

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

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

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P A P E R S

RELATING TO THE

INDIAN TARIFF ACT, 1896,

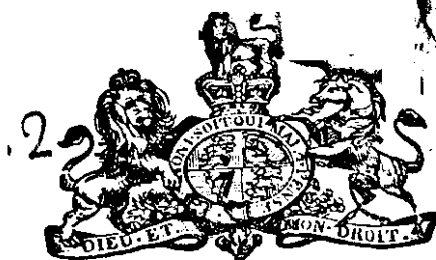
AND THE

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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P A P E R S

RELATING TO THE

INDIAN TARIFF ACT, 1896,

AND THE

COTTON DUTIES ACT, 1896.

No. 1.

(Revenue, No. 99.)

From the SECRETARY OF STATE FOR INDIA to HIS EXCELLENCY THE RIGHT
HONOURABLE THE GOVERNOR GENERAL OF INDIA IN COUNCIL.

London, India Office, September 5, 1895.

DURING the debate in the House of Commons on the 21st February 1895, concerning the Indian cotton duties, my predecessor stated that, if it were shown on clear evidence that those duties, as now imposed, had any protective character as against British products, "Her Majesty's Government would, in concert with the Government of India, consider the matter with a view to carry out loyally the declared intention to avoid "protective injustice." When this pledge was given, it was felt that your Excellency's Government would co-operate in giving effect to the principle that fiscal measures for raising revenue in territories administered under the responsibility of Her Majesty's Government ought not to give artificial advantage to important products of one part of those territories as against similar products in other parts of those territories.

2. On the 27th February 1895 Mr. (now Sir Henry) Fowler received a deputation from Scotch manufacturers and exporters of dyed cotton goods to India. The deputation laid stress upon the pledges given by Her Majesty's Government, at the recent debate in the House of Commons, that the new Indian duties imposed upon cotton goods were not intended to be protective, and that any disadvantage shown to be imposed on British goods by the new tariff would, as far as possible, be removed. The deputation brought forward two points:—

(1.) The point urged in their previous representation forwarded to you, that they sent to Burma a large quantity of cotton yarns of low counts, which had to pay a duty of 5 per cent., and were thus at a clear disadvantage with similar competing yarns from Bombay and Calcutta, which paid no excise duty if of number 20 and under, and entered Burma free of duty.

(2.) That Indian mill-made goods paid a 5 per cent. excise duty only on the grey yarns from which they were made, which yarns might be valued at 5 to 8 annas per lb., whereas bleached, dyed, woven, and printed goods from the United Kingdom paid on importation a 5 per cent. duty on their value, which might be from 16 annas up to 40 annas per lb. Thus goods bleached, dyed, woven, and printed in India enjoyed a clear, and in some cases a large, fiscal advantage over similar goods imported from the United Kingdom.

3. In regard to the coloured yarns of low counts, my predecessor had previously been in communication* with your Government. It was accepted

*Despatch to India, dated 31st January 1895.

Telegram from India, dated 22nd March 1895.

Ditto to ditto, dated 27th March 1895.

Ditto from ditto, dated 29th March 1895.

Letter from India, dated 1st May 1895.

Telegram to India, dated 21st May 1895.

as true that a considerable quantity of coloured yarns, of number 20 and under, were exported from the United Kingdom to Burma; your intention was to impose a countervailing excise duty on such Indian yarns as might compete with these coarse coloured yarns imported into Burma; and you proposed meanwhile to reduce the import duty on the imported coloured yarns of low counts from 5 per cent. to $\frac{1}{2}$ per cent. You considered that the remaining $\frac{1}{2}$ per cent. would place Indian and British dyed yarns on an equality, as Indian manufacturers had to pay duty on imported dyeing materials. The view was accepted that a clear case existed for relief; but the proposal to retain $\frac{1}{2}$ per cent. of the duty on

imported yarns of the low counts was not approved. Indigo and some other materials used by Bombay dyers are produced in India, and do not pay import duty. Local yarn dyed with such materials would therefore get a fiscal advantage of $\frac{1}{2}$ per cent. over similar yarns from the United Kingdom. If customs duties are to remain for any considerable time as a source of Indian revenue, an attempt thus to equalise with extreme nicety fiscal burdens on imported and indigenous products will form an inconvenient precedent, and may give rise to many further demands for adjustment, which could not be satisfied without making the customs system unworkable. Your letter of the 1st May, however, showed that you deemed yourself unable to grant full remission of duty without submitting the matter to the Legislature; and, in the circumstances, the late Secretary of State agreed to the reduction of the import duty on coloured yarns, of number 20 and under, from 5 to $\frac{1}{2}$ per cent, *ad valorem* as a temporary measure.

4. I greatly doubt the expediency of imposing an excise duty on coarse coloured yarns sent from Bombay to Burma. If, as appears to be the case, the quantity of Indian-made dyed yarn of low counts is much larger than that of imported yarns of similar kinds, it will be better policy to free the small amount of imported yarns than impose a countervailing excise duty on a much larger quantity of Indian yarn, unless it is clear that the Indian Treasury absolutely requires the small additional revenue concerned.

5. In regard to the second point urged by the Scotch dyers and manufacturers, namely, that the system of imposing the excise duty on grey yarns gives a clear, and in some cases a large, fiscal advantage to India-made bleached, woven, and printed goods over imported goods of similar descriptions, which have to pay an *ad valorem* duty of 5 per cent. on the finished product, the deputation were requested to furnish a summary of their case on this point; and I forward a copy of the communication* since received from them. In brief, their case is that dyed, bleached, woven, or printed goods may cost twice, thrice, or more times the price of the grey yarn from which they are made; and under the present system of an excise on grey yarns and an *ad valorem* duty on imported goods—

*Letter dated 3rd April 1895.

- (a) 100 lbs. of British dyed yarns might pay an import duty of 40 annas or more, whereas the same quantity of Bombay dyed yarns would pay only 28 annas excise duty;
- (b) 100 lbs. of British woven goods might pay an import duty of 50 annas or more, whereas the same quantity of Bombay goods would pay only 28 annas excise duty;
- (c) 100 lbs. of British dyed and printed goods might pay an import duty of 80 annas or more, whereas the same quantity of similar Bombay goods would pay only 28 annas duty.

6. On the 27th May 1895 Sir Henry Fowler received a deputation of Lancashire manufacturers and exporters of cotton goods. I forward a report of what passed on the occasion, with copies of papers† read by Mr. William Noble, Mr. William Thompson, and Mr. A. G. Harvey, and also samples furnished to show how cotton cloth made from fine yarns is far cheaper than cloth made from coarse yarns. At the end of the meeting the deputation were invited to send a statement of facts and arguments, free from irrelevant matter, to substantiate their case that the Indian cotton duties, as they now consist, are protective, and place British goods at a clear fiscal disadvantage as compared with similar goods made at Indian mills. That statement has now been received, and I enclose a copy.

7. Briefly the contention is that, as urged by the Scotch deputation, the Indian manufacturer has a very substantial advantage over his Lancashire fellow subject, in so far that he pays excise duty of 5 per cent. on the grey yarn value only, whereas the Lancashire manufacturer has to pay an import duty of 5 per cent. on the value of the finished goods, bleached, woven, dyed, or printed, as the case may be. They represent, too, that Indian woven goods, made from yarns just below the excise line, can and will compete with and take the place of imported woven goods liable to a 5 per cent. duty. The Lancashire deputation lay stress on the statement that it is impossible to work fairly, to both the Indian and British manufacturer, an artificial dividing line at 20s or at any other count; and they cite the experience of 1878–82 in India to show that any attempt to draw such a line must break down or must result in fiscal inequality. If the case is approximately correct as stated at paragraph 5 above, it would be difficult to

†One paper, with a portfolio of patterns, showing how fabrics made in India from excise-free yarns can and will take the place of Lancashire fabrics liable to duty.

maintain the position that woven goods made at Lancashire factories are on a fiscal equality with similar goods made at Indian factories.

8. In the nature of things it was hardly possible that an important fiscal change, such as was made by your Excellency's Government last year, affecting many industries and involving important principles, could at once be introduced in a final shape. I request, therefore, that you will consider carefully how these complaints regarding the protective character of the cotton duties can best be removed, and the legislation necessary for that purpose; and in so doing it will be requisite to bear in mind the pledges that have been given on the subject by Her Majesty's Government to the late Parliament. It is clearly inexpedient, even if it were possible, to impose a fresh excise duty at every stage in the further manufacture of cotton goods, on the processes, for instance, of bleaching, dyeing, weaving, and printing. If the financial exigencies of India are such that import duties on cotton goods, in common with other commodities, are for any considerable period to form part of the revenue system of the country, it is absolutely necessary that means should be found of depriving these duties of any protective character as against British cotton goods. It would be best for India, as well as for the United Kingdom, that the Indian ports should be free from customs duties, as they practically were from 1882 to 1894. But if the condition of the Indian finances compels the Government to retain import duties, then it is necessary that the duties should be placed on such footing as will not infringe pledges that have been given, or afford ground for continued complaint and attack.

9. I enclose at the same time copy of a letter* from Mr. Hopwood, with abstract of the letters he forwarded from Manchester firms, showing that considerable quantities of cotton goods (grey and striped drills, &c.) made from yarns of number 20 and under, are sent from England to India. In compliance with Mr. Hopwood's request, the names of the firms whose testimony he quotes are not given in the abstract.

10. I shall be glad to learn your views as soon as you have had time to consider the representations that have been made by the several bodies that have approached Her Majesty's Government on the subject.

I have, &c.
(Signed) GEORGE HAMILTON.

Enclosure No. 1.

SIR,

Glasgow, April 3, 1895.

WE beg again to express our cordial appreciation of the courtesy and consideration which you accorded to our deputation on the 27th ultimo, and to take advantage of the request which you then made, that we should further address you fully on the whole subject.

You were kind enough to say to our deputation that you held it to be clearly proved that the tariff does not do justice to the British manufacturer in the case of dyed yarns, commercially known as 20s and lower counts, going into British Burmah.

We wish again emphatically to point out that we have also a grievance in the treatment accorded to us by the tariff in the case of dyed yarns known as 24s going into the same market. Indian dyed yarns above 20s are subject to excise duty only in their grey state, whereas British yarns are made liable to an import duty in their dyed state. The tariff fixes the value (on which duty is paid) of Indian grey yarns of 24s at $5\frac{1}{2}$ annas per lb., whereas the value of British dyed yarns of the same count, as landed in Burmah, is about 15 annas.

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

The injustice in this case also to the British manufacturer is obvious.

Though it is true, as was stated, that the production at present of the 24s by the Bombay mills is small, there is no doubt also that any spinner who can make 20s can also make 24s, and that consequently, if the British manufacturer's yarns are taxed more heavily than those of the Indian manufacturer, the result must be that the Indian manufacture of 24s will soon be greatly increased, while the British will be proportionately diminished. The Burmah trade in 24s would henceforth gradually gravitate

into the hands of our Indian competitors, and a very serious injustice would thus be inflicted on us.

With reference to the other important matter of our exports of dyed yarns and cloth to India, amounting to about 20,000,000 lbs. last year, and in value to between 1,300,000*l.* and 1,500,000*l.*, and in years of good trade to very much more, we stated that in this trade we were handicapped in our competition with Indian dyers, as the Excise duty, where levied, is levied only on the grey yarn, whereas the British importer pays duty on the manufactured and dyed yarn or cloth. The British dyer is thus taxed on all his weaving and dyeing costs, of which one of the chief is labour, while Indian costs, in weaving factories and dye works, go practically untaxed.

We are aware that all dye stuffs imported into India are subject to the import duty, but in almost all cases they form a very small part of the dyeing cost, and there are also very large quantities of native dye stuffs used by the Indian dyers, such as indigo, catechu, oil, &c., which entirely escape duty.

Take, for example, the case of the 'Turkey red 24s already referred to, the fixed tariff value of the grey, upon which Excise duty is paid, is 5½ annas, whilst the Customs duty is levied upon the dyed value, which is now 15 annas. The British dyer thus pays duty on 9½ annas, from which the Indian dyer is exempted. Of this only a small proportion consists of dye stuffs, amounting in value to, say, about 2 annas, of which a considerable portion is of Native production, thus escaping duty. In many of the other colours, such as blue, brown, &c., the dye stuffs are almost entirely Indian products. The other items of cost are—coal, labour, on cost charges, packing, freight, insurance, &c.

As all these must be included in the market value of our yarns, we are subject to a direct tax on at least 8 annas, from which our Indian competitors are entirely free.

Referring to coal, to which you particularly alluded when we had the honour of seeing you, it forms a very small item in the cost of dyeing, and any coal imported into India is free from duty.

In the case of dyed and printed cloths the injustice is also very great. Of cloths manufactured from 20s and under there is no duty paid by the Indian manufacturer, and when he imports finer yarn he pays only on their grey value. Take, for example, one bale of 400 lbs. 40s imported by Native manufacturers for dyeing and weaving, duty would be paid on a value of only some 1*l.*; while the same yarn woven, dyed, and printed in this country, and imported into India, would pay duty on three, four, or even five times that value, according to the amount of labour bestowed on it.

As showing the active competition of the Indian dyeing trade, we mentioned that during the last few years there had been an enormous increase in the quantity of dye stuffs imported into India; and we may further mention that the import of Alizarine—one of the principal dye stuffs from Germany into India—has increased, from 1,498 tons in 1889, to 3,314 tons in 1893.

In this connexion we mention the case of the Benzo-Purpurine colour, to which you referred as being largely used in India sometimes for twice dyeing. This dye stuff costs here 3*s.* 9*d.* per lb., but in Bombay only 2*s.*, owing to some difference in connexion with the Patent Laws, and we referred to the case of our having had to prosecute a large number of Native dyers for having used our best tickets upon goods which they had dyed with this very fugitive colour.

We believe that last year one of the dye works in Bombay dyed more yarn than any works in Great Britain, and there were exported from Indian ports to Rangoon last year about one and three-quarter million lbs. of dyed yarns.

In connexion with your question as to the competition of our products with Indian manufacturers, we are of the opinion, which has been corroborated by those who have had long residence in the country, that many of our products come into direct competition with fabrics of Native manufacture.

We also feel sure that a result will follow similar to that which occurred when yarns and goods of no higher numbers than 30s were admitted into India "duty free," when the exports of yarn above 32s fell from 26¼ per cent. to 18¼ per cent. of our total exports in the five years ending 1883, and when the duty was repealed, advanced again to 27 per cent. in the five years ending 1893. Indeed, from advices received, we believe that this process of substituting coarser yarns and cloths of Indian manufacture for the finer products of British industry has already begun, and is going on to a large extent.

In conclusion, we again beg most respectfully to urge upon you the necessity of immediate steps being taken for removing the injustice to which we are now subjected by the Indian Import Duties.

We have, &c.

WM. STIRLING & SONS.
ARCH. ORR EWING & Co.
JOHN ORR EWING & Co.
T. P. MILLER & Co.
ALEX. REID & SONS.

The Secretary of State
for India.

Enclosure No. 2.

I PROPOSE to show how Lancashire is likely to be affected by counts 20s/20s yarn, or under, being excise free.

I find 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 3*d.* per lb. This price has now been reached. On the same page there is a further statement that Indian cotton in process of cleaning and spinning loses 23 per cent., this loss increases the price of nett cotton to 3·89*d.* per lb. American cotton passing through a similar process will lose only 10 per cent., making the cleaned price 3·33*d.*, thus showing over $\frac{1}{2}$ *d.* per lb. in favour of Lancashire. Taking into account its superior spinning quality and longer staple, it will yield a much larger production, and hence give a further advantage. The deduction is therefore obvious, that Lancashire with American cotton at 3*d.* per lb. can spin 20s yarn or under at a less cost than the Indian spinner can spin the same counts from Indian cotton.

American and Indian cotton is a commodity almost hourly changing in value, and although the present prices of both growths are higher than the price named, yet after the expense of cleaning and spinning the same into yarn, the relative cost when finished will be about the same in value. So for the purposes of working out calculations for the examples of cotton goods, I have taken 20s yarn at 4 $\frac{1}{4}$ *d.* per lb. as the basis for India and Lancashire alike, which was the price of yarn prevailing at the time when the question of import duties was brought before your notice in the House of Commons on the 21st February.

In the Blue Book just named, page 43, you will find this paragraph:—"We need not worry ourselves regarding small details, for it has been shown by the Bombay mill-owners that about 25 per cent. of the cost of production in India is for stores already paying 5 per cent duty." This amounts to a 1 $\frac{1}{4}$ per cent. tax.

This statement is an erroneous one, as is obvious to all practical men. I have carefully examined the matter, and for a basis to arrive at an approximation have taken the actual costs of consumption of such stores as are dutiable of a mill in Lancashire of a 1,000 looms for six months' working, and have added to the cost from 25 to 100 per cent. upon the respective items as advised by a gentleman who has had considerable experience in managing some of the principal mills in Bombay. I find that the excisable stores used in a mill of the said dimensions in Bombay will amount to, say, 800*l.* in six months (which is a very liberal estimate); 5 per cent. duty upon this gives 40*l.* The production of an Indian mill engaged upon a cloth of 45 inch wide will produce 1,750,000 lbs., therefore the 40*l.* duty divided into this weight will give '005 of a penny per lb., which you will admit is too small for an appreciable charge. I further believe that the expense of manufacturing cotton cloth in India is yearly becoming a less cost, arising from the fact that it is now practicable to control and humidify the atmosphere in Indian weaving sheds by artificial means, so as to bring about conditions equally as good as those prevailing in Lancashire, and by this means giving longer life to perishable stores, such as pickers, leather, belting, &c.

I will now submit to you three examples of cotton goods made, or that can be made, by Indian and Lancashire manufacturers.

For the first example I take a cloth of 45 inch 24 yards 20s/20s counts of yarn 8 $\frac{1}{2}$ lbs. This will cost an Indian manufacturer to make 39·39*d.* the cost for yarn being 72 per

cent. as against 28 per cent. for expenses. A similar piece of cloth made in Lancashire would cost 38·74*d.*, showing in comparison $\frac{1}{2}$ *d.* per piece less than in Bombay; after adding the shipping charges the duty will amount to 2·17*d.* This demonstrates that practically there is no difference in the costs of making cotton goods as between India and Lancashire, hence any advantage given either to one or the other must be of a protective character. In this case the imposition of the 5 per cent. duty certainly gives the Bombay manufacturer an advantage over his Lancashire competitor to the full amount of the duty.

In the next example I propose showing how substitution can take place. We could quote precedents innumerable where the demand has completely changed through some disturbance of the usual course of trade similar to the present imposition of the Indian duties, notably the last time import duties were in operation. Take, as an instance, goods then were admitted made of 30s yarn or under, duty free; this arrangement resulted in a complete change of style and character of the Lancashire goods made and shipped for India, and even at the present time most goods shipped to India are made from these counts of yarn and with only slight variations. These goods are still known in the market as "duty-free goods," though the name will not now be correct.

To show how substitution can be effected, I will take a piece of calico as a type of Lancashire shirtings. These are articles now very largely shipped to India. Its particulars are 35 inches 38 yards 16 × 16 threads to the quarter inch, 30s/30s yarn 8 $\frac{1}{2}$ /9 lbs. weight; the cost to produce this piece is 52*d.* A pattern representing this cloth is attached to the Table of Particulars which I have handed to you. The Bombay manufacturer can make a piece, which would be of equal or more serviceable quality, of the following particulars, viz., 35 inches 38 yards 14 × 13 threads per quarter inch, 20s/20s yarn 10 $\frac{1}{4}$ lbs., at a cost of 51·63*d.* A pattern representing this I have also given to you. After adding the shipping charges to the Lancashire costs the import duty will amount to 3*d.* per piece.

You will find on examination that the Indian pattern is thicker and fuller to the feel, and, judging from its appearance, I believe if you were buying you would yourself give preference to the Indian substitute.

This is a clear example how the Lancashire trade will be severely injured by the present differential arrangement of the Indian Excise, and where the Indian manufacturer certainly is given an advantage by being able to make the piece from yarns upon which he pays no excise duty.

In the next example I will endeavour to show how the Indian manufacturer can substitute the Lancashire make by using twist free from excise, and weft excisable. Attached to the Table of Particulars you will again find a pattern marked 3, representing a piece made as follows:—35 inches 38 yards, 14 × 16 threads to the quarter inch, 20s/30s 11 lbs. The following are the details of its cost:—

Yarns -	-	-	-	-	<i>d.</i>
					35·01
Expenses -	-	-	-	-	17·50
Excise on weft only	-	-	-	-	·85
Excise on stores	-	-	-	-	·06
					<hr/>
					53·42
					<hr/>

There is no doubt but this is a fair and likely example of where and how substitution will come into operation. The cloth is still thicker and stouter to the feel, and nearer in appearance to the Lancashire piece than the previous example. The Bombay manufacturer when making a similar piece will pay an excise duty amounting only to ·91 of a penny as against the duty paid by the Lancashire manufacturer of 3·05*d.*; showing a difference of 2·14*d.* per piece, this obviously being a clear protection of this amount against the Lancashire and adjoining counties cotton trade.

The latter example shows how necessary it is that goods and yarns made in India of counts 20s and under should be subjected to an equivalent countervailing excise tax equal to the 5 per cent. charge on Lancashire imports; otherwise in its operation it must have a most damaging effect upon, and will ultimately destroy, a large portion of a great home industry, the Lancashire cotton trade, which, with its allied and dependent trades combined, far exceeds in magnitude any other industry in the country.

