,430
1882	1,620,814	14,172	48,467
1883	1,890,388	15,373	53,476
1884	2,000,667	16,252	66,038
1885	2,145,646	16,537	67,186
1886	2,261,561	17,455	74,383
1887	2,421,290	18,536	76,942
1888	2,488,851	19,496	82,379
1889	2,762,518	21,561	91,598
1890	3,274,196	23,412	102,721
1891	3,351,694	24,531	111,018
1892	3,402,232	25,444	116,161
1893	3,575,917	28,164	121,800
1894	3,649,736	31,154	130,461

5. A perusal of the foregoing statement affords, in our opinion, a complete justification for the exemption that has hitherto been accorded to the products of the cotton industry from the imposition of import duties, and whilst reaffirming the opinion expressed throughout Lancashire that nothing short of the entire abolition of these duties will be accepted as final and satisfactory, yet we accept, for the present at any rate, the necessity which it is alleged has arisen for their imposition, but whilst doing so we cannot rightly be accused of “ greed ” or “ selfishness ” in asking that our industry should be protected against unfair competition by the Indian mill-owners. We do this, not only in the interest of the enormous amount of capital which has been invested in the cotton industry in this country, but also of the hundreds of thousands of workpeople who are dependent upon its success, and who have a right to demand that their occupation should not be made precarious by the imposition of a duty which is harassing in its character so long as it is not completely countervailed.

6. The deputation which waited upon Mr. Fowler endeavoured to prove by evidence which has no doubt been submitted to you, that the excise duty imposed on the products of the Indian mills of counts over 20s, being only partial in its character, was open to the following amongst other objections :—

- (1.) That it secured an immunity from competition in the Indian markets by England in counts 20s and below.



- (2.) That the import duty imposed on goods exported from this country made from 20s and below, without any countervailing excise duty being imposed on goods made from similar counts in India, is absolutely protective in its character.
- (3.) That the 5 per cent. import duty charged on the *ad valorem* value of our manufactured goods is not completely countervailed by the 5 per cent. excise duty charged on the yarn value of goods made in India from counts above 20s, and that so far as any portion of the value of these goods is not chargeable with excise duty, the import duty becomes protective to that extent.
- (4.) That the exemption from excise duty of yarns 20s and below will encourage the manufacture of duty-free cloths, as such exemption enables the Indian manufacturer to avoid the excise duty altogether by substituting non-exciseable yarns for exciseable yarns in the manufacture of cloth.
- (5.) That it is impossible to place a dividing line between the manufacturers of Lancashire and India, whereby a duty levied on one, unless completely countervailed, will not afford a protective incidence to one, to the consequent injury of the other.
- (6.) That the imposition of these duties has inflicted serious injury to our trade, and will continue to do so unless completely countervailed.

#### OBJECTION I.

*That the excise duty secures an immunity from competition in the Indian markets by England in counts 20s and below.*

7. With the assumption that because for some time India has by a combination of favourable conditions practically had a monopoly of the coarse yard trade, she should therefore have that monopoly secured to her in the future by a non-countervailed import duty, which thus becomes a protective duty, we do not agree.

8. The long hours worked by the Indian mills, the cheap labour they employ, the freedom they enjoy as compared with ourselves from Factory Acts or standard lists, the enormous saving in freight by having their raw materials at their very doors, together with cheaper means of distribution, are circumstances which together have combined to secure to them the practical monopoly of the trade in those counts for which their raw material is best suited. However much we may desire, in the interest of the employed, an assimilation of the Factory Acts, and the conditions of labour generally, to our own, we do not wish to rob them of any natural advantages they possess, but we do object that whenever through the bounty of nature we are enabled by the cheapness of our raw material to compete with India in these coarse counts, she should, in addition to the advantages she already possesses, be secured against competition by having the monopoly absolutely secured to her by the imposition of a 5 per cent. import duty without any countervailing excise duty.

9. It is a fallacy to suppose that Lancashire does not spin yarns of 20s and below, for there are no less than 3,000,000 spindles at the present time employed in producing these counts, producing 250 million pounds weight per year, as against the 274 million pounds spun in the whole of India during the year 1893.

10. Lancashire has no preference in this respect, for yarns of coarse numbers are spun with equal facility as fine numbers, and the production of one or the other is determined by the demand.

11. The low price at which American cotton was recently obtainable enabled us to produce these coarse yarns at prices sufficiently low to enable us to compete with the products of the Indian mills in their own markets, and although the demand for these yarns from our market was beginning to revive, the imposition of this non-countervailed import duty has made such competition impossible.

12. Although the price of American cotton is at present higher, as compared with the prices at which it could be obtained in January, yet if the prices of American cotton should again (as is not improbable) be nearly assimilated to the price of Indian cotton, we should, so long as the import duty remains non-countervailed, be debarred from legitimate competition with India.

13. The imposition of an import duty on our exports of 20s and below cannot be justified by the amount of revenue that will be derived from it; but the effect of its existence, so long as it remains without any corresponding excise duty, must be to secure to the Indian producer a monopoly of the production of these counts.

14. The constitution of this monopoly gives protection to the Indian producer for three-fourths of his production, and in our opinion is a violation of the principles of Free Trade.

#### OBJECTION II.

*That the import duty imposed on goods exported from this country made from 20s and below without any countervailing excise duty being imposed on goods made from similar counts in India, is absolutely protective in its character.*

15. Evidence was submitted to Mr. Fowler by gentlemen actually engaged in producing the cloths, showing that we export goods containing yarns not exceeding 20s, and that a quantity is shipped every year containing not less than 6,000,000 lbs. weight of yarn of these counts. This weight of yarn represents not less than 25,000,000 yards of cloth, the value of which is about 250,000*l.*, on which an import duty of 12,500*l.* is imposed in India, without any countervailing excise duty on goods made from similar yarns in India.

16. We submit that the imposition of the import duty on these goods without any countervailing excise duty on goods made from similar yarns in India is opposed to the principle laid down by Mr. Fowler when consenting to the inclusion of cotton goods under the Tariff Act, that "there should be no protection."

17. The evidence submitted to Mr. Fowler showed that our exports of cloth made from these yarns was of an increasing quantity, and if unfettered would be likely to further develop; but if the present unfair conditions are maintained, it must result in the products of the Indian mills supplanting those of this country altogether.

18. It cannot be denied that so far as the adjustment of the import and excise duties is concerned, as between India and England, the principal adopted, whereby an import duty is levied on the *ad valorem* value of our goods made from 20s and below, whilst goods made from similar yarns in India are not chargeable with any excise duty whatever is absolutely protective.

19. Nor can this injustice be defended because the proportion of our exports affected is not large compared with the whole, for we could point out that so far as those actually engaged in the manufacture of these goods are concerned, the injustice is as great as if the whole of our exports were affected.

#### OBJECTION III.

*That the 5 per cent. import duty charged on the ad valorem value of our manufactured goods is not completely countervailed by the 5 per cent. excise duty charged on the yarn value of goods made in India from counts above 20s, and that so far as any portion of the value of these goods is not chargeable with excise duty, the import duty becomes protective to that extent.*

20. It is asserted by the Indian mill-owners that "the excise duty is a protection to Lancashire." With this statement we are in direct issue.

21. They attempt to justify this assertion by stating that the 5 per cent. excise duty they pay on the yarn value of goods manufactured from counts above 20s not only completely countervails, but is actually in excess of the 5 per cent. import duty levied on the *ad valorem* value of our goods delivered in India, inasmuch as they pay duty on their stores, which they assert we do not; that their machinery and coal costs more than ours, and that the depreciation of their machinery is greater. That these disadvantages, when added to the 5 per cent. excise duty levied on the value of the yarns, actually places them at a disadvantage as compared with Lancashire.

22. If this assertion is true, we are willing that the incidence of the duties should be readjusted, for Lancashire wants nothing which savours of protection for the development of her trade; but unless the import duty is intended to have some other effect than the increase of the revenue, we fail to see why the increased cost of machinery and coal should be taken into consideration, because whatever disadvantages the Indian mill-owner labours under in this respect existed before the imposition of these duties, as they also existed when the duties were abolished in 1882, and they cannot be taken into consideration in the adjustment of the excise duty to the import duty unless the advantages they possess, as compared with Lancashire, are also dealt with.

23. Mr. Fowler stated in the House of Commons that this duty was imposed "in consequence of the financial necessities of the Indian Exchequer," and it was to meet that necessity, coupled with the promise that there should be no protection, that the course adopted by Mr. Fowler received the sanction of the House. But if this duty has to be so adjusted as to rectify the suggested disadvantages of the Indian mill-owner—disadvantages which have always existed—then the imposition of this duty must be justified not only on account of the necessities of the Indian Exchequer but of the Indian mill-owners also.

24. We do not dispute that their machinery and coal cost more in India than in Lancashire; but, on the other hand, the cost of their labour is less, they are also allowed to work more hours per week than we are, and their geographical position enables them to purchase their raw material and to distribute their manufactured goods without the heavy charges for freight which exist in this country. These advantages far outweigh any disadvantages they may labour under.

25. As regards their assertion that the depreciation of the machinery is much greater in India than in England, we deny, on the authority of managers who have been employed in the Indian mills, that it is appreciably greater than in this country, if the longer hours they work are taken into consideration.

26. We would, moreover, point out that if this demand of the Indian mill-owners for the ratification of any supposed disadvantages they may labour under as compared with Lancashire is acceded to and has to be maintained without consideration of their advantages, then there will always have to exist a tax on English goods in favour of those produced in India; for if the financial condition of the Indian Exchequer at any time merits the abolition of the duty for revenue purposes, the recognition of this principle would require that a portion of the duty should be maintained in order to meet the suggested disadvantages of the Indian mill-owner. In that case, however plausible their demand may appear now, it could not be denied that such a duty would be absolutely protective.

27. It must not be forgotten that it was with full knowledge of these disadvantages that the capitalists invested in the Indian mills. Whatever they may have been, they must have been out-weighed by the advantages derived from cheap labour and their geographical position. The rapidity with which the industry has been developed proves that they must have been considerable, and to claim that the incidence of the import and excise duties should be so adjusted as to be made to compensate for the one whilst they continue to enjoy the other, would not only be a violation of the principles of Free Trade, but most unjust and unfair to us.