It also illustrates this fact, that even if yarn and goods made of 20s yarn and under were admitted into India free from duty, the same great danger of substitution would exist, inasmuch as the Bombay manufacturers could use twists free from excise in substituting the Lancashire dutiable goods.

You have admitted, and it is also admitted by the Indian Council, that these duties are imposed to meet the deficiency of the Indian Budget. This being so, it is difficult to understand why such an important source of income is omitted as a countervailing excise on yarns and goods made of 20s and under would prove to be. The natural conclusion is that both in its conception and in its operation the arrangement has been intended to give protection pure and simple; the fact that there have been previous deficits of the Indian Budget of much larger amounts without resorting to import duties tends to confirm this view.

We all know that for a number of years India has been exceptionally prosperous, and this being so, surely it can well afford to pay a countervailing excise on cotton goods.

Seeing that goods made of yarns over 20s would be increased in cost, arising from the charge of 5 per cent. import duty, is it not natural to suppose that goods made of counts below 21s will be increased in their market value to a like amount? This being admitted, who will reap the advantage, the poor consumer or the manufacturer?

I think it is obvious that the difference will find its way into the manufacturers' pocket, and it will certainly constitute a premium or subsidy to every mill in India. That this is now proving so is seen by the facts that many large contracts are now placed for new mills and machinery.

I hope that I have made the following points clear:—

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.

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

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

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 a protection to this amount.

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 manufacturers' pocket and is of no advantage to the Indian consumer.

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

It seems to us that the system being adopted of assessing and collecting the excise in India resolves itself into a complete farce. The servants at the respective mills being appointed their own assessors, in our opinion, will result in there being but little and perhaps no excise whatever being collected from the Indian manufacturers.

We very much regret that you have found it necessary to raise revenue by taxing trade, and hope circumstances will soon arise which will enable you to repeal the same.

Lancashire would hail with satisfaction legislation of a kind that would tend to make India prosperous and wealthy, by encouraging agriculture and a larger exportation of the produce of its soil, which would prove the best source of wealth of such a country; also by the free admission of its products into this country, thereby developing a free exchange of trade such as would bring comfort and contentment to the inhabitants there as well as here.

Unfortunately nearly the whole of the markets of the world are closed against our commerce, and surely trade under such circumstances should not be handicapped against the people of the same empire.

WILLIAM NOBLE, Manager,
Wellington Mills, Bury, Lancashire.

Enclosure No. 3.

Example I.

Of the protective incidence of the Indian import duty and excise as now applied to cotton piece goods.

	Rs.
A piece of 8½ lbs. shirting, of which large quantities are manufactured in Lancashire, value 4s. 4d., gold delivered in India, or at 1s. 1d. exchange	4·0
Of this amount 2s. 4d. gold represent the value of the yarn, the remainder being cost of manufacture and incidental expenses.	
The same cloth manufactured in India is subject to an excise on the value of the yarn only, which is	2·15
	1·85

Rs. 1·85, as above, is equal to 29·6 annas.

Five per cent. on 29·6 annas is equal to 1·48 annas per piece.

Thus an advantage equal to 1·48 annas per piece exists in favour of the Indian manufacturers and against his Lancashire competitors.

(Signed) WM. THOMPSON.

Example II.

Of the protective incidence of the Indian import duty and excise as now applied to cotton piece goods.

	Rs.
A piece of bleached shirting, of which large quantities are manufactured in Lancashire, value 6s. 10d., gold delivered in India, or at 1s. 1d. exchange	6·31
(This is of higher quality, and consequently higher price than that referred to in Example No. I.)	
Of this amount 3s. 3d. gold represent the value of the yarn, the remainder being cost of manufacture, bleaching, and incidental expenses.	
The same cloth manufactured in India is subject to an excise on the value of the yarn only, which is	3·00
	3·31

Rs. 3·31 as above are equal to 52·96 annas.

Five per cent. on 52·96 annas is equal to 2·648 annas per piece.

Thus an advantage equal to 2·648 annas per piece exists in favour of the Indian manufacturers and bleachers and against their Lancashire competitors.

(Signed) WM. THOMPSON.

Example III.

Of the protective incidence of the Indian import duty and excise as now applied to cotton piece goods.

	Rs.
A piece of dyed shirting of which large quantities are manufactured in Lancashire, value 6s., gold delivered in India, or at 1s. 1d. exchange	5·538
Of this amount 2s. 6d. gold represent the value of the yarn, the remainder being cost of manufacture, dyeing, and incidental expenses.	
The same cloth manufactured in India is subject to an excise on the value of the yarn only, which is	2·308
	3·230

Rs. 3.230 as above are equal to 51.68 annas.
 Five per cent. on 52.96 annas is equal to 2.584 annas per piece.
 Thus an advantage equal to 2.584 annas per piece exists in favour of the Indian manufacturers and dyers and against their Lancashire competitors.

(Signed) Wm. THOMPSON.

“ Example IV.

Of the protective incidence of the Indian import duty and excise as now applied to cotton piece goods.

	Rs.
A piece of printed cloth of which large quantities are manufactured in Lancashire, value 20s., gold delivered in India, or at 1s. 1d. exchange	18.46
Of this amount 7s. 7d. gold represent the value of the yarn, the remainder being cost of manufacture, printing, and incidental expenses.	
The same cloth manufactured in India is subject to an excise on the value of the yarn only, which is	7.00
The amount upon which no duty is paid by the Indian manufacturer and printer is	11.46

Rs. 11.46 as above are equal to 183.36 annas.
 Five per cent. on 183.36 annas is equal to 9.168 annas per piece.
 Thus an advantage equal to 9.168 annas per piece exists in favour of the Indian manufacturers and printers and against their Lancashire competitors.

(Signed) Wm. THOMPSON.

Summary.

These examples show that at present the Indian producer pays:—

No excise on	46.15 per cent.	of the value of	grey goods.
“	52.44	“	bleached goods.
“	58.38	“	dyed goods.
“	62.08	“	printed goods.

And that he is protected to the following extent per piece:—

- On grey goods 2.31 per cent. of the value.
- On bleached goods, 2.62 per cent. of the value.
- On dyed goods, 2.92 per cent. of the value.
- On printed goods, 3.10 per cent. of the value.

Or, worked out in Indian Currency,—

- On grey goods, 1.48 annas per piece.
- On bleached goods, 2.648 annas per piece.
- On dyed goods, 2.584 annas per piece.
- On printed goods, 9.168 annas per piece.

(Signed) Wm. THOMPSON.
 Boundary Mill, Blackburn.

Enclosure No. 4.

STATEMENT as to the TRADE between ENGLAND and INDIA in GOODS made from COARSE YARNS, with reference to the Cotton Duties Act.

I have to bring under your notice a special matter of great importance to a portion of the Lancashire Cotton Trade, viz., those who manufacture cloth for India from 20s counts and under.

In the papers relating to the Indian Tariff Act and the Cotton Duties 1894, it is argued at length that Lancashire does not and cannot trade with India in the coarser counts, and in your speech in the House of Commons on Friday, 22nd February last, you use the following words: "We do not levy this duty on coarse counts because there is no importation of them. It has dwindled down to an infinitesimal figure for the last few years, last year to 8,500 lbs."

We do not dispute the accuracy of these statements when applied to our exports of yarns, but we respectfully urge upon your notice that we export a large quantity of cloth to the various Indian markets made from counts of 20s. and below, and that the present arrangement which taxes our productions whilst allowing those of our Indian competitors a free market places us under a grave injustice.

We bring this before you with all the more confidence in that we consider that you invited us to take this step when you said in the speech referred to above—

"If they (the Lancashire producers) can prove satisfactorily beyond all doubt that this limit, this dividing line of 20s. is unjust to them, I am equally pledged to remedy that evil.

"The principle on which the Government act is that there shall not be protection."

It would be impossible to present to you figures of the exact amount of the exports of coarse cloths, as the counts of yarn are not stated by the manufacturer to the purchaser, and, consequently, are not to be found by reference to any published statistics.

We have, however, obtained from several firms of manufacturers known to be engaged in this trade information as to the amount of cloth from 20s. and below annually made by them for India—the total quantity containing about 6,000,000 lbs. of yarn.

The great proportion of this cloth consists of what are known as "drills."

Actual proof can be obtained of counts of yarn and destination if it is thought necessary, but as we are of opinion that the strength of our case rests rather upon the question of justice than upon its magnitude, it may be sufficient to place before you a statement from the well-known firm of Messrs. Ralli Bros., giving particulars of imports by them into one of the Indian Markets, namely, Bombay:—In 1889, 2,232,000 yards; 1890, 4,163,200 yards; 1891, 5,190,400 yards; 1892, 5,600,000 yards; 1893, 5,707,200 yards; 1894, 4,504,000 yards.

Of these goods the firm I represent made the greater part, and I declare the counts to be 20s and under.

I may incidentally mention that the British troops in India are to a great extent clothed in what are known as "khaki drills," which are, so far as I know, exclusively made in England, and which contain counts far coarser than 20s.

The coarse trade is by no means a declining one, but has largely increased during the last 10 years, and is likely to increase still further as communication becomes easier with the north and north-west parts of India, unless it is unfairly hampered. It is quite certain that it will be difficult if not impossible to prevent its decay under present conditions.

I have, through the kindness of Messrs. Ralli Bros., an extract from a letter from their Bombay house as follows:—

"SIR,

"Peter Street, Manchester, March 8, 1895.

"We send at foot hereof the extract from our Bombay letter as promised. We take this opportunity of forwarding to you a press copy of the 'Imports of Drill' list, about which we spoke with you this afternoon.

"We are, &c.

"per pro Ralli Brothers.

"A. N. ALEXANDROFF.

"Gordon Harvey, Esq.,

"Littleborough.

"Bombay to Manchester, 1st February 1895:—'Every year the local mills are more and more competing with English-made goods. In our opinion it is extremely probable that the local mills will, with the 5 per cent. advantage which they enjoy, ere long be able to produce a grey drill which will eventually supplant the Lancashire cloth in our market.'"

IMPORTS of Drills into Bombay.

	Year ending 31st December					
	1889.	1890.	1891.	1892.	1893.	1894.
1. Total importations (all merchants and dealers).	Bales. 9,146	Bales. 10,809	Bales. 15,264	Bales. 9,467	Bales. 11,592	} Particulars not yet to hand.
2. Ralli Brothers' portion of above.	3,408	3,826	7,074	4,975	6,419	
3. Total of Ralli Brothers' importations of drills made in Lancashire.	1,395	2,602	3,244	3,500	3,567	
Ralli Brothers' importations of Lancashire made drills in yards.	2,232,000	4,168,200	5,190,400	5,600,000	5,707,200	4,504,000

NOTE.—The difference between "2" and "3" will be American-made drills.

per pro Ralli Brothers,
A. N. ALEXANDROFF.

I will now say just one word as to the protective nature of the 5 per cent. impost against English-made goods, arising from the fact that the duty will be levied on the manufactured value of our cloth, whereas in the case of India the 5 per cent. excise will be calculated only on the cost of yarns.

I note that in the Blue Book it is stated that the cost of the stores in the Indian mills constitutes 25 per cent. of the cost of production, and that on these stores 5 per cent. duty is paid by the user.

I could dispute this, but my case is strong enough to allow me to admit it.

I take a piece of grey drilling valued by the producer at 6s.

The cost of the yarn is 48d.—5 per cent. duty or excise 2s. 4d.

In the case of English cloth the cost of making is 24d.

Less 25 per cent. for stores 6d. - = 18d.

Packing, freight, merchants' profits, &c. - 10d.

28d. 5 per cent. duty 1·4d.,

which is protective against the English cloth to this amount.

I now take a piece of heavy "khaki" drill of 40 yds. long, value in India 6½d. per yard, or 21s. 8d. per piece.

Cost of yarns, 10s., 5 per cent. duty or excise, 6d. The only tax paid on Indian cloth.

	s.	d.	s.	d.
Cost of making -	-	3	4	
Less 25 per cent. for stores	-	0	10	
			2	6
Cost of dyeing -	-	-	6	8
Packing, freight, profits, &c. -	-	-	1	8

10 10 5 per cent. duty 6½d.

Total, 1s. 0½d., the tax paid on English cloth, which is protective against the English cloth to this amount.

A. G. C. HARVEY.

31, Cooper Street, Manchester.

Enclosure No. 5.

TABLE A.
Cost in Yarn and Expenses.

—	Particulars of Cloth.	Per-centage of Cost.		Total Cost of Piece.
		Yarn.	Ex-penses.	
Indian mill - - -	45 ins. 24 yds. 13 × 13 20s/20s 8½ lbs. -	72	28	d. 39·39
Lancashire mill - - -	Do. do. -	74	26	38·74

TABLE B.
Cost in Yarn and Expenses.

—	Pattern.	Particulars of Cloth.	Per-centage of Cost.		Total Cost of Piece.
			Yarn.	Ex-penses.	
Lancashire mill -	1	35 ins. 38 yds. 16 × 16 30s/30s 8½ 9 lbs. (substitute)	57½	42½	d. 52·00
Indian mill - - -	2	35 ins. 38 yds. 14 × 13 20s/20s 10½ -	70	30	51·63

TABLE C.
Cost in Yarn and Expenses.

—	Pattern.	Particulars of Cloth.	Percentage of Cost.		Total Cost of Piece.
			Yarn.	Ex-penses.	
Lancashire mill -	1	35 ins. 38 yds. 16 × 16 30s./30s. 8½ 9 lbs. (substitute)	57½	42½	d. 52·00
Indian mill - - -	3	35 ins. 38 yds. 14 × 16 20s./30s. 10 lbs. -	67	33	52·51

WILLIAM NOBLE, Manager,
Wellington Mills, Bury, Lancs.

Enclosure No. 6.

INDIAN IMPORT DUTIES.

THE LAW OF SUBSTITUTION.

The Indian Finance Minister appears to have overlooked a principle always carefully observed by English Chancellors of the Exchequer, viz., that in imposing a duty, whether of customs or excise, the duty should be applied to all commodities which can in any way compete with, or be substituted for, the particular article to be taxed.

EXAMPLES.

(1.) *Chicory* began to be imported for admixture with coffee from the Continent just after 1833.

In 1833 chicory was charged with import duty to protect the revenue from coffee, Years afterwards it was grown in Yorkshire and other eastern counties, and

In 1860 home-grown chicory was subjected to excise duty. In proposing the tax, Mr. Gladstone said: "It was intended to apply to any other production to be used with coffee, as a protection to the coffee revenue, which had not grown, and which probably would not grow, as long as an article that assumed the appearance of coffee was free from duty."

The excise on chicory is still retained.

(2.) *Sugar*.—Duty abolished in 1873.

So long as it existed the following were taxed :—

Cane juice,	Almond paste,
Dried comfits,	Preserved ginger,
Succades,	Dried cherries,
Molasses,	Marmalade,
Confectionery,	

and all fruits and vegetables prepared in sugar and all manufactures of sugar.

(3.) *Spirits*.—The following are taxed at present :—

Chloroform,	Confectionery, with spirits,
Collodion,	Cocoa and chocolate, with spirits
Ether,	additional,
Soap, with spirits,	Iodide of Ethyl.
Chloral hydrate,	

Indian Spirit Duty.—When the duty on spirits was raised eight or ten years ago, it was found that eau de Cologne was being imported and drunk in India. A duty on eau de Cologne equivalent to that on spirits was therefore immediately imposed.

TOM GARNETT, President,
United Cotton Manufacturers' Association,
Radclyffe, Clitheroe.

Enclosure No. 7.

STATEMENT by Mr. JOHN WHITTAKER, approved by the JOINT COMMITTEE OF COTTON MANUFACTURERS AND OPERATIVES (see page 193).

No. 2.

CORRESPONDENCE relative to DEPUTATION from the INDIAN COTTON DUTIES JOINT COMMITTEE OF EMPLOYERS AND OPERATIVES to the SECRETARY OF STATE FOR INDIA.

To LORD GEORGE HAMILTON, India Office, London.

December 3, 1895.

Joint Committee Operatives and Employers respectfully request your Lordship to receive deputation of operatives, employers, and M.P.'s on cotton duties next week, Wednesday preferred.

71, King Street, Manchester.

MAWDSLEY and TATTERSALL,
Joint Secretaries.

The United Cotton Manufacturers' Association,
71, King Street, Manchester,

MY LORD,

December 3, 1895.

At a meeting of the Indian Cotton Duties Joint Committee of Employers and Operatives held here to-day, Mr. T. F. Mackison, of the Federation of Master Cotton Spinners Association, presided in the unavoidable absence of Mr. Tom Garnett. There were also present: Messrs. John Whittaker, W. Thompson, W. Noble, James Fletcher, Joshua Rawlinson, E. Helm, Calder Clegg, Luke Barker, representing the cotton employers, and Messrs. David Holmes, W. Mullin, W. H. Wilkinson, Thomas Ashton, Joshua Barrows, J. Sidebotham, representing the cotton operatives.

Messrs. Tom Garnett and W. Tattersall presented reports of their interview last Wednesday with the Secretary of State for India (Lord George Hamilton), and a resolution was unanimously passed expressing satisfaction with such reports.

The following resolution was unanimously passed, and the secretary was directed to forward it to Lord George Hamilton, viz. :—

“That this joint committee of operatives and employers representing the Lancashire cotton trade desires to express its strong feeling of disappointment and dissatisfaction with the extraordinary delay that has taken place in replying to the Lancashire memorial on the question of the Indian import duties, and trusts that the Secretary of State for India will take such steps as will bring the matter to a head without further delay, as the trade of the district is being hampered and harassed by the existing uncertainty.”

We are, &c.

J. MAWDSLEY,	} Joint Secretaries.
Operatives' Secretary,	
W. TATTERSALL,	} Joint Secretaries.
Employers' Secretary,	

The Right Hon. Lord George Hamilton, M.P.,
India Office, London.

COPY LETTER FROM LORD GEORGE HAMILTON TO MESSRS. MAWDSLEY AND TATTERSALL,
Joint Secretaries, United Cotton Manufacturers' Association, dated 3rd December
1895.

(Published in “Manchester Courier” of 17th December 1895.)

GENTLEMEN,

As I have before stated, I will gladly see a deputation from Lancashire upon the Cotton Duties if they have any information to add to that which I have already received.

The cotton duties were imposed by an Act of the Legislative Council of the Government of India, and any modification or change which investigation proves to be necessary must be made by that Council.

It seems to be assumed that since the adjournment of Parliament little has been done, either here or in India, in the direction of investigating the complaints of Lancashire or in formulating the alterations which may be necessary to ensure beyond question that the duties are not protective in their operation.

Such an assumption, if it exists, is altogether erroneous. Both here and in India the question has been ever before the Government, and substantial advance has been made towards placing the duties upon a more satisfactory footing.

To adjust the duties levied by the Customs externally and that obtained by Excise internally, so as to make them identical in their incidence and operation upon so vast and varying an industry as that connected with spinning and weaving cotton is no easy task.

I should only add to the inherent difficulties if I were to say prematurely anything that either in India or here would increase existing irritation, or mar or postpone the settlement that should and can be arrived at.

I am quite prepared to receive a deputation on that condition, but those who come or are represented must not be surprised if, in the interests of a judicial and rapid settlement of the matter, my observations are reserved.

(Signed) GEORGE HAMILTON.

REPORT FROM "THE TIMES" OF THE 12TH DECEMBER 1895, OF THE DEPUTATION TO THE SECRETARY OF STATE FOR INDIA, ON THE 11TH DECEMBER 1895.

THE INDIAN COTTON DUTIES.

Lord George Hamilton, Secretary of State for India, received yesterday afternoon at the India Office, a large and representative deputation of gentlemen interested in the Lancashire cotton trade, with reference to the Indian cotton duties. The deputation consisted of members of Parliament, a joint committee of employers and operatives, the mayors of various Lancashire towns, representatives of the Federation of Masters Cotton Spinners' Association, the United Textile Workers' Association, Northern Cotton Weavers' Association, Scotch dyers and printers, the chambers of commerce of Blackburn, Bolton, and Oldham, and numerous other bodies representing all the masters' and men's associations in the cotton trade. Among the members of Parliament who intimated their intention to be present, and most of whom were present, were Mr. Coddington, Sir F. S. Powell, M'Clure, the Marquis of Lorne, Mr. G. Whiteley, Mr. H. Whiteley, Colonel Blundell, Sir H. Howorth, Messrs. Wylie (Dumbartonshire), W. Sidebottom, Tomlinson, Pierpoint, Rutherford, Colonel Mellor, Platt Higgins, Harwood, Clare, Shepherd-Cross, Cawley, Kenyon, Ascroft, Maden, Melville, Royds, Oswald, Hatch, Hornby, and Thomas Fielden.

Mr. Coddington introduced the deputation, and stated that their object was to place before the Secretary of State what they considered to be the unfair arrangement by which the duties had been assessed upon the English manufacturer and not upon the manufacturer in India. As a cotton spinner and manufacturer of over 40 years' standing, he wished to say of his own knowledge that the tariff now levied was distinctly protective. But even assuming that the duties were not protective and that they were simply imposed for revenue purposes, they contended that their competitors in India should pay a fair proportion. The only argument in favour of imposing the duties was that the financial necessities of London required them; as "The Times" of Monday put it, "It was under the pressure of strong financial need that the Indian cotton duties were reimposed." That being so, it was fair that they should be levied upon the yarns and goods imported into, as upon the yarns and goods manufactured in, India. Almost the whole capital which was invested in the mills in India, he believed, was English capital, and, therefore, any unfair incidence was practically placing an advantage in favour of the English capitalist in India as against the English capitalist in England. (Hear, hear.) Even in India itself there was not that unanimity of opinion on the subject which might generally be supposed. In the "Times of India" of March 2, it was reported that the Hon. W. R. Macdonnell, presiding at the annual meeting of the Bombay Chamber of Commerce, stated that "A majority of the special committee appointed by the Chamber to consider the question of the imposition of import duty—and the chairman was one of the majority—were of opinion that a countervailing excise should be placed on all yarns produced in Indian mills." He went on to say that "contrary to the opinion expressed by the Millowners' Association, it was believed that a moderate excise duty would be no real hardship, for it was generally admitted that there was no other civilized country in the world in which the public burdens were so light as in India. He accordingly saw no reason why the consumers in India of country-made yarns, even granting they belonged to the poorer classes, should not pay the same rate of duty as those of their fellow-countrymen who used goods made in Lancashire." Lancashire in this matter asked for nothing but fair play and justice.

Mr. Tom Garnett, chairman of the joint committee of employers and operatives on the Indian duties, stated that their case was set forth in the memorial (commented upon in "The Times" of Monday last), which had been forwarded to the Government of India. Their case, so to speak, was now *sub judice*, but all the same they felt it their duty to tell the noble lord that the public mind of Lancashire and elsewhere was most seriously agitated on this question. Indeed, he might say that there was a growing tide of indignation at what they could not but consider the very long delay on the part of the Indian Government in answering a memorial sent in nearly six months ago. The present state of uncertainty with regard to the future of the duties in itself tended to aggravate the distress, and he, therefore, begged the Secretary of State to accelerate any steps which the Indian Government might be taking to remedy the handicapping which Lancashire was suffering under.

Mr. David Holmes (Burnley), representing the operatives, quoted figures to show the injurious effect of the duties on Lancashire trade. He stated that the exports of cloth to British India for the first 11 months of 1895, were $2\frac{1}{2}$ per cent. below those of

the same period of 1893,—although the great coal strike lessened the export to India in that year,—and showed a decrease of $22\frac{1}{2}$ per cent. upon last year's figures. In values the exports of this year so far showed a decrease of $14\frac{1}{2}$ per cent. compared with the first 11 months of 1893, and of 29 per cent. compared with last year. These facts, he submitted, pointed conclusively to the fact that their looms and spindles had been stopped.

Mr. J. Whittaker, Blackburn Chamber of Commerce, said that, while a year ago the fears of Lancashire were scouted as imaginary, 12 months' experience of the duties had resulted in a year of almost unprecedented prosperity to the Indian mills and unprecedented disaster to those of Lancashire. At present merchants were not disposed to place orders till something definite was known about the future of the duties. Their great complaint, when the duties were reimposed, was that Sir H. Fowler did not sufficiently consult the Lancashire people. He believed the right hon. gentleman did consult one or two gentlemen, but who they were he did not know; their names still remained in obscurity. In contradistinction to this Sir J. Westland stated in his manifesto that he had "taken every possible step to keep the Chamber of Commerce in Bombay and the millowners informed of the measures being taken there." Lancashire surely was entitled to the same consideration. He had some additional evidence to offer as to the protective character of the duties. In speaking of the injustice that was done to the producers of goods made from 20's and below, upon which duty must be paid, without any corresponding excise duty on similar goods made in India, their memorial stated that, "if the present unfair conditions are maintained, it must result in the products of the Indian manufactures supplanting those of this country altogether." That fear had been realised much quicker than they expected. Already the manufacture of these goods had declined to almost an infinitesimal quantity. He had interviews with several manufacturers of this class of goods, who informed him that their trade was absolutely ruined. In their case it could not be denied, but had been admitted even in India, that this was absolute protection. They had also endeavoured to prove that the 5 per cent. import duty levied on the *ad valorem* value of the goods was only countervailed to the extent of $3\frac{1}{2}$ per cent. because of the duty being levied on the yarns only in India. That was a proposition which could not be denied, if all the conditions which existed prior to the duty were maintained. In addition to this $1\frac{1}{2}$ per cent. of which India had the advantage, there was another circumstance which had arisen out of the manner in which the duties were levied on cloth and yarn, which gave another $1\frac{1}{2}$ per cent. of advantage to the Hindu manufacturer. All this and more showed that the objections mentioned in their memorial were not mitigated by time, but rather intensified.

Mr. T. F. Mackison (Heywood), Mr. Mullin, Oldham (United Textile Workers' Association), Mr. T. Ashton (Amalgamated Spinners' Association), Mr. A. Emmott (Oldham Chamber of Commerce), and the Mayor of Oldham also spoke.

Colonel Mellor, M.P., testified, as the oldest representative of the cotton trade in the House of Commons, that he had never known the feeling in Lancashire comparable with that which existed at the present time. The sufferings at the time of the American cotton famine were bravely endured because it was felt they were imposed by a Power over which they had no control, but in this case the blow had been dealt by those of their own household. This gave a sting to the thing, which had aroused a feeling of resentment which was growing daily in the county palatine.

Mr. G. Whiteley, M.P., in a short speech, dwelt, among other points, upon the sufferings of the workers through the depressed condition of their industry.

Mr. Wylie, M.P., spoke for the Scotch dyers and printers, who had, he said, joined hands with Lancashire in the endeavour to get the duties abolished.

Lord G. Hamilton, in reply, said: I felt it my duty, as soon as a general wish was conveyed to me from Lancashire that I should receive a deputation on the cotton duties that I ought at once to accede to the request, but I believe the majority of you know the conditions under which I expressed my willingness to receive such a deputation. They are contained in a letter, and I think all those who have heard that letter read will understand the reasons why I must now speak with a certain amount of reserve. Several of the speakers have reminded me that this is not the first time I have had the honour to receive a deputation from Lancashire. I went through the old agitation which took place some 20 years or more back, resulting in the abolition of the duties imposed in India, and I am certain that no man who has had the official experience I have had and who has come into contact with representatives of Lancashire ever can pretend that this question

is a mere local one, or that those who speak or agitate upon it are influenced by motives either of selfishness or of greed. (Cheers.) I have endeavoured always to look at the question from one point of view and one alone—namely from the Imperial view (cheers)—not from the local interests of Lancashire on the one side or of Bombay on the other. Now, it is admitted by every one that, excepting perhaps the ties which race and religion may weave, the bonds of commerce are the most powerful instruments known for knitting together the interests of scattered communities and of welding them together in an empire. But if trade and commerce are so to work they must operate equally for the interests which they touch (hear, hear), and whenever it is in any way necessary to adopt a tariff policy which sets great industrial communities in different parts of the world in the same empire in antagonism or collision one with another, then the germs of disunion are created and the stability of that empire is threatened. We all know that as locomotion and facilities of transport are accelerated and developed, so the power of trade and commerce both in binding and disintegrating communities and empires is increased. Therefore, I have always treasured up the happy words of the present Prime Minister, who, in summing up the controversy 20 years ago, said this was a matter of dangerous contention, and it was only under conditions of emergency or exigency that recourse in any way ought to be had to such a policy.

THE FINANCIAL EXIGENCIES OF INDIA.

Unfortunately, as several speakers have admitted, that financial exigency exists, and it was for the purpose of establishing an equilibrium in Indian finance that these duties were imposed. Since they were imposed the position in Indian finance has slightly improved, and I hope it will continue to improve. Reference has been made to members of the Indian Government, and especially to Sir James Westland; let me say that I have had a great many communications with Sir James Westland, and a fairer, straighter, or stronger man I have never met. He is bound to look at this question, as Finance Minister, from both sides, and I find no bias or prejudice in his mind; indeed, in one sense, he is your best friend. If an equilibrium can be established between Indian expenditure and revenue, so that these duties can be dispensed with, it is admitted that they are the first tax that should be dealt with. No man has striven harder to effect that end than Sir James Westland, and if in the course of a few years that satisfactory result is attained, it will be more due to Sir James Westland than to any other living man. The principle involved is an important one, and I think some of the critics hardly realise the magnitude of the interests which you represent. Great Britain is the greatest manufacturing and exporting country in the world. I do not know if many people are aware that, taking the returns of the last ten years, the exports of the cotton trade alone comprise 25 per cent. on the average of the whole total annual exports of Great Britain. They amount on the average to the enormous total of 60 millions sterling. On the other hand, India is the great receiving market for cotton goods. Its population comprises one-fifth of the human race, and it has taken during the past ten years on the average from 30 to 40 per cent. of the total cotton exports of this country. Therefore the question is one which you are perfectly right in raising in the shape you have done. I have looked at it from both points of view. No one will contend that it is for the benefit of India that the consumers there should pay 5 per cent. more than they did before; and therefore, if a satisfactory equilibrium between income and expenditure could be established, it would be as much to the interests of India as of Lancashire that the duties should be abolished. It is, as has been observed, almost impossible to draw a hard-and-fast line through a vast number of varying qualities of goods and say that a tax shall only apply on this side of the line and not on the other. (Hear, hear.) The inevitable tendency of increase on one side is to draw up those on the other in sympathy with it, and therefore the Indian consumer will understand that in the aggregate he pays under this system more for his cotton goods than the Government receive from the duties imposed. Therefore, we are all agreed that if we had the power to dispense with these duties we would gladly do so. There is equal agreement as to the conditions under which the duties were imposed. Sir H. Fowler stated in the clearest possible manner that, in his opinion, the duties were in no sense to be protective. And he was so confident that they would not operate in that direction that he did not consult Parliament before imposing them. The Indian Government have fully accepted the conditions under which alone they were to legislate, and it will be observed that in the circular recently addressed to the Bombay Chamber of Commerce they announced that they intended loyally to adhere to the conditions.

THE ALLEGED DELAY.

Now I come to the main point of the speeches—namely, that there has been considerable and even, as some put it, unwarrantable delay in answering the memorial I received some time back. On that point, I want, gentlemen, just to bear in mind what are the difficulties of the Council here and the Council in India. These duties have been imposed on the condition that an excise is to fully countervail the import duty. To establish perfect equality is an exceedingly difficult matter. Mr. Whittaker, who is a complete master of every technicality of the cotton business, met my predecessor, Sir H. Fowler, here with others on May 27. Sir H. Fowler asked them to state in a succinct form on paper their case. It arrived on July 9. You will see, therefore, that although they were experts, professing a knowledge of all the technicalities of the cotton trade, yet even in drawing up one side of the case they occupied no less than six weeks. I do not think it is unreasonable that the Indian Government, who have to consider not one side only but both sides of the case, and—if we come to the opinion that any alteration is necessary—have to consider what those alterations should be, it is not unreasonable that we should be allowed a little time to mature our answer. I can assure you that, so far from there being delay, as soon as the general election was over, I took the matter in hand and have been in constant communication with the Indian Government ever since. Now, you will understand that it would have been easy to have sent an answer very quickly to a memorial of that kind. Whenever a petition or a memorial is addressed to a Government praying for alteration in a tariff, if Government wishes to refuse the memorial, they can answer quickly; but if, on the other hand, they believe there is something in the memorial that requires further consideration, and that upon further consideration legislation may be necessary, then the position is changed. It is a cardinal maxim in tariffs that no Government should allow a great interval to elapse between the declaration of their intention and their action upon such intention. You know it is the invariable practice when any deputation waits on the Chancellor of the Exchequer in reference to any existing tax, that they do not get a final answer until he introduces the Budget. Now, we have made considerable advance, and I hope that in the course of a very short time, we may be able to give you an answer. To every pledge that my predecessor made, of course I adhere; and I sincerely hope that whatever conclusions we may arrive at may, in some way, contribute towards the re-establishment of the prosperity of your industry. Mr. Holmes drew attention to the great difference between the amount of piece goods exported last year and this year, and he seemed entirely to attribute the difference of 22½ per cent. to the action of the cotton duties. But it must be recollected that last year the exports to India were exceptionally high. I believe they exceeded the quantity imported in any preceding year. Stocks were, undoubtedly, excessive at the commencement of the year, and I have little doubt that these excessive stocks contributed materially to the difference between the exports of this and last year, to which attention has been called. But I quite admit the force of one statement made by different speakers. When a trade is in so depressed a condition as the Lancashire cotton trade is, uncertainty as to its future tends greatly to aggravate that depression.

WHAT LANCASHIRE HAS TO FACE.

I have looked at the question perfectly impartially, and I say frankly to you that I do not believe, even if it were possible, that repeal would at once bring to you all the prosperity you anticipate. From the figures relating to the exports of India, I find that during the last 10 years the value of cotton exports from Great Britain to countries other than India, has not increased; but, on the other hand, the exports from the Indian mills during that period have literally doubled, and there is this year a large increase in the amount exported. Therefore, it is clear that quite independently of these import duties, and in places where they do not operate, there is increasing competition between the products of Indian and Lancashire cotton mills. It is better to look the situation in the face. You have to deal with new conditions of competition.

EQUALITY OF TREATMENT.

I believe in the capacity of Lancashire to adapt herself to almost any condition, provided she has fair play. That fair play you ask from the present Government. They, in common with their predecessors, are pledged to give that fair play, and by fair play I mean perfect equality of treatment. (Cheers.) You ask for nothing more, and, as I understand, Bombay asks for nothing more. You have stated that the Indian Government

have unduly consulted the Bombay Chamber of Commerce and merchants upon their legislation, but you must recollect that the cotton merchants at Bombay were the only persons whom the Indian Government could consult. And you contended, I think, that my predecessor in office did not sufficiently consult Lancashire. Well, I am fully in possession of the views of Lancashire. Lancashire wishes certain alterations to be made in the existing tariff. I am bound under these conditions to let Bombay have its full say on any such proposition. Therefore, if I cannot say any more to you than this, I think we can exchange ideas which, to a certain extent, will be satisfactory. You impress upon me the necessity of pushing this matter forward as rapidly as possible in consequence of great damage being done to your industry. I admit that that fact is already known to the Viceroy, and I will emphasize it by repeating to him the result of this interview. (Cheers.) On the other hand, I think you will agree that, pending the date at which we can remove these duties, whatever is done now should be done fully, thoroughly, and finally. In whatever spirit any changes may be considered, it must be of any equitable and judicial character. It is essential they should be associated with such a full investigation of every detail of this complicated question that we should not fail in our object, the fulfilling of the pledges we have given. (Cheers.) I can assure you I will do my best to accelerate the reply and decision of the Indian Government, and I will forward to the Indian Government the substance of the communications which you have made to me, and I am quite confident these communications will be received in a sympathetic and equitable spirit. (Cheers.)

On the motion of Mr. Coddington, the thanks of the deputation were cordially voted to Lord George Hamilton for his courteous reply.

No. 3.

TELEGRAPHIC COMMUNICATIONS between the SECRETARY OF STATE and the VICEROY,
16th January to 6th February 1896.

Telegram, 16th January 1896.

From VICEROY, CALCUTTA, to SECRETARY OF STATE, LONDON.

The Government of India have agreed to apply cotton duties to Indian and imported goods equally, thus :—(a) woven goods only will be dutiable, yarns will be free ; (b) we retain no dividing line at 20s, duty will be the same for all counts ; (c) rate of duty will be reduced to $3\frac{1}{2}$ per cent. because we desire to avoid excessive increase on Indian mill-made goods, to have low rate on coarse goods in common use, and to diminish any advantage given to handloom industry ; (d) grey goods will be tariffed as suggested by Sir James Westland ; (e) we cannot agree to any excise duty on the handloom industry.

Are these decisions approved by you ?

Telegram, 16th January 1896.

From VICEROY, CALCUTTA, to SECRETARY OF STATE, LONDON.

Clause (d) of my message of 16th January. Sir James Westland's suggested tariff assigns values to 13 classes of grey goods ; other woven goods will be taxed ad valorem.

Telegram, 17th January 1896.

From SECRETARY OF STATE, LONDON, to VICEROY, CALCUTTA.

I approve decisions respecting cotton duties, as explained in your message dated 16th January. Please state when your decision will be published. Till then papers will be confidential.

Telegram, 18th January 1896.

From VICEROY, CALCUTTA, to SECRETARY OF STATE, LONDON.

In reply to your inquiry of 17th January. We shall introduce Cotton Duties Bills on Thursday next. Details regarding our measures can be published before that date.

TELEGRAMS.

From SECRETARY OF STATE to VICEROY.

January 29, 1896.

I have received resolutions from Joint Indian Import Duties Committee of Lancashire masters and operatives, of which following is substance :—“ Nothing short of entire abolition will remove all cause of complaint, and equal taxation of all products of both Indian and Lancashire mills would have been most equitable course. But provided all goods bleached, dyed or printed by steam power pay excise duty on finished values at same rate as similar imported goods, then proposed measure of uniform customs and excise duty of $3\frac{1}{2}$ per cent. on power loom cotton goods removes serious inequalities and is solution of present difficulties least open to objection. Lancashire respectfully hopes Indian Legislature may pass present measure into law in preference to other alternative suggested.” Also resolution from Manchester Chamber of Commerce that Chamber concurs with proposed uniform customs and excise duty at $3\frac{1}{2}$ per cent. on power loom goods as solution of present difficulties least open to objection, so long as duties financially necessary.

From SECRETARY OF STATE to VICEROY.

February 4, 1896.

Your telegram of 2nd February. Cotton duties. Please telegraph when Bill becomes law, giving brief outline of measure for publication here. State from what date change will take effect.

From VICEROY to SECRETARY OF STATE.

February 6, 1896.

Your telegram of 4th February. Bills passed Council 3rd February, and came into force same date. Tariff Act removes duty altogether from yarns of all kinds, and reduces duty on piece goods and other cotton manufactures from 5 per cent. to $3\frac{1}{2}$ per cent. *ad valorem*. Cotton Duties Act similarly exempts yarns of Indian manufacture, and imposes duty of $3\frac{1}{2}$ per cent. on woven goods of all counts manufactured by Indian mills. Tariff values assigned by notification to goods forming great bulk of production in India. Apart from provisions in regard to stock in hand, no other substantial alteration has been made in law of last year.

No. 4.

ABSTRACT of the PROCEEDINGS of the COUNCIL OF THE GOVERNOR GENERAL OF INDIA, assembled for the purpose of making LAWS and REGULATIONS under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict. c. 67., and 55 & 56 Vict. c. 14).

The Council met at Government House on Thursday, the 23rd January 1896.

Present :

The Honourable Sir A. E. MILLER, Knight, C.S.I., Q.C., presiding.
 His Honour the LIEUTENANT-GOVERNOR OF BENGAL, K.C.S.I.
 His Excellency the COMMANDER-IN-CHIEF, G.C.I.E., K.C.B., V.C.
 The Honourable Lieutenant-General Sir H. BRACKENBURY, K.C.B., K.C.S.I., R.A.
 The Honourable Sir C. B. PRITCHARD, K.C.I.E., C.S.I.
 The Honourable Sir J. WESTLAND, K.C.S.I.
 The Honourable J. WOODBURN, C.S.I.
 The Honourable Prince Sir JAHAN KADR MEERZA MUHAMMAD WAHID ALI BAHÁDUR, K.C.I.E.
 The Honourable MOHINY MOHUN ROY.
 The Honourable C. C. STEVENS, C.S.I.
 The Honourable A. S. LETHBRIDGE, C.S.I., M.D.
 The Honourable M. R. RY. P. ANANDA CHARLU, Rai Bahádur.
 The Honourable Sir G. H. P. EVANS, K.C.I.E.
 The Honourable ALAN CADELL, C.S.I.
 The Honourable J. D. REES, C.I.E.
 The Honourable G. P. GLENDINNING.
 The Honourable Nawab AMIR-UD-DIN AHMAD KHAN, C.I.E., Bahádur, Fakharuddoulab, Chief of Loharu.
 The Honourable RAO SAHIB BALWANT RAO BHUSKATE.
 The Honourable P. PLAYFAIR, C.I.E.

NEW MEMBER.

The Honourable M. R. RY. P. ANANDA CHARLU, Rai Bahádur, took his seat as an additional Member of Council.

COTTON DUTIES AND TARIFF BILLS.

The Honourable Sir James Westland moved for leave to introduce a Bill to provide for the imposition and levy of certain duties on cotton goods. He said :—

“ It will be in the recollection of the Council that when first we re-imposed the import duties I was charged, in introducing the Bill for this purpose, on 1st March 1894, to announce that Her Majesty's Government were not prepared at that time to assent to

the inclusion of cotton yarns and fabrics among the articles liable to duty. They undertook, however, to give the question further consideration if the state of exchange was such as to show that further revenues were necessary for the maintenance of financial equilibrium in India. We were obliged to re-submit the case accordingly towards the end of 1894, and Her Majesty's Government then assented to the imposition of duties on cotton goods, under conditions which I announced to the Council on 17th December 1894 in the following terms :—

“ Her Majesty's Government, representing the supreme authority in the administration of India, and following the instructions of the House of Commons, have stipulated that, if we are obliged by stress of finance to impose an import duty on cotton goods, we must 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.”

“ We met this condition, fairly as we thought, and certainly, as I shall easily show the Council, much more fairly than Manchester at all understands, by the Cotton Duties Act, passed in December 1894.