28. In our opinion, whatever circumstances existed before the imposition of these duties which either favoured or retarded the development of the cotton trade in India or in Lancashire, must remain in *status quo* and the only question for consideration in the present connexion is, whether the import duty of 5 per cent. levied on the *ad valorem* value of our goods is completely counterbalanced by a 5 per cent. excise duty on the value of the yarns and stores used in the manufacture of such cloths as are subject to duty in India.

29. In the manufacture of yarn into cloth the following charges are incurred. Opposite to each item of cost is stated the amount of duty paid by Lancashire and India respectively:—

	Amount of Import Duty imposed if made in England.	Amount of Excise Duty imposed if made in India.
Weight of twist and weft used	5 per cent.	5 per cent.
Weavers' wages	5 per cent.	Nil.
Wages of winders, warpers, tapers, loomers and drawers, tacklers, ware- housemen, office, management, &c.	5 per cent.	Nil.
Rents, rates, taxes, and insurance	5 per cent.	Nil.
Carriage	5 per cent.	Nil.
Depreciation of machinery and plant	5 per cent.	Nil.
Interest on loan money	5 per cent.	Nil.
Flour for sizing	5 per cent.	Nil.
Coal	5 per cent.	Nil.
Strapping or belting	5 per cent.	Nil.
Gas	5 per cent.	Nil.
Stores, including oil, tallow, sizing materials, pickers and bands, brushes, &c.	5 per cent.	5 per cent.
Agents' charges, packing, freight, &c.	5 per cent.	Nil.

30. It is continually asserted by the Indian mill-owners that they pay 5 per cent. duty on their stores, from which we are exempt; but we wish to point out that so far as our exports of cloth to India are concerned, we also pay 5 per cent. duty on the stores used in the production of our cloth, inasmuch as the import duty is levied on the manufactured value of our cloth, which value includes every item of cost incurred, including stores.

31. A perusal of the above shows that so far as the value of the yarns and stores (excluding coal) is concerned, the incidence of taxation as between England and India is equal, but as regards all the other items of expenditure, which are detailed above, the taxation is not equal, and it is this inequality which constitutes our contention that the excise duty levied is not completely countervailing in its character.

32. We will endeavour to show to what extent this inequality is to the advantage of the Indian mill-owners.

33. We give below particulars of the cost incurred in the manufacture of a standard cloth which is made in England and largely exported to India, showing the import duty that is levied, together with the excise duty that would be charged on the same cloth if made in India:—

Cloth made in England and exported to India, 38 inches wide,  $37\frac{1}{2}$  yards,  $16 \times 14$ ,  $8\frac{1}{2}$  lbs.

	Pence.
Weight of yarn, $5\frac{1}{2}$ lbs. at $6d.$	33
Charges incurred in its manufacture, as shown in list (page 16), and on which no excise duty is charged	17
	—
Cost of freight, &c.	3
	—
Total cost	53
	—

5 per cent. import duty equals  $2.65d.$  per piece.

5 per cent. excise duty on yarns equals  $1.65d.$  per piece.

The cost of dutiable stores used in India in the production of this cloth would only be  $1d.$  per piece.

34. This example shows that the 5 per cent. import duty levied on the *ad valorem* value of our goods is only countervailed to the extent of  $3\frac{1}{2}$  per cent. by the excise duty as at present levied in India. It will be found that this difference will be practically the same on all goods made in India from counts over 20s.

35. In face of the keen competition to which we are yearly more subject, Lancashire cannot afford to be handicapped in competing with India even to the extent of  $1\frac{1}{2}$  per cent., for although seemingly a small percentage, it is equal to 1,000% per year in favour of India on every 1,000 looms, which of itself is a profit for which Lancashire manufacturers would be thankful.

36. It must not be forgotten that this difference of  $1\frac{1}{2}$  per cent. in favour of India is on the grey value of our goods only, and is therefore the minimum advantage; for if the goods imported into India are either bleached, or dyed, or printed, the import duty is levied on the enhanced cost of these processes, from which the Indian producer is altogether exempt, thereby increasing very considerably the difference in favour of India. Although these processes are not at present largely engaged in India, it must be admitted that every encouragement is offered to the Indian producer by this fostering care of the Government to develop and encourage these additional industries at the expense of Lancashire.

37. It has already been shown that on all goods manufactured in India from 20s yarn and below the duty is absolutely protective to the Indian producer, inasmuch as no excise duty is imposed on such production, and we have now endeavoured to show that the excise duty imposed on goods made from yarns above 20s does not "satisfactorily and equitably remove any and every protective character of these duties," as promised by Mr. Fowler, inasmuch as the proportion of the import duty which remains non-countervailed by the excise duty, because it is not levied on the value of the cloth, becomes protective by the amount which is non-countervailed.

## OBJECTION IV.

*That the exemption from excise duty of yarns 20s and below will encourage the manufacture of duty-free cloths, as such exemption enables the Indian manufacturer to avoid the excise duty altogether by substituting in the manufacture of cloth non-exciseable yarns for exciseable yarns.*

38. The deputation to Mr. Fowler, submitted samples of cloth to show the facility with which the Indian manufacturer was enabled to produce cloths from non-exciseable yarns in substitution of exciseable ones. In these cases, although the number of threads were somewhat reduced in the warp and weft, yet inasmuch as the yarns used were heavier, the cloth contained as great a weight of yarn as before, but as the limit of exemption was not exceeded, the duty was avoided altogether.

39. This manipulation is rendered all the easier in India because the goods they manufacture are bought and sold to weigh a certain specified weight per piece, without any stipulation being made as to the counts of yarn from which they shall be made, or the number of threads per inch, warp and weft, that they shall contain.

40. The Indian manufacturers have not been slow to avail themselves of this method of evading the excise duty, for immediately after the excise duty was levied the production of non-exciseable yarns was greatly stimulated; indeed, a statement appeared in the papers to the effect that all the Calcutta spinners had ceased to produce yarns of higher numbers than 20s, so that it will be found that the revenue derived from the excise duties will be insignificant; indeed, should the limit of exemption be raised to 24s, as suggested by the Bombay Mill-owners' Association, the facilities for making cloths from non-exciseable yarns would be so great that the revenue that would then be derived from exciseable yarns would probably not pay the cost of collection.

41. When introducing the Tariff Bill to the Legislative Assembly of India Sir James Westland said: "As we do not propose the present measure (*i.e.*, the excise duties) for the sake of the revenue we intend to derive from it, we do not attempt to justify it by showing the amount of revenue it will bring in," thus making the startling admission that although import duties are demanded by the financial necessities of the Indian Exchequer, yet those necessities are not sufficiently great to require additional revenue from excise duties.

42. Our contention that a great stimulus is given to the production of non-exciseable yarns, which is, of course, used to produce non-exciseable cloth, receives abundant confirmation by the estimate which the excise duty will probably produce. In the Budget estimate for 1895-96 Sir James Westland estimates the excise duty to produce Rx. 75,000 only, whereas a 5 per cent. duty on the 70,000,000 weight of yarn, which the Bombay Mill-owners' Association stated were produced in India in 1893, of counts over 20s, should, if reckoned at an average value of 7 annas per lb., produce over Rx. 150,000! And it is open to grave doubt whether even the moderate amount at which Sir James Westland estimates the revenue from excise duty will be reached.

43. In this respect there is no doubt but that what happened in 1878, when goods made from 30s and below were admitted into India duty free, will repeat itself. It was then found that when the duty was removed from a particular class of goods immediately a large increase in the import of that class of goods took place, with a consequent falling off in the imports of those on which the duty had not been removed.

44. A deputation that waited upon Lord Hartington on December 29th, 1880, submitted the following statement of its effects in this respect:—

"In the six months of 1878, when the first change was made admitting some classes of goods duty free, our exports to India were 9,000,000 yards of duty-free goods, and 358,000,000 yards of goods paying duty; the following year, although the larger measure was only introduced in March, in the six months following March the duty-free goods were 99,000,000 yards, and the duty-payable goods 323,000,000 yards; and in the corresponding six months of 1880 the duty-free goods were 360,000,000 yards; those on which the duty was paid was 164,000,000 yards, and the revenue from cotton duties, which was 200,000*l.* in 1878, was reduced to 81,000*l.*"

45. Lord Hartington said in reply to the deputation:—

"These figures seem to me to dispose entirely of the allegation that the former duties were not protective. The moment the duties are removed from a certain class of goods we see the importation of that class of goods immensely increasing, and I do not think

any stronger proof can be given than that a very great protective effect was produced by the former duties."

46. It will be found that by the present fiscal arrangement, whereby duties are imposed on one class of goods and another class is exempt, that there will be a large increase in the manufacture of those goods which are duty free, with a corresponding shrinkage in the consumption of those on which duty is levied.

There is, however, this great difference between what existed from 1878 to 1882 and the present fiscal arrangement; for during that period, although such a large increase took place in the imports of duty-free cloths into India, it must not be forgotten that neither England nor India had a monopoly of the manufacture of these goods, whereas in the present instance India has the sole monopoly of the manufacture of the duty-free goods, the production of which must be enormously increased, whilst Lancashire produces those on which duty must be paid, and for which the demand must be reduced.

47. This policy of forcing the demand for goods into a particular channel, from the production of which Lancashire is absolutely debarred, constitutes to our mind a high degree of protection, and must be unflinchingly condemned.

#### OBJECTION V.

*That it is impossible to place a dividing line between the manufacturers of Lancashire and India, whereby a duty levied on one, unless completely countervailed, will not afford a protective incidence to one to the consequent injury of the other.*

48. The Indian mill-owners say that "they do not spin on the one hand, and they do not weave on the other hand, any yarn or any piece-goods similar to and competing with what is spun in Lancashire, and exported from this country," and that an import duty placed on our manufactures would not be protective even if unaccompanied by a countervailing duty, and that, therefore, there is no need for a countervailing excise duty.