“ Our proceedings, or rather the proceedings of Her Majesty's Government in this matter, were made the subject of discussion in Parliament on 21st February 1895. It is not my intention to quote any portion of the discussion that then took place, beyond what is necessary to show the position which Her Majesty's Government took up. The Secretary of State for India, speaking in the debate, referred to a distinction upon which our then proposals were largely based, namely, the distribution of the trade into two elements, one the Indian share confined to the coarser counts, and the other the English confined to the finer ones, and said :—

* * * * *

“ It is said in India that between 20s and 24s competition does not begin. I have already said that—

“ “ If you can prove that the 20 limit is too low and should be raised to 24, power is reserved to the Indian Government, with the consent of the Secretary of State, to alter that figure.”

“ I say that the same principle applies to my Lancashire friends. If they can show that this limit works injustice to them, and is in any way protective, I am equally pledged to remedy the evil. Our principle has been all through that there shall not be protection. No one will say that it is possible, in the imposition of any new tax, especially a complicated excise tax, to deal at the first moment with all the possibilities of the case, or to strike off a measure which will not require amendment. I say frankly and openly to the Lancashire manufacturers, as I already have said to the Scottish manufacturers in dealing with dyed yarns,—

“ If you will prove that there is any injustice done to you, I will do my best to remedy that injustice.”

“ This is purely a question for inquiry, and for inquiry alone. It is impossible to discuss it on the floor of this House. Given the evil and injustice, we will endeavour to find a remedy.”

“ And it was upon this assurance that the House of Commons for the time abandoned the discussion.

“ And here I would stop for a moment to explain that I desire throughout my remarks to avoid any allusions to the personality of the two high officers who during these proceedings have held the office of Secretary of State for India. The policy of the Secretary of State has, throughout these discussions, been perfectly continuous; and if I were to speak by name of Sir Henry Fowler or of Lord George Hamilton, instead of merely speaking of the Secretary of State, I might be understood as contrasting the action of these two Ministers of the Crown when I intend merely to describe the initial and the final stages of the same proceedings, and might convey the impression, for which I believe there is absolutely no warrant, that the question in some way entered on a new phase, or was in some way affected, by the change of Ministry which took place in June last.

“ In response to the invitation implied in the Secretary of State's remarks in Parliament, a deputation of Lancashire manufacturers presented themselves to the Secretary of State on 27th May, with the professed intention of showing that they were unjustly treated in respect of the Indian cotton duties. Unfortunately the case was not very much advanced by the discussion, for the deputation omitted what from our point of view and from that of Her Majesty's Government was the essential element in the whole matter, namely, the statement of the actual facts and statistics bearing on

the question. The Secretary of State's final reply to the deputation was as follows:—

“ Now what I want you to do, if you Lancashire gentlemen would do it, is drop all questions about competition with Bombay; drop all questions about public feeling in Lancashire, and do not say anything about general elections, and about members of Parliament being influenced, or forming agitations, or anything else, but take your stand upon the distinct economical principle which I think everybody will assent to, namely, that you have no right to be put at a disadvantage by the imposition, upon the product of your county, of a protective duty.

* * * * *

“ You say “ this countervailing excise duty is not a countervailing excise duty and is unfair to us.” That is your contention. Now, then, I say, give me your arguments; give me your statistics; give me your figures in proof of this, and give me the arguments and statistics and figures which are clear and are not disputable.

“ The result was that the Manchester manufacturers drew up a formal statement of their case in a document which bears date July 9th, 1895, and which has been made public in India. It was not until the receipt of this document that the Government was in a position to deal with the matter, or even to know exactly what the claims of the Manchester manufacturers were. I have no intention of going through this document at length. A great part of it I consider to be really beside the question. I can see no useful object, for example, in discussing in what degree the several elements of raw material, labour, freight, wear and tear of machinery, &c., &c., enter into the value of a piece of cloth. Such matters might be discussed till doomsday, and we would be no nearer a decision on the subject. I utterly deny that even accepting all these figures to be true they in any way lead to, or even bear upon, the conclusion that Manchester wants to base upon them, namely, that Manchester goods pay two or three times the tax paid by Indian manufacturers. The question is, to my mind, most amply and ably discussed in the letter which we have received from the Millowners' Association of Bombay. The process adopted in the Manchester document is as if one were to attempt to find the heat of the weather by elaborate calculations founded upon the altitude of the sun, the latitude of the place, and the state of the atmosphere, instead of by the simpler process of looking at the thermometer and reading it off. Ordinary grey-shirtings imported from Manchester pay duty, as will be seen from any price current, upon a value of about 8 annas a pound. Manufactured in India, the calculation comes out thus: A pound of woven goods contained about .85 of yarn, which if of 25s or 30s, pays duty at 7 annas a pound. The articles therefore pay duty, in this respect alone, on $7 \times .85$ or 6 annas a pound. I shall not enter on the question of the additional payments of duty on stores, which, the Indian millowners claim, make up part, if not the whole, of this difference between 8 annas and 6; but these figures are enough to show that the statements of the Manchester merchants as to the differences of duty are greatly exaggerated, and that, for practical purposes, we need not concern ourselves with the elaborate calculations of the elements that enter into the final value of the finished product. Customs duties, all the world over, when levied upon value, have regard to the value at the port where they are levied, and no Government would for a moment admit the cry of protection as between two countries, because the final value, being the same in both cases, was made up in different proportions of raw material, labour, and freight. We may, like other countries, safely leave all such matters out of account.

“ But although the Manchester case is in these and some other points much exaggerated, there are two matters in which we feel we must admit that the treatment of Indian and of Manchester goods is not on quite the same level.

“ The first of these is the effect of our drawing the line of taxation, for Indian goods, at 20. 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.

“ They claim also that there is no such marked difference between the goods above the line and the goods below the line, as would prevent the latter (in which India is chiefly

interested), from being largely substituted for the former (in which Lancashire is chiefly interested). The Lancashire manufacturers claim that they can spin 20s just as easily as higher counts, and that they could, if they were not prevented by our fiscal measures, substitute for the cloth they at present send to India a cloth made wholly or partly of non-dutiable counts which would be a substitute for, and find the same market as, their present importations. On this question of fact, or of probability, I admit that I differ from the Manchester merchants, and I believe with the Indian mill-owners, to whose memorandum on the subject I again refer, that Lancashire cannot, except in the case of a few exceptional goods such as drills, lay down in India woven goods of the coarser kinds at prices that can at all compete with those of Indian-produced goods. But I admit that Manchester may justly object to being prevented from trying the experiment by our insisting upon interposing in the way of it a duty to which we do not subject the goods of Indian manufacture.

“The conclusion to which the Government of India have come upon this matter is one in which, so far, it is supported by the Chambers of Commerce both of Calcutta and of Bombay, and is that it is not possible to longer maintain the system by which an exemption is granted to goods of 20 and under, when they are of Indian manufacture, but refused when they are imported by sea. We justified the difference a year ago, because, though we admitted that the difference would operate protectively, if it operated at all, we held that as a matter of fact Manchester goods lay entirely outside its operation. It will be seen, in fact, that the objections urged by Manchester are rather against its indirect than its direct operation, and in this sense we admit that the rule constitutes an element of protection which violates the principles laid down for our guidance, both in former days and now, by Her Majesty’s Government.

“The second point in which the Manchester case is admitted by us to have some foundation, is in the allegation that the tax levied upon yarns which are afterwards woven into cloth is *pro tanto* a lighter tax than is levied upon the completed manufactured article. I have already dealt with the actual measure of this difference and shown that it is at all events very much less than Manchester asserts it to be, but that it is a difference of operation which may result in a difference of amount I do not think we can deny. We cannot say that the two rates of taxation, viz., that upon imported goods and that upon Indian-manufactured goods, are precisely equal when they are levied upon different bases. I have pointed out the grounds on which we considered that they were practically equal, and these grounds were to some extent endorsed by the Secretary of State in replying to the deputation which met him upon 27th May. Without committing himself to the accuracy of the figures which were put forward upon the Indian side, he reminded the deputation that these claims, relating to differential taxation on stores, were made by the Indian mill-owners, and that to give a reply to them and say on which side the balance lay, it was necessary at least ‘to go very precisely into these figures.’

“If Lancashire trade were in a flourishing condition, I cannot help thinking that these differences would have been considered to be more theoretical than practical, and would not have given rise to the reclamations with which we have now to deal.

“But we cannot conceal from ourselves the fact that Lancashire trade has recently been in a depressed condition, although we certainly contend that the circumstances out of which this depression arises have nothing to do with Indian cotton duties. The question is dealt with, better than I can deal with it, in the letter from the Bengal Chamber of Commerce of January 3rd last. Strenuous competition all the world over is taking away from Lancashire what used to be almost its monopoly of the piece-goods markets. In China and Japan, as well as in India, manufacture has been and is being brought at the same time to the supply of the raw material, and to the door of the consumer. The Secretary of State, in receiving the other day a Lancashire deputation, said:—

“‘I quite admit the force of one statement which, I think, was common to every speaker, namely, that when a trade is in so depressed a condition as yours, an uncertainty as to its future tends greatly to aggravate that depression. But I have looked at this matter perfectly impartially, and I say very frankly to you that I do not believe, even if it were possible for us and in our power to repeal these cotton duties, that would at once bring to you all the prosperity which you anticipate. I have looked carefully into the figures relating to the exports from India. I find that during the past ten years the value of the cotton exports from Great Britain to countries other than India has not increased, but on the other hand, the exports from the Indian mills during that period have literally doubled, and they are increasing still, and there is this year a large increase

in the amount exported. Therefore, it is clear that quite independent of those import duties, and in places where those import duties do not operate, there is increasing competition between the products of Indian mills and the products of Lancashire. I make this statement because I think it is much better for us frankly and fully to look this situation in the face. You have to deal now with new conditions and new competition.'

"It is not surprising under these circumstances that Lancashire should jealously scrutinize all the advantages which its rivals in the East may possess, and should raise objections to any artificial advantages being added to those which nature already confers. And these considerations add a special responsibility to those who, either in this country or in England, have the administration of these matters. Whatever may be the immediate future of the Lancashire industry, it behoves us to be careful that none of its misfortunes—if any such should be in store—be in any way attributable to any unequal action on our part. The history of the past 10 or 15 years shows that Indian industries in a fair field and without any adventitious aid, can even more than hold their own; and mill-owners and merchants in India are at one in declaring that they want no special terms of any kind, no treatment in which Manchester is not admitted to a perfectly equal share.

"We are anxious, therefore, on these grounds to secure a perfect equality of treatment—not merely an equality attained by different processes, calculated to lead to a result that in our opinion shall be equal, but an equality that shall be conspicuously such—a system that shall weigh in precisely the same way and to precisely the same degree on both sides. We have always wished to hold the balance with perfect fairness between the two parties, and to give to neither of them any reasonable claim that it is subjected, so far as cotton duties go, to any disadvantage as compared with the other. We admit, that the means by which we have sought to obtain this equality leaves something open to controversy; our desire is now to close that controversy by assimilating the methods as well as equalising the results.

"We have carefully considered the suggestions that have been made to apply the discriminating line of 20s to imported goods as well as to Indian manufactured goods; but we believe that we can find in this no permanent solution of the difficulty. As regards yarns, such a line is easy enough to work. There is no difficulty in discriminating yarns with exactitude according to count. But when we attempt to apply to woven goods a similar line of discrimination, we believe it is not possible to do it with that exactitude which is requisite as a basis of taxation. We believe that careful tests by experts can establish, as regards any woven yarns, that they are within one or two counts of any given standard, but this unfortunately leaves a certain margin for dispute; and, as we have not merely to protect the revenue from frauds directed towards obtaining exemption where exemption is not due, but have also to protect the honest trader from the trader who does not draw so finely the lines of conscientious dealing, we are unwilling to undertake, if we can avoid it, a system the operation of which will certainly be jealously watched, and which may have to be abandoned from sheer difficulty in working.

"Then we find that these precise lines are not adapted to the actual work of Indian mills. English mills can spin and weave to within half a count of the standard at which they aim, but by reason of differences of climate, of moisture, and of materials Indian yarns may differ, in their absolute standard, by as much as two counts from what the spinning master aims at producing. The consequence is that the weaving master has to remedy these defects. He aims at producing a fabric that shall weigh exactly so much, no more and no less, per piece. If it is less the purchaser will not take it, and if it is more the manufacturer is selling more material than he is paid for. He is obliged, therefore, when his material is running heavy, to correct it by inserting lighter and finer yarns; and thus, even while carrying out an order to weave cloth of count 20, he may be obliged, by the necessities of working, to use in part of it yarns which have been sent him as 22s. When we are taxing yarns a difference of this kind is of no consequence. What seller and purchaser take as a bundle of 20s we may also reckon, for purposes of taxation, as 20s, though part of it may, by absolute measure, be really 22s. But it would obviously be unfair when a weaving master, attempting to weave what has to be sold and bought as undutiable cloth of 20s, and which on the whole average is 20s, is obliged, as a manufacturing necessity of adjustment, to interpolate some yarns delivered to him as 22s, to subject him in consequence to a duty that he could not recover from his purchaser.

“ And this leads me to talk of another difficulty which we would have to meet in the same connexion, namely, the regulation of the tax upon cloth of which the warp is of undutiable count and the weft is dutiable. Such cloth would require to be adjusted to the tax by calculation or estimate, and not by any fixed standard, and the process would give rise again to reclamations as to inequality of treatment.

“ These difficulties are, in the opinion of the Government of India, sufficient to forbid the hope of a settlement that is likely to be permanent if we attempt to draw a line, say, at 20s, and declare all cloth of finer counts to be liable to duty, and all others to be free. So far as mere revenue considerations go, such a line of discrimination would not be open to much objection; we would probably lose little revenue, for, as I have already said, hardly any coarse-count cloth is imported, and it is at least open to doubt if much would be imported. But the difficulties of working the system would be fatal to it, as in fact they proved in our experience of 15 years ago. And there is not much use in our introducing a system which, we believe, would only give rise to a new series of controversies.

“ From what I have said it will be seen that the Government of India have come to a conclusion on the following two points: first, the countervailing excise duty to be levied in this country must be a direct duty upon woven goods (as the import duty is); and, second, the discriminating line of division at No. 20 or any other count must be given up; and I may remark here, before the Council take fright at this last proposition, that I have, as will be seen before I come to the end of my proposals, a fair compensation to offer for the additional burden which is involved in it.

“ Now I consider it an almost self-evident axiom that an excise duty, in order to be workable, must be as simple in its operation as possible. If we have to complicate it with all sorts of provisions about drawbacks, compensations, &c., or if we have to arrange matters so that the mills have to be worked with reference to the excise duty, instead of the excise duty being worked with reference to mill operations, we are attempting what we will find impracticable. All questions of duty upon mill products in India are inextricably mixed up with questions of drawback on exportation. Obviously we have no business to tax goods which are manufactured for export—we would only be weighting our own manufactures in their competition with other countries—and there is further serious objection to making them go through the form of assessment to duty and subsequent exemption from it on account of exportation.

“ To provide for a duty on woven goods at the Indian mills, in addition to a duty upon yarns, involves a number of complicated provisions. We must, as I have just pointed out, provide for drawbacks on exportation, which, in the case of the Bombay mills, comes to a very large proportion of the whole amount produced. We must further provide against double levy of duty, namely, first on production of yarns, and afterwards on the weaving of the same yarns. And there is a still further complication in the fact that some of the mills now weave from imported yarns, on which of course they will have paid duty. We are afraid it might be difficult to provide for the proper working of all these interlacing provisions, and although it is possible that financial stress may compel us hereafter to face the problem, we intend for the present at least to avoid all such complications, and make our system of excise as simple and as little burdensome in its working as is practicable. The first conclusion, therefore, to which we have come is that we should abandon all duty upon yarns, and levy duty upon woven goods only, a conclusion which necessarily applies to imports as well as to Indian manufactures. We have the less hesitation in coming to this determination when we call to mind that practically all the yarns, both imported and Indian-manufactured, which are consumed in India, and would, therefore, come within the purview of our taxation, extended as it must now be to low counts as well as to high, are used up in the handloom industry—an industry whose products do not supply the market in the same sense as the mill industry does, which cannot therefore be said to compete with it as a commercial rival, but from which the ordinary villager obtains a certain portion of the clothes he uses. The freedom of village industry, that is, the continued freedom so far as low counts are concerned, and the new exemption so far as high counts are concerned, will, as we believe, be no injury to the mills, but will be a boon to many poor people who eke out their livelihood, not by wages fixed on economic principles, but rather by picking up, at odd hours, the scanty crumbs which the mill industry still leaves them. We should remember also that half the mills in Bombay (that is 46 out of 94), and a much larger proportion elsewhere, are spinning mills only, and do no weaving, and that every one of these will be, by this exemption of yarns, entirely removed from the purview of the excise duties.

“ By giving up the present 5 per cent. duty upon yarns we lose over 14 lakhs of duty on imported yarns, and nearly half that amount on Indian yarns—say 20 lakhs in all. This reduction of taxation is the first compensation we have to offer for the extension of the duty on woven goods to low counts, as well as high ones.

“ The cotton duties left to us would be, at their present standard of 5 per cent., about 125 lakhs on goods imported, and an amount which it is somewhat difficult to estimate, for want of statistics of production, but which seems to be at the outside about 18 lakhs, upon goods manufactured in India and consumed in the country.

“ Now this 18 lakhs, or rather so much of it as is in excess of the amount at present levied on the yarns manufactured in Indian mills, is a new burden upon the Indian consumer. I do not call it a burden upon the Indian mill industry, because of course the Indian mill-owner will pass it on to the purchaser, and the purchaser has no choice but to accept. The export trade, which is a very large part of the trade of the Bombay mills, will remain quite unaffected; and, for the reason stated, I would trust that even as regards weaving for Indian consumption, the burden would be more a theoretical than a practical one.

“ When making this addition to the taxation that has to be paid in part at least by the poorer classes in India, we have given careful consideration to the question whether we cannot at the same time make a reduction to counterbalance it. This the Government of India believe that they can do. We have of course to face the risk which is inseparable from a condition of things in which our financial position depends to such an extent upon the element of exchange, but if exchange holds at anything approaching to its present figure, we can safely reduce our demand in respect of the cotton duties from 5 per cent. to $3\frac{1}{2}$, and this reduction we propose to incorporate in our present proposals. There are three good results, all of which affect the Indian part of the question, which we hope to obtain from this reduction. First, it is of some importance to the Indian consumer that the tax on the coarser cloths in ordinary use should be only $3\frac{1}{2}$ per cent. and not 5; second, it is of some importance to reduce the demand that will be collected through the Indian mills so that, instead of increasing it from its present standard of 6 or 7 lakhs to (at most) 18, we will increase it only from 6 or 7 to 12; and, thirdly, it is of some importance that the advantage of the handloom industry in respect of taxation should be only $3\frac{1}{2}$ per cent. instead of 5. The village industry we consider it both impracticable and inexpedient to tax directly, and we think that the mill-owners (whose customers the handloom weavers are in respect of yarns) will admit that $3\frac{1}{2}$ per cent. is so small an advantage that for any question of competition between the mill industry and the hand industry, it may safely be left out of account. Practically we cannot touch the hand-loom industry except by taxing yarns, and that means a burden which in the first place would fall upon the mill industry, both Manchester and Indian; and which I have shown reasons for the Government, at least, not desiring to impose.

“ I have just said that the duties on the new basis would bring us in about 143 lakhs of rupees altogether (125 plus 18), at a standard of 5 per cent., but if reduced to $3\frac{1}{2}$ per cent. they will be just over 100 lakhs. Our loss of revenue on the whole account will therefore be something less than 50 lakhs (for we do not expect fully to realise the budget estimate of the current year); and this reduction of taxation we believe that the improvement in our financial position warrants us in making.

“ There is one small matter in which Indian mill-owners would consider themselves hardly treated if we entirely left it out of account. We are to tax them now upon the full value of the outturn of their cloth, and we ought, therefore, to refrain from taxing them specially upon any ingredient which enters into that cloth. I cannot undertake to give them any special exemption from such burdens as all manufacturers in this country have to bear—taxation upon stores consumed in the working of machinery; that they must accept as part of the conditions of working in India, just as they have to accept conditions of climate, of the labour market, of compulsory sanitary rules, and the like. But stores specially consumed in cotton manufacture we can provide for, and among the chief of these are sizing and China clay used in weaving. Iron or steel hoops used in baling form another small item that we propose to exempt. Provisions such as these it does not require any special legislative sanction for the Government to carry out, but simultaneously with the adoption of the measures I now propose to the Council, they will be provided for by executive order.

“ We have given careful consideration to the question of assessing dye works in India to an excise duty, and we have come to the conclusion that the exemption of yarns from duty renders it inexpedient and unnecessary to attempt any precise equalisation of

assessment in this respect. The dyeing of cloth goes on in every bazar in India; largely of course in the large centres of population, but even in remote bazars and villages the native can use alizarine dyes to clean and renew his apparel. It is no more possible, and it is in my opinion no more necessary, to impose a tax upon these operations than it would be to impose a tax on every village smith who by getting imported iron, and working it up into nails, or iron implements or other small material, avoids purchasing the finished implements or materials as imported from abroad.

“ Steam power for the dyeing of cotton is employed in only three places in India, two in Bombay and one in Ahmedabad, and the work done in these places is almost entirely yarn dyeing. The out-turn of dyed cloth is something indefinitely small, and we certainly could not tax the dye-works in respect of any advantage they possess in the rare cases in which they dye cloth, without considering also the necessity of making up to them the disadvantage they are under in having to use imported dyes in respect of the much larger business they do in dyeing yarns. If we leave these dye-works unaffected by excise duties, we can leave them in the position, occupied by all the other industries in this country, which have to compete with foreign industries after bearing a share in the general taxation of the country; but if we subject them to a special duty, such as our excise duty, in respect of part of their out-turn, namely, their dyed cloth, we are bound to apply the same principles to giving them special relief in respect of the other part, namely, their dyed yarns.

“ On one other matter I desire to give a reply and an explanation.

“ The Council have no doubt observed the perpetual allegations regarding our delay in dealing with the present matter, and it may therefore be just as well to state the Government of India side of the case. First, Manchester has systematically refused all information regarding the trade; it has left us to ferret out all the facts for ourselves; secondly, it has not helped us by one single suggestion as to how to meet the difficulties inherent in the matter. Yet, notwithstanding these obstacles, for which the responsibility does not rest with us, we have (taking the date of the Manchester memorandum, July 9th, 1895) actually taken no more time to inquire into, and settle the means of meeting the Manchester objections, than it took the Manchester people merely to state them.

“ No one who reads the Bombay and Calcutta contributions to the discussion will imagine that we would have been justified in proceeding to judgment with the Manchester case only before us.

“ It will be seen that I have throughout dealt with this question on the assumption that the tax, whatever it is, falls upon and is paid by the Indian consumer. Much of the language held in Manchester would seem to indicate a belief that the tax really falls upon the producer there; but I can hardly believe that this is seriously accepted by the Manchester merchants, and I am quite sure that two years ago they would have rejected with scorn such an economic heresy. I hold it therefore to be irrelevant to the present purpose to weigh against each other, for purposes of fair distribution between Manchester mills and Indian mills, the amount of tax levied on Manchester manufactures and the amount levied through Indian mill-owners. The question of fairness of adjustment as between the two sets of producers is not the question of how much each will pay towards the total; it is, in my view, of an entirely different kind. It is, namely, that we must so adjust the incidence of the tax, that nothing in that incidence will have the effect of altering the course of trade; that there may be nothing in it which may influence the trade of Manchester to pass to India, or the trade of the Indian producer to pass to his Manchester rival.

“ In this sense we have striven to hold the balance equally between what I may almost call the two contending parties. The Manchester merchants unfortunately have made to us no suggestions at all, except the financially impracticable one to abolish the duties altogether. The Bombay mill-owners, besides giving us a mass of helpful information, discuss some of the possible ways of meeting difficulties which they admit are not easy of satisfactory solution; and although the plan, which we have on consideration adopted, is one which did not commend itself to them, I trust they will see in the compensatory measures with which we have accompanied it, that we have taken away, if not the whole, at least the greater part, of the force of the objections to which they considered it liable.

“ I think it right, under present circumstances, to conclude these observations by stating that his Excellency the Viceroy, though unfortunately prevented by illness from being present at this announcement of the decision at which his Government has arrived on this important question, has taken his full share, as Viceroy, in our deliberations, and

that even these remarks of mine, intended to explain the policy of the Government, have received his Excellency's personal endorsement."

The Honourable Mr. Playfair said :—

" Sir, I do not intend at present to offer any remarks upon the provisions of the Bills introduced to the Council, but with due deference I desire to express my appreciation of the clear and practical explanation that has been made to the Council by the honourable member in charge of the Bills, and to which we have listened with so much interest and attention. The impartial and independent manner in which the honourable member has reviewed this troublesome and intricate question, and the consideration he has given to the various interests involved, will be appreciated not only by honourable members present but also by the general community throughout India, and I venture to add, in England as well. He has pointedly and correctly emphasised the fact that the mill-owners and merchants in India are at one in declaring that they want no special terms of any kind—no treatment in which Manchester is not admitted to a perfectly equal share ; and honourable members must have observed that in the very valuable papers lately addressed to the Government, both merchants and manufacturers have shown a desire that the sense of injury under which the Lancashire manufacturer is rightly or wrongly, and unfortunately, labouring should be removed. The well-deserved tribute of loyalty and integrity that Sir James Westland has so courteously paid to the spinners and manufacturers of India will also be appreciated by those best competent to judge of their conduct, and it must be of general satisfaction to the community to learn that the remission of the taxation proposed by this legislation is warranted by the improvement in the position of the finances of the State. The latter is a primary consideration, and any further information that the Member for Finance can afford the Council in this respect will be received with keen interest. Indeed, this would be of special interest, as the honourable member has observed that the element of exchange largely affects the proposals put forward, and that the latter are based on the supposition that the rate of exchange will hold at something approaching its present figure."

The Honourable Sir James Westland said :—

" With reference to the observation which has fallen from the Honourable Mr. Playfair, I think it will be practically impossible for me to give any further detailed information regarding the financial position before this question comes before the Council for decision. There are many objections to going into such a question in detail before the proper time comes for doing so, but I would desire to take the opportunity of correcting one possible misapprehension which may arise from what the Honourable Mr. Playfair said. I would not give up—I would not consider myself warranted in giving up—50 lakhs of revenue if our ability to do so could only be justified by the maintenance of the present rate of exchange. The maintenance of the present rate of exchange gives us a very ample margin over that 50 lakhs, and we will be able to spare the 50 lakhs even if the rate of exchange does not hold quite so high as the figure at which it is at present standing."

The Motion was put and agreed to.

The Honourable Sir James Westland also moved for leave to introduce a Bill to amend the Indian Tariff Act, 1894. He said :—

" This is merely a small amendment intended to carry out, with reference to imported goods, the policy which I have described with reference to goods generally."

The Motion was put and agreed to.

The Honourable Sir James Westland introduced the Bills referred to in the above motions. He said :—

" In now introducing the two Bills intended to carry into effect the policy which I have described, I shall give some account of their detailed provisions.

" The Bill to which most interest is necessarily attached is that which imposes an excise duty upon manufacturers at Indian mills. The principle of its operation is the same as under the existing Cotton Duties Act, namely, assessment upon returns made to us by the mill-owners or managers. I see that a member of the Manchester deputation to the Secretary of State, himself a manager, was good enough to describe this method of assessment as a farce. To that I give the most emphatic denial; the Mill-owners' Association justly expect the Government to repudiate any such impugning of their good faith. It may possibly be a matter of surprise to this gentleman that the

Bombay mill-owners have not put every obstacle in the way of the operation of the Cotton Duties Act, and have not systematically falsified their returns; but the Government have never found the least reason to regret that they treated the mill-owners of Bombay as honest men, for they have systematically received from their Association every support in carrying the law into effect, and from the individual members a ready and straightforward compliance with the requirements of the law. Our experience confirms what I said a year ago, that returns sent us by the mills themselves, subject to the check afforded by the inspection of the mill accounts and records, is the simplest way of working the duties so far as the mills are concerned, and is fair and just so far as the Government is concerned.

“ In the case of yarns we last year required a monthly return only, because the descriptions of yarns were necessarily definite and precise. This plan, however, is not quite sufficient in the case of finished goods, which are much more various in quality. We do indeed begin by specifying some 10 or 12 standard qualities, which cover the bulk of the production of the mills, but in the case of other goods there might be difficulties in valuation were we to allow such a long interval to elapse, that the goods included in the return might have passed entirely out of reach before the checking officer would be able to inspect. We therefore prescribe a fortnightly return, but as the return is merely an enumeration of the articles that have passed out of the gate of the mill, of which every mill-owner keeps a regular record, we believe its compilation will be a much simpler business than the present one, and that the mill-owners will find less difficulty and less labour involved in sending us the proposed return within three days than in sending the present return of yarns within 15 days.

“ I have already said that for the simplicity of working this matter, and also in accordance with our principle of having a conspicuously equal taxation upon Indian and upon imported goods, we have classified the more frequent and the regularly recognised kinds of grey goods and have imposed the duty in the shape of a specific rate.

“ I am desirous of calling particular attention to this feature, which we believe will conduce greatly to the easy working of the new duties. We are, in India, somewhat wedded to the principle of levying duties by percentages *ad valorem*, a plan which as a matter of fact is the exception rather than the rule among the tariffs of the world; and which has what is in some respects the disadvantage of giving rise to petty variations of duty, in accordance with petty differences in the quality of goods. It is of more importance that the duties levied should be equal as between the persons who pay them, than that they should bear, with mathematical precision, the same ratio in every case to the value of the goods. The usual way by which in India we obtain this result is that of affixing tariff values to goods which do not greatly differ in quality; the present is a variation of that method.

“ The rates we have fixed in the cases referred to (for which I refer to the Schedule to the Act) have been so arranged as to be, at the prices which have now for a long time been prevailing, just $3\frac{1}{2}$ per cent. upon the values (say, $7\frac{1}{2}$, 8, 9, and $10\frac{1}{2}$ annas) of the common qualities of the goods upon which they are levied; and the real effect of the introduction of these specific duties is that we are giving up the small additions which an *ad valorem* duty might give us in respect of the better varieties of the same goods, and those called ‘fancy’ or ‘fancy-bordered.’ This we are willing to do if we can thereby obtain smoothness and simplicity in working.

“ I may call attention to the fact that we tax nothing until it passes out of the premises of the mill, so that all the operations of baling, warehousing, &c. go on untouched by the tax. We have special warehousing provisions in the existing Act, and we have repeated them in the proposed one; but they are not at present taken advantage of, and most likely they will not be. The universal practice of the mills is not to pass out their finished goods until they are to be exported or delivered to a purchaser. The working of the proposed Act will in this respect be simpler than the present system, for in the one case, that of export, the goods will pass straight away untaxed, and in the other, that of sale, the proper time will have arrived to assess the duty on the manufacturer.

“ The other provisions of the Bill follow, for the most part, the lines of the existing system. But I desire to draw attention to one section of the Bill, section 31, the only section which affects mills that are spinning mills only. It is proposed to obtain from them a simple monthly return of the quantities of yarn they spin. This is wanted for statistical purposes only, just as we have legislative power to require all vessels landing cargo to give us, for trade purposes and quite apart from the levy of duty, the statistics of their imports. I believe that the mercantile community and the Millowners’ Association recognise the value of statistics of the kind, and the section in question is offered for

their consideration, but will not be pressed if they are opposed to its retention. I need hardly say that the figures received from the mills will continue to be treated as strictly confidential, as in the past; our publications will show them only in a general provincial form. It seems, however, to be a pity to discontinue altogether the collection of statistics of so important a trade as the cotton manufacture of India.

“It is necessary also to make certain provisions for the transition from the present to the future system of taxation. We may take for granted that in the case of imported goods the reduction of taxation on cloth and the exemption of yarns come into effect from to-day. Any person whose goods arrive before the passing of any new system into law will take care to put off their assessment to import duty until he can get the benefit of the new conditions. We, therefore, in the case of Indian-made yarns, also stop the assessment to duty with effect from to-day, thus putting the two on precisely the same footing.

“We have, therefore, only to provide that when the new duties come into force, which I hope the Council will permit within a week’s time, the new duty will not be charged on woven goods in addition to the duty already paid on the yarns that have entered into its substance; that is, we allow a rebate of duty already paid on any yarns which, on the date when the Bill becomes law, are still on the premises of the mill and waiting to be woven into cloth. To prevent delay in the settlement of claims under this head, and to enable us to wind up the account of this transition period as soon as possible, we provide that within a week of the passing of the Act the mill-owner shall give to the collector a list of all the yarns in respect of which he intends to make this claim. The inspector ought to verify this list as soon as possible, and it will then become a standard with reference to which the duties leviable for the short transition period will be settled.

“So much for the Cotton Duties Bill. The other Bill appears in the form of an amendment of the Indian tariff. As laid before the Council the Bill substitutes an entirely new tariff for the existing tariff, a form of legislation which is much more convenient, both to merchants and to Customs houses, than an amending Act which directs certain new entries to be substituted for certain existing entries in the tariff. The only real amendments are (1) the exemption of yarns from all duty, (2) the levy on woven and other cotton goods of $3\frac{1}{2}$ instead of 5 per cent. duty, and (3) the attachment of a specific duty to certain classes of grey goods in the manner already explained.

“I shall be able to satisfy the Select Committee, to whom, with the permission of the President, I shall presently propose the Bill should be referred, that in every other respect the tariff now laid before the Council, where it is not word for word a copy of the existing tariff, corrects it only in respect of notifications of exemption, or reduction of duty, or alteration of tariff value, which the Government has power to carry out by executive order, and has actually notified in regular legal fashion.

“In view of the question coming under discussion by the Select Committee, and as it will prevent probably greater delay in finally passing the Bills, which might disturb the course of trade, I desire now to move the President to suspend the Rules of Business, in order to admit of the said Bills being referred to Select Committees.”

The President declared the rules to be suspended.

The Honourable Sir James Westland said:—

“In moving that these two Bills be referred to a Select Committee, I perfectly understand that the members of this Council do not in any way bind themselves at present to the principle of the Bills. It is extremely desirable for many reasons, which I think I had occasion to explain in introducing previous Bills of the same kind, that Bills of this description should pass the Council, if they pass at all, as rapidly as possible. I have taken special precautions to acquaint the people interested in the trade with our proceedings in this matter. To-day all mill-owners at Bombay, and the newspapers there, will receive copies of the speeches which I have delivered, and also of the Bills as they stand, and as now introduced before the Council. They will be in immediate communication with us and also with the Government in the Legislative Department, regarding all matters connected with these Bills. This is only fair to them, inasmuch as we are discussing the matter at a very great distance from the place they are situated, and a matter also in which Bombay is even more interested than Calcutta is. I desire to move that the Bill to provide for the imposition and levy of certain duties on cotton goods, be referred to a Select Committee consisting of the Honourable Sir Alexander Miller, the Honourable Sir Charles Pritchard, the Honourable Mr. Rees, the Honourable Mr. Glendinning, the Honourable Mr. Mehta (who may just possibly turn up), the Honourable Mr. Playfair, and the mover, with instructions to report in a week.”

The Honourable Sir Griffith Evans said :—

“Under ordinary circumstances it would no doubt be objectionable to refer a Bill of this kind to a Select Committee, before having the principle of it fully considered ; but as it is impossible to consider the Bill to-day, and as it is most desirable that the details should be considered as soon as possible, and as it is important to have the views of the Select Committee before us in order to aid the Council in the discussion of the measure, and on the understanding that the Council is in no way committed to the principle of the Bill, I see no objection, under the circumstances, to the proposal to refer it to a Select Committee.”

The Honourable Rai Ananda Charlu Bahádur said :—

“I agree to the remarks which have fallen from the previous speaker ; but I think a week too short a period. I would say a fortnight, because although the mill-owners might easily communicate their views to us within that period, still there are other people who are entitled to express an opinion upon the question. Madras will not be able to communicate in time within a week. I would therefore submit that the period is too short, and I would suggest a fortnight. I would also point out another fact, that Mr. Mehta is not here. As the honourable mover said, it is just possible he will be here, but it is equally possible that he will not be here, because, as I understand, he will not be in Calcutta until the end of this month.”

The President :—

“Am I to understand that you are moving an amendment to the motion ?”

The Honourable Rai Ananda Charlu Bahádur :—

“Yes, moving an amendment. I have no objection to make, but wish to suggest that a fortnight should be substituted for a week.”

The Honourable Babu Mohiny Mohun Roy said :—

“I think I ought to second the proposition of the last speaker, The honourable member in charge of the Bill has assured us, and I am glad of his assurance, that the loss of revenue on the whole account would be something less than 50 lakhs, and this reduction of taxation, he believes, the improvement in our financial position would warrant him in making. This means, I take it, there will be no fresh taxes imposed this year, nor any increase in any of our old taxes. It seems to me, however, that as we are surrendering part of our revenue, we need not do it in such a great hurry, and that one week's time is too short for proper deliberation such as the importance of the measure calls for. I observe also that the Honourable Mr. Mehta, Member for Bombay, is not present in Council, nor is likely to be in Calcutta within a week. For these reasons I second the proposition of Rai Ananda Charlu Bahádur that ‘a fortnight’ be substituted for ‘a week.’”

The Honourable Sir James Westland said :—

“With reference to the proposal that the Select Committee should report within a fortnight, and not within a week, I desire to emphasise what I have already stated. The suspension of a Bill of this kind is a very great inconvenience to trade—both to the import trade and to the mill trade in India. I think that the practice of the House of Commons in this matter is that when a resolution on a fiscal matter is before it, it practically comes into effect at once, without even a day's delay. We are not talking here without experience, for we are only proposing to do in respect to the proposals now before the Council exactly what was done 13 months ago, in 1894. If the Select Committee find that they are unable to report in a week, they will no doubt ask for further time, but it seems to me quite unnecessary to begin by telling them to spread their deliberations over a fortnight, instead of laying upon them some obligation at any rate to come back to Council with their report in a week, if they are able to present it by that time. I therefore oppose the amendment of the Honourable Rai Ananda Charlu Bahádur.

“In respect to Mr. Mehta's absence, which has been referred to, I think it highly desirable that the Member for Bombay should be present and on the Select Committee, but we are not responsible for Mr. Mehta's absence, and our object in putting his name on the Select Committee was that, if he could possibly be present, he would be able to take his place at once without any further motion coming before the Council.”

The President said :—

“I may say that it is so constantly felt that any unnecessary delay in matters of a fiscal kind is very objectionable, that that was the consideration which moved me at once to assent to the suspension of the rules. If the Select Committee are not to report for a fortnight, they might be appointed next week and there would have been no object in suspending the rules at all. The question is that the Bill to provide for the imposition

and levy of certain duties on cotton goods be referred to a Select Committee consisting of the Honourable Sir Alexander Miller, the Honourable Sir Charles Pritchard, the Honourable Mr. Rees, the Honourable Mr. Glendinning, the Honourable Mr. Mehta, the Honourable Mr. Playfair, and the Mover with instructions to report in a week.

"An amendment has been moved to substitute for the word 'week' the word 'fortnight.' I shall follow the course usual in the House of Commons and put the question:—

"That the word proposed to be left out stand part of the question'; that is to say, those who are in favour of the word 'week' will say 'aye,' the contrary 'no.' The 'ayes' have it.

The original motion was then put and agreed to.

The Honourable Sir James Westland also moved that the Bill to amend the Indian Tariff Act, 1894, be referred to a Select Committee consisting of the Honourable Sir Alexander Miller, the Honourable Sir Charles Pritchard, the Honourable Mr. Rees, the Honourable Mr. Glendinning, the Honourable Mr. Mehta, the Honourable Mr. Playfair, and the Mover, with instructions to report in a week.

The motion was put and agreed to.

The Honourable Sir James Westland also moved that the Bills referred to in the foregoing motions be published in the Gazette of India and in the local official Gazettes in English.

The motion was put and agreed to.

The Council adjourned to Thursday, the 30th January 1896.

Calcutta,
24th January 1896.

S. HARVEY JAMES,
Secretary to the Government of India.
Legislative Department.

No. 5.

ABSTRACT of the PROCEEDINGS of the COUNCIL of the GOVERNOR-GENERAL OF INDIA, assembled for the purpose of making LAWS and REGULATIONS under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict. c. 67., and 55 & 56 Vict. c. 14.).

The Council met at Government House on Monday, the 3rd February 1896.

Present :

His Excellency the VICEROY AND GOVERNOR-GENERAL OF INDIA, P.C., G.M.S.I., G.M.I.E., LL.D., presiding.

His Honour the LIEUTENANT-GOVERNOR OF BENGAL, K.C.S.I.

His Excellency the COMMANDER-IN-CHIEF, G.C.I.E., K.C.B., V.C.

The Honourable Sir A. E. MILLER, Knight, C.S.I., Q.C.

The Honourable Lieutenant-General Sir H. BRACKENBURY, K.C.B., K.C.S.I., R.A.

The Honourable Sir C. B. PRITCHARD, K.C.I.E., C.S.I.

The Honourable Sir J. WESTLAND, K.C.S.I.

The Honourable J. WOODBURN, C.S.I.

The Honourable MOHINY MOHUN ROY.

The Honourable C. C. STEVENS, C.S.I.

The Honourable A. S. LETHBRIDGE, C.S.I., M.D.

The Honourable M. R. RY. P. ANANDA CHARLU, Rai Bahádúr.

The Honourable Sir G. H. P. EVANS, K.C.I.E.

The Honourable ALAN CADELL, C.S.I.

The Honourable J. D. REES, C.I.E.

The Honourable G. P. GLENDINNING.

The Honourable NAWAB AMIR-UD-DIN AHMAD KHAN, C.I.E., Bahádúr, Fakharud-doulah, Chief of Loharu.

The Honourable RAO SAHIB BALWANT RAO BHUSKATE.

The Honourable P. PLAYFAIR, C.I.E.

COTTON DUTIES BILL.

The Honourable Sir James Westland being called upon, addressing his Excellency the President, said:—

"In the first place I beg to express the very great pleasure with which I and the honourable members of your Excellency's Legislative Council see you take your seat once more amongst as our President."