49. Sir James Westland also states in his Despatch of July 14th, 1894: "The only possible harm that can arise to Manchester, if we were to impose an import duty of 5 per cent. without levying a countervailing duty on Indian manufactures, is that in this narrow margin—the Rx. 860,000 of Indian manufacture—(i.e., of goods made in India from yarns above 24s) the Indian mills, having no corresponding burden of taxation, might be able to absorb a larger share of the trade."

50. This contention of the Bombay Mill-owners' Association and of Sir James Westland that the imposition of an import duty without any countervailing excise duty will affect such goods as come into direct competition is ingenuous, and though it may appear to those not acquainted with the cotton trade to be reasonable, yet it is neither logical nor is it in accordance with the well-known course of the cotton trade; for if this contention is true, then the logical deduction must be that if for revenue purposes a duty was levied on the whole of their production, without the imposition of any countervailing duty on our imports into India, no advantage would accrue to us, and no injustice be inflicted on them. We do not believe that they would sanction the adoption of such a system of taxation, though, if adopted, it would be logical if their contention is true. As well might it be contended that the tariffs imposed by foreign countries on our exports are not protective in their character, because goods of a different description to ours are manufactured by the countries imposing the tariffs.

51. Our contention, as opposed to theirs, is that it is impossible to fix a dividing line either at 20s or any other number whereby a duty can be imposed on a portion only of cotton manufactures without an advantage being given to the producer of such portion of those manufactures which are not dutiable, to the consequent injury to the producer of that portion on which a duty has been imposed.

52. At whatever point such a dividing line is fixed, one of the following results must happen: (1) Assuming that the goods made from dutiable yarns are raised in value to the consumer by the amount of the duty, then if the price of the non-dutiable goods remains unchanged, the demand for these cheaper goods must be increased, to the detriment of the producers of the dearer goods; or (2) if the price of the non-dutiable goods is in any degree raised in sympathy with those paying duty, then whatever advance is obtained must be at the expense of the consumer, and goes to the benefit of the producer.

53. It is impossible to escape the conclusion that one or the other or both these results must follow any attempt to fix a dividing line, and, whichever happens, the producer who

has the monopoly of the production of the non-dutiable goods is benefited, whilst the producer of the dutiable goods is placed at a disadvantage to that extent.

54. The fixing of a dividing line whereby a portion of the production of cotton goods is raised to the consumer by 5 per cent., enables both these results to be attained, for the difference the duty creates, if divided between the producer and consumer, enables the latter to obtain the non-dutiable goods at a cheaper rate as compared with those goods on which duty is paid, whilst the former is benefited by the extent of whatever advance he can obtain on account of his goods being raised in sympathy with the advance paid for duty-paying goods.

55. Mr. Fowler himself admitted that it was the consideration of this question which was the crux of the whole matter.

56. We have already shown how the demand is increased for any portion of a commodity that is relatively cheaper than the other portion. It remains for us to show how the producer is further benefited by obtaining a more profitable price for his manufactures.

57. Our contention is that whatever cloth is made from fine or coarse yarns it remains the same commodity, the price of the greater portion of which cannot by the imposition of a duty be advanced to the consumer by 5 per cent. without the price of the portion which is not subject to duty being partially advanced also, in sympathy with the advance obtained on the duty-paying portion, and that the advance thus artificially obtained goes to the advantage of the producer at the expense of the consumer.

58. We will first deal with its effect upon yarns. We have already stated that there was produced in India in 1893 over 70 million pounds weight of yarns of over 20s, and which are subject to excise duty. In addition to this we must add the 45 million pounds weight of yarn of all counts exported from this country and which are subject to import duty, making a total of, say, 115 million pounds weight, the price of which is advanced to the consumer by 5 per cent., or, say,  $\frac{1}{4}$  anna per pound. We assert that it is impossible for the price of this enormous weight of yarn to be advanced by this amount without the advance thus obtained being reflected in some degree on the value of 20s and below, because there is created at the dividing line an abnormal difference in value, which we know could not exist. If the imposition of these duties has had no effect in the manner we indicate, then whatever difference existed between those counts which are dutiable and those which are not dutiable ought to remain the same after the duty was imposed as before, plus the 5 per cent. or  $\frac{1}{4}$  anna. Thus the price of 20s on October 6th, 1894, as quoted in the "Bombay Gazette," was  $5\frac{3}{4}$  annas per pound, and the price of 24s was  $6\frac{1}{4}$  annas per pound, or a difference of  $\frac{1}{2}$  anna per pound. The difference at the present time between 20s and 24s should therefore be, with the duty added,  $\frac{3}{4}$  anna; but we find that there exists only a difference of  $\frac{5}{8}$  anna, according to the price quoted in the "Bombay Gazette" of May 11th, 1895, the prices being for 20s  $5\frac{7}{8}$  annas and 24s  $6\frac{1}{2}$  annas, thus proving our contention that the advance obtained of  $\frac{1}{4}$  anna per pound on duty-paying yarns has had the effect of advancing the price of non-duty-paying yarns  $\frac{1}{8}$  anna per pound. Thus the Indian consumer is being taxed for the benefit of the Indian producer. This increase in the price, though seemingly insignificant, is in reality very considerable, and if obtained on the whole of the 275 millions weight of yarn spun in India of 20s and below, amounts to the enormous sum of Rx. 214,000 per year.

59. Secondly, with regard to cloth. No one doubts that the price of all cloth manufactured in India from exciseable yarns will be advanced to the consumer by 5 per cent., although we have shown that duty is only charged them on the value of yarn and stores used, which is equal to  $3\frac{1}{2}$  per cent., as against the 5 per cent. import duty. The price of the 2,500 millions of yards of cloth we export to India will also be raised in value by the amount of the import duty. It cannot, therefore, be otherwise than that the production of all the cloths made in India from non-exciseable yarns will be also raised in value in sympathy with the advance obtained on this enormous quantity. The native Hindoo does not discriminate as to which is of Indian or which is of English manufacture, nor is there anything to indicate to him which cloth has duty levied upon it and which has not. To him it is a question of cheapness, and if the Indian manufacturer is enabled to offer him a cloth at a slight concession in price as compared to others, he will doubtless purchase such a cloth. Thus the Indian manufacturer is secure of an increased demand for his duty-free productions, at the same time he is able to obtain an advance in the price of such production by reason of the advance caused by the imposition of duties on other cloths.

60. Whatever effect these duties have had on the cotton industries in England and in India, an effect which we do not think can be denied, they certainly have been of immense benefit to the Indian industry. Since their imposition it has been in a most flourishing condition. Increased demand, at more profitable rates, caused in the manner we have endeavoured to indicate, are facts beyond dispute. The rapid advances in the value of the cotton mill shares in India are proof that a great impetus has been given to their industry, neither can it be denied that this revival has been concurrent with the imposition of these duties. To deny that these duties are a benefit to the Indian producer is to ignore the most palpable of facts. The slight concession the margin which the duties secure to them is sufficient to attract the demand for their productions, whilst the increased price they obtain is sufficient to account for their heavy engagements, for the advances recorded in the value of their shares and for their contemplated extensions.

61. We therefore conclude that it is impossible to fix a dividing line whereby a duty placed on our goods, unless completely countervailed, will not result in injury to the trade of Lancashire, whilst that of India will be correspondingly benefited. (See 62 in Appendix.)

#### OBJECTION VI.

*That the imposition of these duties has inflicted serious injury to our trade, and will continue to do so, unless completely countervailed.*

63. The imposition of this duty, unaccompanied, as it is, by complete countervailing excise duties on the products of such a large competing industry as exists in India, imposes, as we have endeavoured to show, a heavy burden on Lancashire. Ever since their imposition was threatened, our trade with India has been harassed and uncertain. In anticipation of their imposition, merchants would only place such orders as could be completed and delivered in India by the time it was expected the duty would be levied, and when the duty was suddenly imposed at an earlier period than anticipated, wholesale cancellings of orders for the most trivial causes took place. Business with India became practically suspended, and lessened production or accumulation of stocks were the only alternatives of Lancashire producers to accepting orders at unprofitable, or in many cases, ruinous prices.

64. Nor was this lamentable state of affairs confined to those who had previously been engaged in the production of cloths exclusively for India. Deprived of their customary outlet for their production, the makers for India were compelled to enter into competition with makers for other markets, with the result that prices were lowered in sympathy with those current for the Indian market, and in consequence of the greater competition to which they were subject.

65. It was principally to this cause that the great stoppage of machinery, unprecedented except in cases of strikes or lock-outs, took place. No less than 30,000 looms were idle, with all the necessary preparatory machinery, in the Blackburn district alone. The fact that the trade of this district is mostly engaged on productions for the Indian market disposes of the suggestion that it was due to a general depression. If any further proof were required, it is supplied by a reference to our exports to India during the last five months, as compared with the corresponding months of last year:—

STATEMENT SHOWING EXPORTS OF COTTON GOODS TO INDIA during January to May 1895, compared with the same Months in 1894.

66.

	1894.	1895.
	Yards.	Yards.
Bombay - - - -	432,600,800	239,852,600
Madras - - - -	45,715,100	82,158,200
Bengal and Burma - - -	527,079,700	362,293,800
Total - - - -	1,005,395,600	738,304,600



67. These figures show a falling off in our exports to India in five months of 267,091,000 yards, or more than 25 per cent. reduction as compared with last year, whilst there has been an increase to all other countries in the same period of 120,890,700 yards, thus proving that if our Indian trade had not been interfered with, the volume of our trade would have been greater than in any previous period of its history.

68. It has been suggested that the exports of last year were abnormal, and that a comparison with 1893 would be more correct. In answer to that suggestion we state that the exports to India in the early months of 1893 were abnormally low owing to a dispute in the cotton trade, which lasted from October 1892 to March 1893, a period of 20 weeks, with its consequent lessened production. Neither do we admit that the exports of the first five months of 1894, with which we are comparing the exports of this year, were abnormally high, because Indian merchants bought larger quantities than usual in anticipation of the imposition of the duties. However true that suggestion might be with regard to the later months of the year, it certainly could not have been true of the earlier months, because the orders that these exports executed must have been placed at least four to five months before the goods were exported, which brings us to a period before the duties were suggested.

69. All this is, however, in strange contrast to the activity which has been displayed in the Indian cotton mills since the imposition of these duties.