He then presented the Report of the Select Committee on the Bill to provide for the imposition and levy of certain duties on cotton goods. He said:—

“The principal change which the Select Committee have made in this Bill, so far as its substance is concerned, is in the adoption of a system of valuation different from that proposed by me when I introduced the Bill. My object in making the two proposals which I then laid before the Council was that we might be able to hit upon a system which would ensure absolute equality as between imported and home-made goods. I found at our conference with the members of both trades that this compromise for different reasons suited neither of them. The importers are particularly anxious that the duties levied upon them should be duties strictly *ad valorem*. To the mill-owners the same system would be convenient but for the fact that under the system on which we levy duties upon the mill-owners, the goods upon which they are levied pass out of our control, so that it is not possible, except by means of samples, to refer to them. Under these circumstances, to enable the mill-owners to work the system with ease and to prevent difficulties arising from minute questions of valuation, we have provided in the Bill that tariff valuations may be imposed upon the goods which they produce. This system of tariff valuation we intend to apply to the chief products of the mills, so that by far the bulk of those products will be assessed on a tariff valuation which approximates as closely as possible to actual values, but will at least make the values not dependent on the price, as they run from day to day, and as they might be estimated from day to day by different mill-owners. This system, I have ascertained, suits the mill-owners, and provides for equality of taxation as among the mill-owners themselves. I shall probably be able to issue a notification* to-day fixing certain tariff valuations, because it is a matter on which we have been making minute inquiries for some time past, and a matter in which the Bombay mill-owners have been able to give us considerable assistance.

“There are also three or four points in which we have modified the Bill as first presented to us, all these points being matters in which it was desirable to give certain protection to the mill-owners in respect of their trade secrets, so as to prevent an inspector, who may be no permanent servant of Government, and may find himself afterwards in a position to make use of the secrets of one firm for the advantage of another, from doing so.

“We have therefore provided that, under certain circumstances, the records of the mills may be withheld from the inspectors on the ground that they contain trade secrets; we have provided also that the mill-owners who are obliged to keep samples may, when called upon to produce them to the inspector, insist on their being forwarded in an intact condition to the collector. We have also made provisions by which the local Governments may prescribe in case of inspections that the entry of the inspector to certain parts of the mill where processes which are of a secret nature and which the mill-owners should not be required to divulge are carried on, may be subjected to certain restrictions.

“The question of stores has also, I ought to mention, been before us. It is not a matter in which the Select Committee have taken any action, but it has been before the Select Committee, and I may mention that, as I proposed when the original Bill came before the Council, to give exemption to mill-owners with regard to a limited amount of stores, so I propose, as soon as possible, to provide that certain classes of stores, of which I have obtained a list from the mill-owners of Bombay, may be imported by them without payment of duty. It is easy enough to arrange so far as regards the mill-owners themselves. The difficulty only arises when the mill-owners, instead of importing themselves, provide themselves through agents. I have thought it desirable to mention these matters although they are not matters relating to the Select Committee, because it will show the Council and those interested in this Bill that we have attempted in these matters, as far as possible, to meet the claims of those gentlemen who have taken the trouble to come from Bombay and from Cawnpore to lay their views before us. With these remarks I beg to present the Report of the Select Committee.”

The Honourable Sir James Westland moved the President to suspend the Rules of Business to admit of the Report of the Select Committee being taken into consideration.

The President declared the Rules suspended.

The Honourable Sir James Westland moved that the Report of the Select Committee be taken into consideration.

The Honourable Mr. Playfair said:—

“My Lord, it will be within the recollection of honourable members that the initial efforts of the members of the Select Committees who dealt in December 1894 with the imposition of a duty on cotton goods imported into this country, and an excise on

* See page 186.

Indian manufactures were based on a desire to avoid protecting the local industry against Lancashire manufacturers. For this reason and to remove all possible chance of dispute and cavil, the limit of exemption from excise was fixed at yarns counting 20 hanks and less to the 10lb. bundle, although sufficient evidence had been produced to satisfy many honourable members that the line for exemption might with safety be drawn at count 24s and under. It will also be within the recollection of those honourable members who were present and took part in the discussion upon the Report of the Select Committee that the honourable member in charge of the finances went so far as to say that it was open to the Government to reconsider the merits of raising the limit to embrace yarns of count 24s and under, and it was understood that Government did not forthwith adopt so high a limit, as among other reasons the Secretary of State had stated that he believed he would be furnished with facts to show that a trade did exist between England and India in fabrics made from yarns ranging between 20s and 24s. No such information has, however, been forthcoming. It may fairly be presumed from the further light thrown on the subject that it was not to be obtained. Nothing has been produced, therefore, to contradict the views held by honourable members that competition on the part of Lancashire mills with the production of the coarser fabrics spun and woven in Indian mills does not exist. On the other hand, further examination in India proves that in reality no competition exists in goods made from yarns below 20s. Cotton drill goods, such as are worn during the hot weather months by Europeans and Eurasians, are almost the only fabrics made of 20s yarn that come to India from abroad. It has been shown that these importations are insignificant representing a little over 2 per cent. of the entire import-trade in cotton goods, that these drills are manufactured more largely in America than in England, that long staple cotton is more suitable for the manufacture of these goods, and that the quantity imported has not fallen off since Custom duties were imposed. This trade is of such a retail description, supplying the wants of the European community, that it would have been no less unreasonable had the Bond Street tailors objected to a 5 per cent. duty being levied on their superior suitings while the Cawnpore woollen mills were permitted to produce their serges and angolas free of excise. Honourable members cannot but be impressed with the fact that there is nothing before the Council to show that goods manufactured in India enter into direct commercial competition with goods imported from the United Kingdom. And this leads me to say that the theory of substitution, under the argument that the exemption of the lower qualities from taxation tends to divert the course of consumption from the higher to the lower class of goods, is groundless, and is disproved by the fact that the purchasers of the coarse Indian-made fabric are distinct and separate from the purchasers of the Lancashire product. As an illustration it might as well be argued that it would be unfair in England to tax for revenue purposes velvet and let fustian go free in case substitution should take place to the detriment of the velvet manufacturer. Statistics of past years are unfortunately incomplete, but it is more reasonable to assume that any falling off that may have taken place last year in importations of Lancashire manufactures of a low range of counts is the natural reaction to over-supply and is not a consequence of the Indian import-duties. It has been further demonstrated that it is impossible for Lancashire to compete in this trade, for even with American cotton at 3*d.* per pound it has been shown that the Bombay mill-owners have an advantage up to 27 per cent.

“ And after all what is this Indian trade over which so much contention has unfortunately arisen? An examination of statistics shows that the power-loom spindles in India amount to one twenty-fifth and the power-looms in India to one-sixtieth of the world's supply. In relation to Great Britain's equipment, which represents one-half in spindles and one-third in looms of the world's supply, India possesses one-twelfth part of Great Britain's spindles and one-nineteenth part of her looms. May India not have this little ewe lamb? My lord, I have every sympathy with the depressed condition of Lancashire trade, and for the welfare of England as well as India everything that can legitimately be done to afford relief should be granted; but, because Lancashire masters may be alarmed and discontented on account of the state of their affairs, I see no reason why they should unjustly attack a separate industry in India. The proposals under these Bills mean a remission of taxation of Rs. 51½ lakhs (or 37 per cent.) on Manchester goods and an increase of Rs. 11 lakhs (or 300 per cent.) of taxation on Indian-made goods. It is surely but natural that Indian manufacturers should stoutly object to a transfer of taxation from the customers of the Lancashire mills to those of the Indian mills when no practical reason has been adduced to justify this, and when remission of Indian taxation is being made. It is a transfer of taxation from the richer to the poorer classes of the

community, and that is not required for fiscal considerations, that is not warranted when a surplus in the finances is available, and I may add that the annoyance is intensified by the knowledge that this shifting of taxation cannot be of the least benefit to Lancashire. Unfortunately a sense of injury has been created in the minds of Lancashire manufacturers by the imposition of a duty on cotton goods, which feeling it is highly desirable should be removed. It has been recognised in India that it would be a matter of very serious concern were an embittered controversy and political hostility to exist between the manufacturing communities of England and India. The readiness with which local manufacturers have addressed themselves to a consideration of the subject in response to the agitation by Manchester, and the impartial manner in which they have stated the facts of the case for the information of your Excellency's Government, manifest to a remarkable degree their desire that even justice should be secured. Their proposal, that the class of yarns and fabrics freed from excise should be exempt from import duty, and that locally-manufactured cloth and yarns of 20s and over should pay an excise, was supported by the Chambers of Commerce of India and the Government of Bombay and should have removed the sense of injury that has unfortunately sprung into existence, without implying loss of revenue. It should have done more than remove 'a shred of protection' against Lancashire, as it would have turned the scale against the Indian manufacturers so long as a duty on any stores is levied. A duty on stores adds to the cost of exported yarns, and to this extent the Lancashire manufacturer will have an advantage in competition with Indian products in those foreign markets to which India sends three-fourths of her production. I say with frankness I do not anticipate that this proposal in itself, any more than the measure now put forward by the Government, would either bring about a revival or lead to a development of Lancashire trade, Lancashire having long since ceased to export the coarser qualities, supplying India with shirtings instead.

"A remission of taxation is always welcome, and the present proposal again proves the elasticity of the Indian revenues. It is surprising that it should now be possible for the Government to offer any remission, remembering the despondent tones that were uttered in this Council Chamber not many months ago. For myself I should have preferred that the attention of the Government of India should have been devoted, if a remission of taxation were admissible, to lowering the railway rates for the carriage of exports and imports over the main lines of the State railways. It seems to me that working as Government is now doing for a dividend of from 8 per cent. to 10 per cent. on the liberal capital of the State railways, and at the same time improving block at the expense of revenue, may check the development of Lancashire trade far more seriously than the imaginary injury arising from the imposition of Customs duties. As an illustration I would like to say that were Government to give up the surplus revenue it obtains from the East Indian Grand Trunk line, which last year amounted to the identical sum of taxation that Government is prepared to remit, namely, Rs. 50,00,000, the produce of the country would have a better chance of competing successfully in the markets of Europe with crops of other countries, and that the benefit to be derived from cheap railway freights by the people of this country, including the poorer classes, would also directly benefit Manchester in creating a greater demand for her wares. I personally place this claim for remission of taxation first. I think it is sound in principle and would be beneficial in results. Next to this there might well come the consideration of what has been so frequently characterised as the iniquitous income-tax, the limit of which might have been raised for the benefit of the poorer classes even if Government did not see its way to redistribute or entirely abolish the impost. Either of these proposals would have been of benefit to the community, and, if Lancashire would actively support the extension of the railway system in India, and if Government would carry out and give whatever terms are necessary to secure the construction of a system of feeder-lines by which Manchester goods may be brought to the door of the Indian peasant, and be exchanged for the produce of his land, it would, in my opinion, be a permanent benefit and do far more than this method of dealing with a surplus which, after all, may be accidental.

"I offer these remarks in the hope that when the Government comes to deal with a further surplus it will give consideration to this commercial requirement.

"The Council is now assuming that the finances and future prospects admit of reduction in taxation, but without a statement of the finances it is very much in the position of a board of direction of a public company called upon to approve of a dividend being distributed without having an estimate of the revenue account. I would further observe that it has been admitted that sterling exchange is now the most important factor in the realisation of a balance in the finances of the State, and I assume that

Government has anticipated what effect a revival in trade with Lancashire, which it is intended by this Bill to promote, may have upon exchange.

“I do not approve of the principle involved in the Bill, and, if Government intends to proceed with the Bill, regardless of the opposition it has created, I can only hope that when trade has become accustomed to the alteration it may be continued without further loss; but to ensure this I would like to obtain from your Excellency's Government something in the nature of an assurance that this legislative measure is looked upon as a final settlement of the question, and that, so long as the finances permit, there need be no further alteration in import duties. I am convinced that, if your Excellency's Government and Her Majesty's Secretary of State for India do not intend that the proposals now put forward shall be a final solution and settlement of the question as far as Lancashire is concerned, and that Lancashire shall not be permitted to regard this as an instalment of her demands, the Bill will not only be useless, it will be injurious, and will involve the trade of the country in annoyance, agitation, and loss against which I would enter a strong protest. The legislative measures affecting currency and commerce passed during recent years have with their initiation brought severe loss on sections of the commercial and industrial community, and so serious are the consequences involved in an alteration in fiscal policy that in Paper No. 5, attached to the Bill, an earnest protest has been preferred by the importers of Manchester goods against the interruption to business caused by the numerous changes to which the duty and the tariff have been subjected, and the hope is expressed that the settlement now about to be come to may be a lasting one, and that importers may be allowed to conduct their business in peace for many years to come.”

The Honourable Rao Sahib Balwant Rao Bhuskute said:—

“My Lord, the Government of India is justly entitled to the warmest gratitude of the people of this country for the most appropriate consideration they have given to the much difficult problem of the re-imposition of cotton duties. It is quite true that the Government has been placed as it were between the hammer and the anvil. Yet a deal of the anxiety so unnecessarily excited may still be quieted. Educated public opinion, and especially that of the English and Indian mercantile communities in this country, may be said to have been fully represented by the Mill-owners' Association of Bombay. That opinion, my Lord, is not only favourable to the cause of good government but is sure to foster a spirit of contentment amongst the masses. I shall confine my observations to the able speech, made by the honourable mover in introducing the Bill, to the letter from the Mill-owners' Association and to the representation of Lancashire manufacturers.

“The framers of the Lancashire case have gone far off the range of existing facts in representing that under the influence of the import duties the prosperity of the Bombay mills has gone forward by leaps and bounds. It is evident, my Lord, that the mill industry here could not have been in a thriving condition, owing to the condition of the exchange, to the war in Eastern Asia, and to the effects of the closing of the mints. Allow me therefore to mention that the statement that the depression of Lancashire manufacture is due to any unnatural impetus given to the Indian mills cannot be true. Mr. Marshall rightly remarks: ‘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 anyone reading them or otherwise unaware of the facts would come to the conclusion that there had been no increase in the spinning power in any other part of the world than in India.’ He then appends a table showing how much the United Kingdom alone added to its spinning power during the last four years. Her trade in India is comparatively smaller. Her trade with this country in fabrics of 20s and lower is almost a nullity. She may have a real grievance. But the remedy sought for is not specific for the distemper. It would simply be amputating the leg when there is pain in the fingers. Even the honourable the Finance Member holds the same opinion when he says:—

“‘But although the Manchester case is in these and some other points much exaggerated there are other matters in which we feel we must admit that the treatment of Indian and Manchester goods is not quite on the same level.’

“The Lancashire men, we are told, have made out their case by a set of figures which show that during the first five months of 1895 there was a large falling off in the shipment of cotton goods from England to India. If comparative statistics are to have any value, they must extend over a very wide area, and that narrower the basis of a fact asserted the less reliable is the logical consequence likely to be inferred from it. It is for the same reason that Lord Salisbury impresses upon statesmen the necessity of using

large maps. Lancashire complains that she has suffered from a shortage of nearly 300,000,000 yards in her export. She more than hints that India has absorbed to herself the trade which she has lost. But it is highly gratifying to find that the honourable mover is duly sensible of the invalidity of this assertion, and does not consider that whatever Lancashire may have lost in this time of depression is India's gain. It is therefore quite out of place to make any comments on the hints she throws out.

“ My Lord, we are all aware that the idea of protection is very repugnant to our most benign Government. This is neither the time nor the occasion to enter into a discussion on free trade and protection for this country. The established principles of free trade have been applied to this country, and I, for one, would never ask a favour partaking of the nature of a protective system, even though it is an admitted fact that the theories of the western science cannot have a salutary effect on this country. No less an authority than Mr. Mill advocates a temporary protection to infant and promising industries—an opinion which though rejected by his school has a strong reaction in its favour. But taking our stand on free trade alone, it cannot be made out that in the duties as they have hitherto been levied there can be any protection afforded to India. Properly speaking, it is only 30s and 40s of the Indian goods that enter into direct competition with Manchester. This is the opinion held by experts of established capability like Mr. Benzonji Dadabhoy Mehta, the manager of the Empress mills at Nagpur. But Indian mills hardly ‘produce yarns of better class than 30s.’ This is the belief of an authority as high as the Honourable Sir James Westland himself. There is therefore no real competition between Lancashire and India. The former does not, or rather cannot, trade in lower counts, while the latter cannot produce the higher ones. The truth of the non-existence of competition is evident enough in spite of the perverted attempts of Lancashire to prove contrary. She is moreover not affected by the incidence of the import duty. Nor has she any grievance in the lower counts because, as the honourable mover has said, the quantity of articles sent by her to Indian markets is too inconsiderable for any attention. But Lancashire does not admit even this palpable fact. Little of the fabrics manufactured in Lancashire out of the yarns of counts 20s and under comes into India. The Bombay mill-owners could, in consequence of this fact, very easily dislodge their opponents from their ground from this standpoint. Mr. Marshall emphatically asks why Lancashire has left to India the virtual monopoly in the supply of low count yarns to China? The truth is that when American cotton is at 3*d.* a pound it costs nearly 2 annas more to lay down a pound of 20s, made from it in Bombay than to lay down a pound of the same quality, namely, of 20s, made from Indian cotton.

“ My Lord, I have endeavoured to bring to your Excellency's notice that no injury has been done to Lancashire by any exemption from excise granted to Indian yarns of 20s and lower. Nor has any protection resulted from it to India.

“ It is now necessary to sum up the Bombay minute of the honourable mover dated the 14th of July 1894. He admits therein :—

“ ‘ That the mills do not as a matter of fact produce yarns of better class than 30s ; that Indian cotton is not generally suitable for spinning higher counts ; that there is no chance of American cotton being imported into India for purposes of finer counts ; the Egyptian cotton which is suited for fine spinning is imported only to a limited extent for the sake of experiments only ; that besides above Lancashire starts with great advantages over India, machinery costs less, building and erecting are expensive in India ; coal lies the next door to Manchester, while Bombay mills get theirs from England ; depreciation is great in India, wages are high in India ; considering inefficiency of labour is required to be made up by number ; and lastly, that one of the reasons which prevent Indian mill-owners from attempting to compete by importing yarns and weaving (finer fabrics) from them is that when a mill weaves from its own spinnings the yarn is conveyed to the weaving department on its original spindles. A mill that purchases yarns to weave would have first to pay in the price of the yarns, the cost of the reeling, bundling, and packing, and then in its own wages, also the cost of conveyance, unpacking, and unbundling. All this is prohibitive as a matter of competition, and, though in Lancashire some mills do weave from yarns spun elsewhere, it is done only when it is possible to convey the yarn on its original spindles.’

“ The honourable mover has thus enumerated the advantages which England has over India. The mathematical value of these far more than exceeds 5 per cent. ; or, to be more clear, the advantages which England has over India cannot be obviated by an *ad*

valorem duty of 5 per cent. on goods imported therefrom into India. Does an import duty of 5 per cent. on Lancashire goods prevent the merchants therein, in spite of their numerous advantages, from competing with the merchants of Indian fabrics duty free, so far as 20s are concerned? With all the advantages in her favour, Lancashire could not compete with her rival when there was no duty.

"In spite of the numerous disadvantages to India, she could undersell her rival either in her home market or elsewhere. A slight *ad valorem* duty could have interfered little with the existing state of things. People are often apt to forget and overlook future consequences when a change against the existing state of things is aimed at. They are often inclined to ignore its consequences, and declare in favour of that state which has stood the test of time. The complaint of Lancashire against the exemption granted in India to the lower counts is but similar. This is unnatural. The rest is in order. I mean her attributing to it her present depression. I am quite confident that your Excellency's Government will not yield to such vague representations.

"The Honourable Finance Minister lays some stress, however, upon one claim of Manchester, and says: '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.' Nothing can strike one more than this argument. I proceed to point out its weakness. The question of clothing is not decided by the strict economical equalisation of supply and demand. Cloth is one of those commodities whose supply can be increased at less cost of production. It is one of the necessaries of life, though of a lesser degree. Nearly 85 per cent. of our population are agricultural labourers. Their subsistence is so scanty that they are constantly on the brink of famine and starvation. They cannot even afford to clothe themselves. If such persons clothe themselves they necessarily resort to the cheapest possible clothing. There is no choice to them. Supposing excise duty were equalised with the import duty, the present state of things will remain unaltered. How is Manchester bettered by the duty? The relative difference in the increased prices remains the same. As long as Manchester goods made from the yarn of 20s or lower do not enter into competition with the Indian fabrics woven out of a yarn of that quality, the latter will be the only staple cloth of the poorest.

"Moreover, when exemption was first granted to counts 20 and the lower ones, it was done on the due consideration that foreign yarns of that quality never entered into competition in India, and if at all they did it they were too inconsiderable. If, however, the articles manufactured in India out of the yarns of 20s and lower were exercised, no advantage is gained by any foreign dealer. How can one gain an advantage when one does not exist? But at the same time, millions will have to buy their coarse cloth at an unnecessarily higher price which is sure to tell heavily on their impoverishment. Those who are best able to pay for a tax, and that, too, in proportion to their higher comfort, will have their tax reduced and the deficit will be filled up by the poorest, all other circumstances remaining the same!

"Ascending from the poorest class, let us rise to one immediately above it. This class cannot exactly be called the middle class. In India even this class has its own peculiarities and distinguishing features. This class has imbibed a slight tincture of education. It has broken the links of pitiable ignorance, and grasped the advantages of a higher and more comfortable state of existence, the concomitant appendage of civilisation. This class has frequently to move in a superior society. A contact, however slight, with western civilisation, has rendered them alive to the importance of finer clothing. It, therefore, strains its means with a view to furnish itself with a dress as decent as possible. The effect of a slight increase in prices, though felt, never renders their resort to a meaner dress imperative. No doubt the duty is to them a hardship, yet not so stringent as to drive them from the finer to the coarser manufacture.