70. To the development of the cotton industry in India by fair and legitimate means we do not and never have objected; but we do object to the fostering and protecting of a competing industry in our dependency at the expense of those engaged in the same industry in this country. All we want is "fair and equitable" treatment; and if increased revenue is required for the India Exchequer owing to the loss in exchange, and if it is decided that this increased revenue must be obtained by the imposition of import duties, and that there shall be no exemption from the operation of those duties, then we do not object to bear the burden if like conditions are imposed on those engaged in a similar industry in the country imposing them during such financial crisis.

71. The chief objections that have been urged against the imposition of a complete countervailing excise duty are—

"(1.) That the Indian cotton mills industry is in a depressed state, and that the imposition of such a duty would cripple or check the growth of the only large manufacturing industry that has grown up in India, to the great disadvantage of the working classes."

"(2.) That such a duty could not be levied on the produce of mills in native States . . . and would therefore greatly favour mills outside British India, to the prejudice of mills in British provinces." (Papers relating to Indian Tariff and the Cotton Duties, 1894, page 6, paragraph 21.)

"(3.) That as there is no competition in goods made for India, to tax them would be a grievous injustice, and would be to impose a heavy oppressive tax upon the poorest classes of the population, for which no justification could be offered." (Mr. Fowler, House of Commons, February 21st, 1893.)

72. However true the objection of Indian mill-owners might have been to the imposition of excise duties a short time ago on account of the depressed state of the cotton industry in India, it could not be urged now in face of the impetus that has been given to their industry, as shown by the share list quoted in the Appendix. Whether such a duty would check its growth is open to doubt, seeing that it would not be subject to more harassing conditions than ours.

73. As regards their second objection, they have already taken care that mills outside British India should not be subject to more favourable conditions than their own, as the following extract from Sir James Westland's speech in introducing the Tariff Act will show. Comment is unnecessary. "So far as regards this class of mills, the existing law gives us ample power. We can under the Tariff Act declare the territory of any native chief to be a foreign territory, and thereupon all imports from it become subject to the ordinary duties levied upon goods imported by sea. But to make things perfectly clear we have repeated that provision in the present Bill, and have thus taken power, even without subjecting to duty all imports from any such States, to levy the duties upon all cotton goods so imported, and if it is necessary to prohibit importation except by specified routes. If we are burdening our own manufactures in order to avoid protecting them against Manchester, we shall certainly

“ take steps to prevent the protection against our own manufacturers of goods “ manufactured outside British India.” (Papers relating to Indian Tariff and the Cotton Duties, 1894, page 21.)

74. As regards Mr. Fowler's contention that a complete excise duty would impose a heavy oppressive tax on the poorest classes of India, for which he could offer no justification, we would remark that unless the poorest classes of India form a very small proportion of the population, they are already subject to this oppressive tax for the imposition of which no justification is offered, as the following statement will show :—

	Yards.
Cloth imported into India on which duty is paid (say)	- 2,000,000,000
Cloth made by hand looms in India from yarns imported from England on which duty is paid	- - - 180,000,000
Cloth made by power looms in India from yarns above 20s on which duty is paid	- - - 60,000,000
Total amount of cloth on which duty is paid	- 2,240,000,000
Cloth made in India from counts 20s and below, and which are duty free	- - - 240,000,000
Total amount of cloth consumed in India	- 2,480,000,000

75. It will thus be seen that of the 2,480,000,000 of yards of cloth used in India only 240,000,000 of yards are duty free, so that either the poorest classes only comprise one-tenth of the population, or they are already subject to this oppressive tax. We have also shown that it does not follow that because the goods made on Indian looms of 20s and below are duty free, that the consumer does not pay an enhanced price for them, which goes to enrich the producer.

76. The masterly manner in which you defended our cause in the House of Commons on the occasion of the debate on these duties gives us encouragement that we shall receive equitable treatment at your hands.

77. We rely, however, not on the favour of a political party, but on the justice of our cause. We do not ask, nor do we require any favourable consideration, but we do ask that if for purposes of revenue, either now or at any other time, the imposition of import duties are essential, that they shall be imposed equally on the products of India with those of Lancashire. Justice to India must not mean injustice to Lancashire. Their interests are identical, and an injustice cannot be imposed on one without being reflected on the other. The cry of “Perish India!” meets with no response in Lancashire, for with the prosperity of India our interest is bound up; but as the custodians of the welfare of the cotton trade, on which the prosperity of Lancashire depends, we cannot allow its interests to be sacrificed to the Indian mill-owners, whose profits are being enhanced by our losses, and the increased price they extract for their non-dutiable goods from the consuming millions of India.

78. In leaving in your hands the issue of this question, which is so momentous to the welfare of the cotton industry of Lancashire, we only ask that you will hold the scales of justice evenly between Lancashire and India. We ask for no consideration but what is merited by the justice of our cause. We believe that our interests can be safely entrusted to you, and we look forward with confidence to your decision, which we feel sure will be such as will assist in renewing prosperity to our industry by restoring to us the right of free and equitable trading with our dependency.

I am, &c.