"It is, no doubt, an acknowledged and an established maxim of economical science that when an article is made dearer its demand proportionately diminishes, and some customers are excluded. But an abstract proposition has a variety of modifications. An increased taste for finery, regard to fashion, comfort, and decency, prevent the class of whom I am speaking from resorting to a coarser, and, therefore, cheaper cloth. The duty raises the prices, but the rise is not material. There is no paradox in this. But if we were to look to the poorest class of people, helplessness and poverty are beyond measure so great that the duty as proposed would materially fall very heavily on them, whereas the class immediately above them, owing to modifications given above, will prefer any other privations to sacrificing an outward semblance of decency. Just as in politics, every abstract proposition requires a modification of circumstances; so also in

economics, every principle has a variety of counteracting influences. It is circumstances which give in reality to every established principle its distinguishing colour, and its discriminating effect. The class to be burdened by the proposed duty is the poorest. The reduction in duty from 5 to 3 per cent. and-a-half will certainly be a decided advantage to the class immediately above it. But though it may be an advantage to them, the proposed taxation will materially alter the condition of the poorest class. The former class feels the burden, yet it does not overpress it. It persists in resorting to its former raiment at the sacrifice of some other necessities of life. Because it cannot go without it. Competition is hampered in this country by custom, and the Lancashire argument about the diversion of trade is, therefore, quite futile. What is true of the class immediately above the poorest is true of all other classes above it. The other class of men will never exchange their fine clothing for a coarser one, so long as the conventional ideas of fashion and respectability remain unchanged. But for the counter-acting modifications I have briefly outsketched, the argument would have had a deal of intrinsic force in it.

“ The Honourable Finance Member says :—

“ ‘ They claim also that there is no such marked difference between the goods above the line and the goods below the line as would prevent the latter from being substituted for the former.’

“ This argument will speak for itself, considering the Lancashire manufacturers were practically withdrawn from competition with the Indian mills by past experience, when there was no duty levied on imported goods. She does not send goods to India made even from yarn of 24s. She has, therefore, nothing to urge against this distinguishing line fixed by your Excellency’s Government. Again, a consumer’s nicety in cloths of 20s, 21s, and 19s may be questioned, but that in decidedly higher or lower counts cannot be doubted. Everyone of us knows that when we go to the market we are always anxious first of all to see the different marks, stamps, and impressions upon the cloth offered for sale. Customers know best how to make an adjustment for themselves.

“ The other argument having some cogency in it is :—

“ ‘ The Lancastrian manufacturers claim that they can spin 20s just as easily as higher counts, and that they could, if they were not prevented by our fiscal measures, substitute for the cloth they at present send to India a cloth made wholly or partly of non-dutiable counts, which would be a substitute for and find the same market as their present importations.’

“ If Manchester had any chance of successfully doing this, the attempt would certainly have been made long ago. I am sure, my Lord, your Excellency’s Government will not make radical changes in our tariff in order that Lancashire may make experiments which she neither made before nor thought of. I have thus endeavoured to point out to your Excellency that there has been no essential inequality of treatment of Lancashire and India in the present arrangements. It is an acknowledged fact that India cannot make cloth or yarn of counts above 30. Considerable opportunity thus presents itself to Lancashire to try her skill in counts ranging from 30 to 20. But as a matter of fact that is not the case. When there is no proof, actual or presumptive, that she can compete with India in cloths of yarns of counts 20 and under, it would be perfectly inexpedient to change the entire fiscal arrangement of this country only for the sake of allowing her facility for making an hitherto untried experiment. If her trade be not in a prosperous state, it is owing entirely to other extraneous reasons. If the Government were convinced that the present exemption is detrimental to the just interests of Lancashire, some consideration would have been absolutely necessary for her. But in the present case the repeal of a provision highly congenial to the interests of one class and perfectly harmless to those of another would be highly impolitic.

“ In fact, there is no real conflict between the two classes of manufacturers. But it is, if carefully analysed, directed against altogether two distinct classes of men. It is a conflict between the mill industry and the hand-loom industry of this country. Representations from Cawnpore and from that part of the country which I have the honour to represent prove this to a demonstration. If the proposed measure becomes a law, there can be no finality of taxation. The hand-loom weaver, who is subjected to no restraints and regulations of the factory laws, and whose wages are not fixed on economic principles, will come into open competition with mill-owners both here and abroad. The duty which he escapes cannot be too small an advantage to be taken into account. Again, side by side with it the consumer is put to an undue hardship. No adequate consideration has been shown to him. I have already described who he is. He is the

wearer of the coarsest and the cheapest cloth. The incidence of the proposed excise duty must fall on him if we lose sight of the competition between power-looms and hand-looms. He must necessarily curtail his demand for his rough cloth. In proportion to a diminution in demand the supply must be diminished. Thus the Bill contemplates adding a further hardship to the illiterate helpless poor and a blow to the Indian mill industry. The 'Statesman' does not regard the slight rise in price as productive of any consequences. It is indeed surprising that a journal of so much weight and renown should not imagine to itself the miserable plight of the masses living constantly in famine and starvation. My Lord, first of all, the depression of trade in Lancashire is due to extraneous circumstances; secondly, there is no competition between Lancashire and Indian mill industries owing to the divergences in their respective trades; thirdly, the import duty does not change the course of consumption; fourthly, for the sake of giving to Lancashire opportunities for untried experiments the results of which are absolutely certain of failure, the poorest millions of this country ought not to be unjustly taxed; and lastly, the infant mill industry of this vast empire will be considerably hampered by the proposed legislation.

"My Lord, the Mill-owners' Association of Bombay, the Chamber of Commerce there, Elgin Mills Company at Cawnpore, the Chamber of Commerce there, the Bombay Presidency Association, the Upper India Chamber of Commerce, the City of Bombay, the Mahratta Sabha there, the Ahmedabad Mill-owners' Association, and several other bodies best fitted to judge this question, have all humbly but emphatically protested against the Bill. Public opinion is much stirred throughout this vast empire.

"In the provinces, which I have the honour to represent, there are three mills; two of them are at Nagpur and the third is a little off from it. All of them have wired to me to lay their grievances before your Excellency. But still more noteworthy is the telegram from the People's Association in the Central Provinces. The Sarvajanic Sabha of Poona, the most influential native body in this country, and the Bombay Presidency Association, rank among the foremost representatives of the public.

"They all maintain that the tax will be imposed on the clothing of the poorest class of population, which it can ill bear.

"So long as the tax was confined to the better qualities of goods, it was scarcely perceptible falling on those who could pay it or who could afford to pay it. Even the Right Honourable Lord George Hamilton admits by plain implication, in another place, the urgent need of relieving the poor from the burden of the salt tax. The weaving industry may be endangered. The hand-loom weaver is proposed to be untouched. Will not his exemption be a protection to that extent? This will temporarily revive a depressed industry. On the whole, we shall lose much and gain nothing.

"While all other importations remain taxed at 5 per cent., cotton only is being on an average taxed and excised at nearly 3 per cent. and a half. Why an artificial stimulus should be given to the cotton industry only is also another side of the question. This will be a sort of protection given to that branch of manufacture.

"It is, my Lord, almost difficult, nay impossible, for mill industry to compete now with the hand loom, if the present measure were passed as it is.

"The only way open to satisfy everyone is to draw a line, say, at counts 20, or 22, or 24, and declare all cloths of finer counts to be liable to duty, and all others to be free. It is also the opinion of the honourable mover that such a line would not be objectionable. As no coarse cloth is imported, this line of discrimination would cause no loss in revenue. Several experts have pointed to the practicability and feasibility of such a step. Supposing, therefore, that the present financial outlook is everlasting, and that the relief granted to the poor on occasions like this by a remission of their burden to be needless, it will be most unobjectionable, of all ways, to mark out such a line and to set all cloths of counts of a particular number free from excise or import duty.

"My Lord, it is probable otherwise that the poor, instead of rejoicing at this occasion of a partial and probable relief in the long-continued financial difficulties, will have to grieve for this unprecedented event of placing a fresh burden on them simultaneously with a better outlook, due perhaps to a temporary rise in the exchange. It may also be remarked that there is no finality even in the present measure, and it will have again to be reconsidered."

The Honourable Mr. Rees said:—

"I will not venture to detain your Excellency's Council at any length with the considerations which have led me to an opinion sufficiently indicated by my vote, or to review the situation, a duty which will fall to abler hands. But I would note that Mr.

Playfair, speaking for those who raised objections to the Bill, has not referred to one of the chief objections they raised, viz., the extent to which hand-loom weaving will be stimulated by the legislation now proposed. The honourable member from the Central Provinces has, however, addressed himself fully to this phase of the question. It has been contended that an excise of $3\frac{1}{2}$ per cent. on power-loom goods will press very hardly on the poor, and will so favour hand-loom weavers as to seriously damage the former industry, indeed, so as to lead to the wholesale closing of mills. Mr. Playfair, indeed, could not support this contention, for in March 1894, in this Chamber, he described a 5 per cent. import duty as a rate so moderate, that to it no consumer, not even the humble raiyat, could take exception, and he designated a tax of 9 pies per head per annum an infinitesimal amount which could be raised with ease and accuracy. The case was then, as argued, one of Manchester *versus* India, but the argument is equally good when the parties are Bombay mill-owners *versus* Indian weaver, in regard to one quarter of the former's total trade. Again, he asserted with absolute accuracy, though the competitive power of the weaver class is now looked on as an important factor in the case, that this was the class among artizans which in famine times habitually required relief. Indeed, though favour to Indian weavers is now suspected and deprecated by mill-owners, Mr. Playfair, representing with as much accuracy, I am sure, as ability, the opinions of the mercantile community in 1894 in this Chamber, thought that if it were possible to extend help to this class, it would be but assisting a section of the community which has suffered much by the introduction of power-loom manufactures through a foreign occupation of the country, a relief he considered which should not be grudged. In that case, if, indeed, assistance be incidentally afforded, the excise imposed on power-loom cloths should not be unacceptable. As regards the condition of the weavers, it is believed that in Bengal it is not too prosperous, and that numbers have forsaken, and are forsaking, their hereditary occupation for other means of livelihood. Similarly, in Madras the industry is unprofitable, and a large proportion of weavers have become agriculturists, labourers, and traders. The durable, and in some rare cases extremely fine, hand-woven cloths of the South have been very much superseded by cheaper machine-made goods. It can hardly perhaps be said in general terms of the South of India that hand-loom weaving is merely a subsidiary industry, but it is in such a condition as to make it improbable, I think, that it will ever seriously compete with the mills. Sir Griffith Evans, speaking, I presume, for Bengal and perhaps for Upper India, has said in 1894 that the hand-loom weavers were beaten before the cotton duties were taken off, and he, like Mr. Playfair, scouted the idea that Manchester or Indian mills could be affected by this unorganised and sporadic industry, even if favoured by a 5 per cent. duty. How then can an excise of $3\frac{1}{2}$ per cent. on Indian woven cloth prove so disastrous as is represented? And if help to an indigenous industry be an incidental and accidental feature of the present re-arrangement of taxation, how are the masses of the population so adversely affected by the measure? For it is they who chiefly, but by no means universally, use the coarse cloths of the hand loom produced from low count yarns, which now as before will be unexcised. But looked at from another point of view, a poor man does not often buy a new cloth, probably not oftener than once a year, while the women of his family, unless bread winners, wear their clothing still longer. To take the case of a family, a Calcutta coolie on six annas a day, for instance, would pay under this Bill a tax on clothing of about one and half annas a year. Again, the hand-loom weavers, for the most part, use the yarns spun in Indian mills, which, if the local industry is stimulated, should gain and not suffer. Here in Bengal there is no power-weaving, and the local mill-owners are by no means unanimously of opinion that they have any cause to complain, though those who are of that opinion have not failed to express it more emphatically than those who are content have signified their acquiescence. It is also doubtful whether the poorer classes in India so invariably, as is supposed, use the coarsest and cheapest cloth they can buy. For example, it is nowhere denied that, of 2,480 millions of yards of cloth consumed in India, only 240 millions are now duty-free, and the poor are unfortunately more than one-tenth of the population in India, as in other countries.

“It appears, therefore, that objections of this character are not very clearly made out, and, if it be urged that the exemption of fine yarns will lead to their use by hand-loom weavers in the place of the locally spun coarser yarn, it must be held either that a sudden and far-reaching change will be effected in the tastes and habits of a conservative population, which is unlikely, or that such population was induced to give up the use of finer taxed counts by the duty, which latter supposition involves the admission that such duty was, in fact, and to the extent indicated, protective of lower counts..

“ As regards the pressure of this taxation upon the Indian populace, it is an admitted fact that of the classes which are to pay this infinitesimal amount, to quote again an honourable member of this Council, the most numerous have profited largely by the fall in exchange, which has made extra taxation necessary. In fact, these classes can well pay what is a very small charge indeed compared with such as they have to meet in consequence of the fluctuations of prices, which are frequent and considerable. Greatly as every one must wish to see taxation reduced, particularly such as is levied from the poor, and more particularly such as is paid by a patient, law-abiding, and industrious peasantry, it must be admitted that their poverty is much exaggerated, and many competent and travelled observers hold the opinion that they are, though perhaps in less prosperous circumstances than those in a similar state of life in the richer countries of Western Europe, at the least better off than those of Eastern Europe, and than their brethren in most countries in Asia. A most elaborate unofficial inquiry, lately made by the Inspector-General of Registration in Madras, a Brahmin gentleman, whose industry and research are equal to his talents and judgment, shows what the present condition of the Indian peasant is, and how that condition compares with what formerly obtained. I believe myself that the agricultural labourer of South India on Rs. 5 a month is far more fortunate than his brother in Hereford or Essex, and in 1891 and 1892 in the Southern Presidency it was proved that an admirable organisation now mitigates, and makes as tolerable as may be, even the visitations of famine. Hardly, therefore, can the Indian peasantry be described as ‘ a people dreadfully poor,’ and with so little justice can it be suggested that the experience of one of the most terrible calamities which ever visited any country is likely to be repeated in regard to any famine with which a humane and vigorous administration can be expected to successfully deal.

“ That the cotton duties, as at present levied, are to some, if to a small, extent protective is admitted by many of the bodies consulted. Some go farther than Sir James Westland did in introducing the Bill. One Chamber of Commerce, for example, considers it ‘ indisputable that the effect of the duty on drills has favoured India as against Lancashire and is likely to permanently affect that trade, and that Lancashire manufacturers have a grievance as regards other low count fabrics, such as sheetings, ‘ T-cloths, checks, and stripes.’

“ Other chambers and public bodies make similar or more qualified statements to the same effect, and many of them offer suggestions for equalisation, though it must be admitted that little advantage can result from an exemption of cloths under 20s, when it is pretty well allowed that, with only one exception, in regard to which Manchester admittedly has a grievance, no such cloths are imported to an extent worthy of mention in a trade of which the volume is so vast.

“ It may also be added in regard to Mr. Playfair’s expression of regret that the proposal of the Bombay Mill-owners’ Association, to apply the discriminating line of 20s alike to imported and Indian manufactured goods was not accepted, that I understand from inquiry that the difficulties of working a similar system when formerly in force proved so great as to render extremely undesirable its present adoption. It is observed, too, that one Bombay Chamber, that of Ahmedabad, disapproved the recommendation of the Bombay Mill-owners’ Association, as the Import Association of Calcutta did a similar recommendation proceeding from the Bengal Chamber, and that the Import Association ‘ emphatically protested against any line of demarcation being drawn again ‘ between cloths of different counts.’ Nor do all those bodies which approve such a line agree as to the point at which it should be drawn.

“ As to the objection taken to these proposals on the ground that they involve a lightening of the tariff in favour of Manchester, the decrease in the duty must profit the consumer, and a reduction was actually recommended by several bodies consulted by the Government as a means of meeting such protection as might be involved in excising Indian spun yarns to countervail an import duty levied on the completed article of cloth. Moreover, the mere fact that a measure profits the great Lancashire cotton trade should not be to its prejudice in any British possession, and the import tariff as a fact is not one of an all round 5 per cent. as it stands, nor is there, it is believed, in any country a tariff in which all imports are without exception taxed at the same rate per cent. In any case some by no means opulent classes of the natives of India must benefit by the reduction from 5 to 3½ per cent., be they or be they not the poorest of all, and that at least is matter for congratulation. I believe that the consumption of Manchester goods goes a long way down the line.

“ One of the newspapers, which has most hostilely criticised these proposals, has in effect said that the extra burden on consumers of lower counts is a small matter, and

that the advantage of $1\frac{1}{2}$ per cent. in imports is a small matter, but that giving way to Manchester is an unpardonable sin; and this seems to me to sum up very accurately the objections raised to the Bill and at once to prove that, if no more to its prejudice can be said, it is in the circumstances a very fair compromise. If it lacks, as is stated in some quarters, the element of finality, the attribute is as rarely present in, as that of compromise is seldom absent from, all far-reaching measures of modern legislation.

“With reference to Mr. Playfair’s claim that if any surplus exists the income tax should be one of the first to go, I take this occasion to state, with all respect to him, the contrary opinion. That tax is generally described as odious and inquisitorial, and no one is more likely to be alive to the objections which exist to its levy than one who not only pays but also collects it. Still, with all its imperfections, it is an honest effort to tax the rich in this country, for even the lowest class it touches is rich compared with the majority of the population. Though I believe the masses can easily pay the impost now proposed, to the small extent to which it affects them, and with the corresponding and compensating advantages with which it is accompanied, yet, if at any time there is remission of taxation, I would see them first relieved.”

The Honourable Sir Griffith Evans said :—

“I must remind the Council of how this matter arises.

“The import duties were imposed in March 1894, to meet an estimated deficit of about Rx. $3\frac{1}{2}$ millions. But cotton yarns and fabrics were exempted, and the import duties, including the petroleum duty, were estimated to produce only Rx. 1,400,000, leaving the remainder of the $3\frac{1}{2}$ millions to be provided for by absorbing the famine surplus, and starving and crippling the administration by ruthless retrenchment.

“Public opinion in India was loud and unanimous to an unprecedented degree that cotton yarns and fabrics must be included, and the Government of India had practically no reply to make, except that Her Majesty’s Government would not permit cotton to be taxed, but that it was hoped they would relent when they realised the situation. These hopes were fulfilled, and in December 1894 permission was received from home to impose the duties on cotton, provided the import duty was deprived of a protective character by imposing an equivalent duty on similar goods manufactured in India *to the extent to which they entered into direct competition with goods imported from the United Kingdom.*

“That the attitude of the Council and of India generally in March 1894 had much to do with the grant of this permission is shown by the speech of the Secretary of State for India in Parliament. But all must acknowledge that he had the severest political pressure to contend with, and that he exhibited no small courage in refusing to sacrifice the interests of this great dependency at the bidding of Lancashire.

“The party that succeeded to power, hampered as many of them were by pledges or semi-pledges given in the heat of a general election, have also showed the sense of Imperial responsibility which, however latent when in opposition, is generally manifested by English statesmen when the direction of the Empire falls into their hands.

“But Lancashire has been persistent in her demands for the total repeal of the duties, and has objected strongly to the legislation of December 1894 as unfair and protective.

“The Government of India has strongly represented the interests of India, and the case of both sides has been put forward in documents.

“The Financial Member, in introducing the Bill, has shown how weak the case of Lancashire is, and how strong that of India, as to the non-protective character of the duties. He has, however, concluded that in some small points Lancashire has made out a case, and that, in view of the whole position, a settlement ought to be proposed which would take away all possible grounds of complaint by its ‘conspicuous fairness’ towards Lancashire. He has also informed us that, owing to the rise in exchange and other circumstances, he will be in possession of a sufficient surplus to carry out his proposals.

“These proposals are embodied in the present Bill, and the reasons for them in his introductory speech.

“These proposals are, shortly, to exempt all cotton yarns, English and Indian, from duty at an expense to the revenue of 14 lakhs of rupees, and to reduce the tax on woven cotton goods, English or Indian, to an *ad valorem* duty of $3\frac{1}{2}$ per cent. instead of 5 per cent. as at present—at a loss of about 30 lakhs, and abolish the distinction between counts under 20s and over 20s, and have one uniform *ad valorem* excise on Indian goods

woven by power-looms. I heartily wish I could see my way to accepting the proposals, but the objections to them are many and weighty.

“ If I could satisfy myself that there would be any finality in the proposed settlement, I might, in view of all the circumstances and difficulties of the position, be disposed to accept it, but I fail to find either hope or promise of finality.

“ My Lord, I have always advocated—some think too strongly—the absolute freedom of the Council within the limits of the powers delegated to it by Parliament; but I have always recognised the corresponding responsibility, and have held that the members of this Council should act as responsible statesmen, and not as members of a debating society, or as members of a political opposition, bent on discrediting the Government of the day, and it is under a strong sense of that responsibility that I now speak.

“ I will endeavour to lay before the Council the arguments for and against the Bill as they present themselves to my mind.

“ First, then, in favour of conceding to Lancashire what may seem to us more than justice at some considerable expense to India are the following considerations: First, it cannot be expected, as I have said in a former debate, that the English nation would allow India to injure its trade and commerce by a protective tariff. It would be contrary to human nature, and Parliament has finally and definitely decided this point, and both the great political parties are agreed on it. In determining to grant India equality of treatment they have done more than any ruling nation has before ever done for a dependency which is not self-governing and has no direct voice in the Imperial Council. I fully accept this position.