JOHN WHITTAKER,  
Director of the United Cotton Manufacturers' Association, of the North and North-East Lancashire Cotton Spinners' and Manufacturers' Association, and of the Blackburn and District Chamber of Commerce.

Rishton, July 9th, 1895.

We, the undersigned, representing the various Manufacturing and Operative Associations of Lancashire, together with the various Chambers of Commerce, express our approval of the foregoing statement:—

TOM GARNETT, President of the United Cotton Manufacturers' Association.

HENRY HARRISON, President of the Blackburn and District Chamber of Commerce.

S. R. PLATT, President of the Oldham Chamber of Commerce.

T. F. MACKISON, } The Federation of Master Cotton Spinners' Associations.  
JAMES FLETCHER, }

GORDON HARVEY, }  
W. NOBLE, } The United Cotton Manufacturers' Association.  
W. THOMPSON, }

CALDER CLEGG,

LUKE BARKER,

W. TATTERSALL, Secretary.

JOSHUA RAWLINSON, The North and North-East Lancashire Cotton Spinners' and Manufacturers' Association.

JAMES MAWDSLEY, Operatives' Secretary.

THOMAS ASHTON,

D. HOLMES,

W. MULLIN,

J. EDGE,

W. H. WILKINSON, }

} Operatives' Representatives.

#### APPENDIX TO No. 8.

STATEMENT showing LIST of SPINNING and WEAVING COMPANIES in INDIA, together with Number of Shares in each Company; also Amount paid up on each Share, together with Price of Shares on April 14th, 1894, and June 14th, 1895.

	No. of Shares.	Amount paid.	Price April 14, 1894.	Price June 14, 1895.
Ahmedabad	600	1,000	1,400	1,400
Alliance	1,500	1,000	455	725
Anglo-Indian	9,345	100	46	55
Bellary	871	500	570	570
Bombay Cotton Manufacturing	900	1,000	320	465
Bombay National	600	500	125	300
Bombay United	100	1,000	600	860
Britannia	1,000	1,000	175	400
Central India	6,000	500	1,060	1,455
China	800	1,000	375	825
City of Bombay	600	1,000	765	920
Colaba Band and Mill	4,000	700	555	680
Consught	600	500	520	685
Coorla	800	1,000	390	710
Coral	800	1,000	700	490
Currimbhoy	5,691	1,000	650	700
David	1,400	500	325	480
Dhun	1,000	1,000	400	375
Empress	1,100	500	480	550
Framjee Petit	1,250	1,000	355	485
Hindustan	875	1,000	660	750
Hingunghat	700	500	500	555
Howard and Bullough	1,500	500	490	670
Hyderabad	700	1,000	1,140	1,190
Imperial Cotton	900	500	270	440
Indian Manufacturing	900	1,000	1,140	1,310
James Greaves	1,100	500	510	650
Jaffer Ali	600	500	725	655
Jamshed Manufacturing	1,200	250	120	170
Jewraj Balloo	1,000	1,000	800	1,140
Khandeish	705	1,000	620	795
Khangaum Manufacturing	400	250	775	770
Khatao Mackunjee	1,000	1,000	650	850
Leopold	3,500	100	145	200
Lord Reay Manufacturing	415	1,000	560	730

	No. of Shares.	Amount paid.	Price April 14, 1894.	Price June 14, 1895.
Luxmidas - - - - -	1,000	1,000	770	1,050
Madras United - - - - -	350	1,000	2,550	3,000
Mahaluxmee - - - - -	600	1,000	275	425
Mahobob Shahi - - - - -	3,400	500	500	500 nominal
Maharaja Mysore - - - - -	4,500	100	105	250
Manockjee Petit - - - - -	4,000	1,000	1,565	2,235
Mazagon - - - - -	5,000	250	120	165
Morarji Goculdas - - - - -	1,050	1,000	1,900	2,125
National - - - - -	500	1,000	105	100
New Great Eastern - - - - -	1,400	1,000	410	640
Oriental - - - - -	5,725	625	325	550
Peru Md. Manufacturing - - - - -	900	1,000	350	430
Presidency - - - - -	743	1,000	1,210	1,440
Queen - - - - -	800	1,000	395	850
Ripon - - - - -	800	1,000	795	1,000
Sassoon Cotton - - - - -	1,500	1,000	1,300	1,080
Sholapore - - - - -	550	1,000	1,300	1,605
Soondradass - - - - -	750	1,000	530	735
Southern India - - - - -	1,000	500	150	175
Southern Maharatta - - - - -	1,212	250	327½	375
Sun - - - - -	1,300	250	180	210
Star of India - - - - -	1,000	1,000	125	390
Swadesi - - - - -	3,000	500	430	705
Union (Lang & Co.) - - - - -	900	1,000	350	300
Union (V. Gopalji) - - - - -	1,000	1,000	455	425
Victoria - - - - -	550	1,000	250	150
Wadia - - - - -	1,000	1,000	725	710
Western India - - - - -	1,200	1,000	610	705

A careful analysis of the above statement shows that the owners of Indian cotton mill shares have been enriched by no less than Rx. 1,600,000 by this advance which has occurred. This sum is Rx. 250,000 more than the whole of the cotton duties will produce.