“ Though Parliament and the English people have decided that India should be treated with justice and fairness, and should have equal facilities for trade, yet, owing to its system of party government, there is strong pressure often put upon the Government of the day (of whichever party it may be) to depart in practice from this rule in special cases, at the instance of some English interest, possessing by reason of votes the means of political pressure. This pressure we must recognise as a fact.

“ But inasmuch as the final arbiter in case of dispute is the nation at large and not the interested section, the interested section has always to make out a case of wanting nothing but what is fair. Now in complicated cases it is very difficult for such a nation, with a democratic Government, to form an intelligent opinion as to a dispute on facts between a section of its own traders and a distant dependency. In this case the nation is being appealed to to support its great principle of free trade, which is almost a fetish in England, and not to allow protection against its own industries, and it responds to the appeal; but the nation is not able to judge, as we may be able to judge, whether in this particular instance the principle is being violated or not.

“ Thus, the English Government is left to meet the pressure, and the semi-pledges of members of its party, without much hope of backing from the English people, unless the point can be made clear enough to be apprehended by the ‘man in the street,’ that the principle is not being violated, and the complaint is groundless. They, too, are nearly helpless if the verdict of the nation is against them.

“ The Government of India in conducting the case, so to speak, for India, not without reason, think that it is worth some sacrifice and some concession to put the matter on such a basis that the point shall be conspicuous and indisputable.

“ The Lancashire trade is in a state of great depression at the present time. This is, no doubt, due to other causes, as the Financial Member has pointed out; but, so long as the Lancashire weavers believe it is due to our legislation, they will make frantic efforts to get it reversed, and to deprive India of the whole of the cotton duty. It is worth while to make some sacrifice to remove this impression. It is ill arguing with empty stomachs; and Lancashire is a great political power.

“ These are strong arguments for abandoning a part of the cotton duties to save the rest, and even for imposing an unnecessary excise on coarse counts of woven cloth, with regard to which the duties do not, in our opinion, act as a protection; and if I could see any hope of finality in the proposals I might accept the proposals even as I have often advised a client to abandon some part of which I thought were his strict legal rights to avoid a doubtful and hazardous litigation of which I could not foresee the issue.

“ Now I will try to state the other side of the question.

“ First, it is proposed to sacrifice about 40 lakhs of revenue from the cotton duties. I am not in a position to question the statement of the Financial Member that he is able to budget for a surplus considerably above this amount. But the spectre of famine is

beginning to loom in the North-West, and exchange is uncertain, and it is most inadvisable to part with 40 lakhs of revenue which is raised without the consumer of the cotton goods feeling that he pays it—without discontent or annoyance. We shall never again be able to get it back when we need it, as we soon may, and we may be driven to direct taxation, which in India means discontent.

“Second, the money is wanted for the development of the country, and even if it could be spared for remission of taxation, it ought to be applied to relieve the poorer classes from the income-tax which sorely oppresses them, as pointed out by Mr. Stevens last March. Even if the cotton duties were a fit subject for remission, it would be better to reduce the duty all round than to exempt yarns.

“Third, pending adjustment of the markets, it is said by the Bombay mill-owners that the excise under 20s will cause a heavy temporary loss to the Indian mills, which the weaker ones may be unable to stand. Whether this is so or not I am not certain, but it is certain they believe it, and are smarting under a sense of injustice; there will, at any rate, be a large remission of indirect taxation on the well-to-do, and an imposition of taxation on the poorer classes, so far as they consume the coarser goods of the Indian mills; but, if the hand-loom weavers supply the very poor they will not be affected.

“Fourth, we are asked to protect the hand-loom weavers by a $3\frac{1}{2}$ per cent. duty, both against the Indian and Lancashire power-looms. In March last I thought the hand-loom industry had been so beaten out of the field that no small protective duty could revive it, but the figures produced by the Bombay mill-owners go to show that the hand-looms produce two-thirds of the cloth woven in India, as against one-third produced by power-looms; and the census tells a similar tale from the number of weavers. If this be so, the Indian power-looms may receive a severe check, and be, more or less, crippled by a $3\frac{1}{2}$ per cent. protection to hand-looms. Moreover, in many places, I am informed, the hand-loom weavers weave from finer imported yarns. If this be so we shall, in endeavouring to free Lancashire from an imaginary indirect protection, create a direct protection against her in favour of the hand-looms. What practical effect this may have I have no means of judging, but I clearly see that Lancashire will not be slow in availing herself of this argument, and will probably join hands with the Indian mill-owners in abolishing the duties imposed by this Bill as being directly protective.

“I do not see what answer we shall have to this argument, as the permission to impose the duties is conditional on the total elimination of direct protection.

“Fifth, now there are two or three other smaller matters with regard to which I would wish to advert; and first of all with regard to the direct protection of $1\frac{1}{2}$ per cent. spoken of by the honourable member in his speech.

“The Council will remember that he makes it out in this way: that there are 85 per cent. of cotton yarn per lb. in the case of shirtings, and that it is taxed at 7 annas. Thus, a pound of shirting manufactured in India pays 6 annas. On the other hand, the Manchester goods are paying nearer 8 annas, and there is $1\frac{1}{4}$ per cent. difference, which ought, as he says, to be adjusted. But, from the inquiries that I have made, it would appear that this is a perfectly simple matter that could have been simply adjusted. It appears, as far as I can make out, that it arose in this way: that the tariff valuation of this yarn was fixed when cotton was extremely low; that cotton rose shortly afterwards, but that the Revenue Department, ordinarily so vigilant, did not take any notice of this rise, and that the tariff valuation was not changed, and that as a matter of fact if the valuation had been changed when the price of cotton went up, which it did, that this would disappear, or nearly so, and that it would be a very small matter very easily rectified, and not a matter which would give any difficulty at all.”

The Honourable Sir James Westland:—

“Perhaps Sir Griffith Evans will allow me to interrupt him so far as to say that these figures were not given by me as an accurate estimate, but only as pointing out that Manchester had gone a very roundabout way to show what it might have done in a very simple way. I did not put forward 6 annas or 8 annas as an accurate amount. I rather pointed out that for accurate calculation it would be better to refer to the statement of the Bombay mill-owners.”

The Honourable Sir Griffith Evans:—

“I accept the statement of the honourable member, but it does not interfere with my argument. The exact figures are not material, but my information is that the difference, whatever it is, arises from that fact, and could have been rectified in a way. Of course they were not keen to suggest to the honourable member that he should rectify it in that way. It was not to their interest to do so. He has got to look for his own revenue, and if he makes a small slip in their favour they are not likely to tell him; but I believe

he will find that that is really the case. There is another point which I must refer to, and that is the difficulty about this dividing line of 20, and I cannot help feeling, and it must have appeared to the Financial Member himself, that that difficulty was not so very insuperable; for if the difficulties of drawing a line at 20s had been so great as is represented, surely the Financial Member would not have in his Bill, as laid before the Select Committee, attempted, for the purposes of tariff valuation, to draw a line at 30s, a very much more difficult operation. I cannot help thinking that executive orders to allow a little elasticity would have overcome the difficulty of the dividing line.

"Not being satisfied with the reasons for this step, nor with the policy of the total remission of duty on yarns, and seeing the evils it produces, or may produce, and seeing no hope of finality in it, but only stronger grounds for a fresh attack on the fragment of the cotton duties we are seeking to preserve, I cannot approve of this Bill.

"But I desire especially to say that I recognise it as an earnest effort on the part of Government of India, made on behalf of India, to close the controversy on what they consider the best terms obtainable for India. They are entitled to ask us as practical men to give them credit for an honest attempt to deal with a very difficult situation, and to close the controversy on what they consider the very best terms for a lasting settlement, and they are entitled to ask us to come to our conclusions with due regard to all the difficulties of the practical situation.

"I see from to-day's telegrams that one prominent member of Her Majesty's Government has expressed his satisfaction with this measure, as eliminating all protection from the cotton duties. But there has been no time for him or for Lancashire to consider the detailed discussion of the matter contained in the recent memorials of the Indian mill-owners; and I see no sign that he or Lancashire has grasped the fact that by freeing all yarns and taxing all power-loom woven goods we are deliberately giving a direct $3\frac{1}{2}$ per cent. protection to the goods woven in hand-loom. I would it were possible to delay the measure until it could be ascertained what view will be taken of this important point.

"It is not for me to suggest a scheme, but if the Bombay proposal is not feasible it would have been safer to eliminate protection by taxing, by an excise and import duty, all yarns and cloth the product of power-looms. If it was desired to remit a portion of the cotton duties in view of a surplus, they might have been reduced to 3 per cent. all round. We could then, if necessity arose, have raised them again to 5 per cent. But so long as protection is eliminated I see no reason for treating cotton differently from any other article included in the schedule of taxation."

The Honourable Ananda Charlu, Rai Bahádur, said:—

"I cannot better commence my remarks than by showing, at the very outset and intelligibly to the merest layman, how in respect of cotton duties the results of the proposed measures would contrast with those of the Acts now in operation.

"India now contributes, under this head, about 7 lakhs of rupees. It is proposed to give this up and substitute for it 18 lakhs of rupees, *i.e.*, make it pay about 11 lakhs more than at present. Lancashire now contributes 1 crore and 39 lakhs of rupees. It is proposed to beat it down to $87\frac{1}{2}$ lakhs. In other words, a magnificent present of Rs. 50 lakhs is proposed to be made to contentious Lancashire, and through it to the well-to-do consumers possibly, while an onerous burden of 11 lakhs is proposed to be heaped on the back of contented India.

"It is not for me to say with what amount of contentment this contrast, when it goes abroad in this unvarnished form, will be received by the public at large. There must indeed be an overwhelming justification for such an extraordinary step. I maintain, my Lord, there is no such thing, as best shown by the Honourable Mr. Evans.

"Unavoidably lengthy as has been the honourable mover's speech as the initial exposition of the Government proposals, the result of boiling it down to get at the real matters at issue may be put in a few brief sentences. The first point of contention between Lancashire and India is pretty fully set forth in the subjoined sentence in the speech of the honourable mover:—'The first of these (points) is the effect of our drawing the line of taxation, for Indian goods, at 20s. That effect, says Lancashire, is two-fold: (1.) Lancashire manufacturers claim that they can spin 20s just as easily as higher counts, and that they could, if they were not prevented by our fiscal measures, substitute for the cloth they at present send to India a cloth which would be a substitute for and find the same market as the present importations.' (2.) Manchester claims 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.

“The second is but a corollary of the first. Grant the relief claimed in the first, the second must right itself. Then we may take it that the complaint is just this and no more, viz., Lancashire says, ‘You are handicapping me with a duty in a sphere where India is free. Give me like freedom.’ This done, it ought, by its own confession, to be able to compete with India and keep its customers from running over to the latter. If this is a just complaint, one would expect that the logical and the only remedy open for our Government to apply is to remove the duty on Lancashire goods under 20s and say to the complainant, ‘I have done what you want. Go thy way and trouble me no more.’ If the complaint is just, I shall strongly urge this course on the Government. It might indeed involve a small loss of revenue, possibly none. But if it did, it would be a mere bagatelle. If the complaint is just, Lancashire, with the equal freedom it asks for, must add vastly to the stock of coarser goods, available for the mass of the population—available on that account at a cheaper rate than otherwise. This decided advantage to the poorer classes of customers would so greatly weigh with the better classes that they would only too cheerfully submit to some taxation, if necessary, to make up for the revenue given up in satisfying a just complaint.

“This plan will further possess the inestimable merit of not organically dislocating the fiscal system which has been the result of hard fight and of an extorted concession, unattainable too often. Upon the facts stated, and accepting the reasoning of Lancashire that the diversion is a necessary result, any other course by the Government must, most unquestionably, press on the poorer classes most disastrously. Give Lancashire the equal freedom it claims below 20s, you earn the goodwill and the gratitude of the benefited poor. But remove the duty altogether both below and above 20s and put on 18 lakhs as proposed on India, you bring on a terrible hardship upon the needy, and their feelings will certainly not be of goodwill and gratitude. To give Lancashire the equal freedom she seeks below 20s is, in my judgment, the plain and only defensible course on the hypothesis that the complaint is just. To any other course, on that hypothesis, I feel bound to enter a strong and emphatic protest.

“But is the complaint just? Most assuredly not, is my unhesitating reply. In this I am supported by the honourable mover himself, for he has declared in no ambiguous terms that he differs from the assertions of Lancashire on this point. I am also supported by the invincible arguments set forth in the memorandum of the Bombay Mill-owners’ Association. That memorandum has, I daresay, been read by each of my honourable colleagues, and therefore I will not extract from it. But this I must accentuate, that it has received the unqualified acceptance of the honourable mover himself. This, by itself, ought to stamp that admirable document with the character of unimpeachability and show our case for the *status quo* to be impregnable. The fact of the matter is, that Lancashire has confessedly made only a claim—not that it has made out a claim. On the question of fact which that claim involves, all the evidence and all the opinions that have been collected and focussed clearly tell quite the other way—tell against it in every particular—and most conclusively. Lancashire goods below 20s have never been a tangible quantity and could never be. This can be demonstrated with perfect ease. It could likewise be demonstrated by examining the conditions under which Lancashire has to work. I go further and assert that it has been indubitably demonstrated already, so that the running man might see. The honourable member himself says quite as much in unmistakable terms. He declares it to be his own belief that ‘Lancashire cannot lay down in India woven goods of the coarser kinds at prices that can at all compete with those of India-produced goods.’ This is not a mere unconsidered or unsupported belief either. After sufficient deliberation, it is based by him on the convincing document already referred to, the memorandum of the Bombay Mill-owners Association.

“With such a belief and with the indefeasible arguments with which it is widely supported, I for one would expect the responsible Finance Minister, as the accredited adviser of the Supreme Government in India, and bound to work with the single and sole object of advocating India’s cause, I say I would expect the Indian Finance Minister to say to his clamorous compatriots of Lancashire—”

The Honourable Sir James Westland :—

“Please do not put me down as a compatriot of Lancashire. I am not even an Englishman.”

The Honourable Ananda Charlu, Rai Bahadur, continued :—

“I say I would expect the Finance Minister to address the Lancashire people somewhat as follows :—‘You have made and are making an unnecessary fuss. You have

‘bamboozled yourselves by not being on the spot here to know the exact truth. The bubbles you have raised have burst and betrayed their unsubstantiality as soon as they were pricked. I have a sterner and an honester duty to perform than engage in the frolic of pricking soap-bubbles floating about my head. I will not be ungrateful to my confiding employers. I see no reason to budge an inch from where I am.’ Such is the bold and firm stand our Finance Minister, and the Government of which he is the ostensible adviser, should take; and they should resolutely decline to submit to dictation, either from their Lancashire compatriots or from such as care for Lancashire votes at the poll, or Lancashire support in the Parliament, come what might. On the contrary, I am deeply grieved to find—I say this far more in sorrow than anger—that our Finance Minister, and the Government of which he is the adviser, have allowed themselves to be overpowered by the unreasoning outcry of Lancashire, and to be tempted and wheedled and drawn out of their safe, uncontroverted, and incontrovertible stronghold.

“The honourable mover has, however, declared himself to be persuaded that *some* ground of complaint exists because, forsooth, the amount of coarse woven goods imported from England cannot, in his opinion, be said to be non-existent, though as he admits that at the most it is very small. I maintain, my Lord, that this infinitesimal amount is not an adequate ground to pull to pieces the existing smoothly-working fiscal system. The only treatment it deserves is to be waved off as unworthy of serious consideration and elaborate action. If the Government think that, nevertheless its insignificant importance, it ought to receive attention, then the only legitimate step that can, with justice to India, be taken is, as I suggested already, to do away with the duty on Lancashire goods below 20s—a step whose harmlessness in general and whose profitableness to the poorer classes I have erewhile dwelt upon.

“If then the complaint of Lancashire, viz., that it is now handicapped as its own goods below 20s are taxed, is put aside, what remains, my Lord, for serious consideration? I say nothing, for I regard as groundless and hollow the allegation that the existing state of things diverts the course of consumption from the finer to the coarser goods, and that, on that score, indirectly infringes the rule and the pledge against protection.

“To begin with, is this diversion-dread well founded? Is it true, as a matter of fact? Most certainly not. It is a sophistical bugbear—a figment of fancy due to inexperience of the ways and predilections of the people of India—due also to a forgetfulness of the people’s tenacity to customary clothes—and due also, I will deliberately add, to giving the go-by to the fact that power-loom products are discarded as being too heavily sized with foreign matter.

“My honourable colleague from the Central Provinces has at some length shown how groundless and hollow the complaint is, and my observations on the point shall therefore be few.

“There has always been a decided and deliberate preference for the coarser goods as compared to the finer on the part of the masses. The shrewd common sense of these latter, and the matter of fact teaching of their experience, have long ago convinced them that the Indian-made coarser cloth was far more durable, and stood wear and tear and home-wash far better than the imported finer one, with less of cotton and more of China clay and loading chemicals therein. They strain to the utmost their slender means, and go in for Indian-made coarser cloth, as, in the long run, cheaper.

“The whole of this diversion argument is the outcome, my Lord, of a superstitious apotheosis of competition as an omnipotent power. Its force is over-rated—hyperbolically over-rated. That there are a great many limitations to the operation of competitions is self-evident; and so undisguisable is this the case that even writers on economic science have had to recognise them and reckon with them, albeit that they, of all men, should be the foremost to swear by it as an all-conquering and rapidly-conquering force. I dislike talking book or bristling with quotations; but this I say with perfect confidence and on a basis of the requisite knowledge that I am well supported in maintaining that it is a grievous fallacy to enunciate the proposition, as universally true, that competition actually does operate whenever or wherever or as soon as it has a tendency to operate.

“To read protection in indirect results of this kind—assuming such results have actually flowed—is, in my judgment, to introduce into our fiscal arrangements an element of ever-present uncertainty and never-ending wrangle on the part of Lancashire. The direct and natural results are, like damages in law, capable of fairly satisfactory ascertainment. But it would prove a pursuit of the mirage to start a mission to detect and arrest indirect and remote consequences, if such can be called consequences at all.

It is claimed for this Bill that its object is to close the present controversy and not to give rise to a new series of controversies. I take the liberty to declare, and I feel that I am justified in declaring, that the proposed method will produce an effect the very reverse of that object. It should be borne in mind that most of India's bygone industries have long been dead and unceremoniously buried. If some few have yet a tenacity of life, it is because they are as yet beyond the reach of the most scientifically finished power-loom. Fresh industries, after the modern methods, have put forth shoots and are showing signs of growth and development. They have so far flourished, my Lord, as to enable the head of our Government—the Secretary of State for India—to say quite recently—trust he said it with pride on behalf of India—that in other than the Indian market Lancashire has within the last 10 years not been able to compete with India; that while during these 10 years the value of the cotton exports from Great Britain to countries other than India has not increased, the exports from the Indian mills have, during the self-same period, literally doubled and they are increasing still, and that there is this year a large increase in Indian exports.

“Here, my Lord, is India's layer of golden eggs for her benefit, redounding to the credit of the British rulers under whose ægis it has been incubated, hatched, and fledged. It is only just beginning to give proof of its maternity. Every Indian will entreat, as I now entreat, that that giver of riches to India—that witness to the benignity of the British rule—should not be permitted to be embarrassed and penetrated by dart upon dart at every league in the wild chase after the unsubstantial phantom of indirect protection. The chase may prove a thorough and discredited activity, as it must sooner or later. But it would be hard in the meantime to look after that breeder of boons to India from being torn or eaten up.

“I beseech the responsible Ministers who have the power, if they possess the will, to see that our interests are not ruthlessly jeopardised. To them I shall say also that they are drifting—let me say unwittingly—beyond even the pledges given by the Secretary of State for India; for that officer has promised relief only against injustice and only against protection so far as the English goods and Indian manufactures enter into direct competition. This was no doubt made at what the honourable mover has called ‘the initial stage’ of the proceedings in connexion with the cotton duty deliberations, but I find no departure from it—certainly no avowal of any such departure; for I cannot accept such phrases as ‘in any way protective’ to signify any extension of the pledge originally given in clear and unequivocal terms.

“When the objection to the line of demarcation at 20s is set at rest there is really nothing more for serious consideration. But the honourable mover has referred to a second complaint on the part of Lancashire, and he has put it in the following terms:—

“‘The second point in which the Manchester case is admitted by us to have some foundation is in the allegation that the tax levied upon yarns which are afterwards woven into cloth is *pro tanto* a lighter tax than is levied upon the completed manufactured article.’

“This has been fully dealt with by the Honourable Sir Griffith Evans, and I shall omit what I meant to say on it.

“As regards the proposal to give up 50 lakhs out of the present income, I have to make a remark or two. I have to state, on the hypothesis that this amount of revenue could be spared, that the reduction of the salt-tax had the prior and decidedly better claim. This was pledged to us long ago in no uncertain terms. In adjusting accounts with the taxpayer, this longstanding and unsatisfied demand must first be appropriated to, if there is to be anything like continuity in the policy of dealing with India. Every ground of claim, of justice—and I will add, pity for the suffering poor—tells heavily in favour of this humane course. It is simply inexplicable—unless indeed peremptory dictates were being subserviently carried out—it is simply inexplicable, I say, how this extraordinary method came about, of serving the least starved at first. This is behaving like the unique host in a Tamil story, who received a number of famished mendicants but singled out the least starved for what little food he could spare, on the ground that the others had shown their capacity to starve, which the elected donee was yet to prove.

“But I ask, my Lord, can this revenue be spared? I have my most anxious doubts. The honourable mover himself used very guarded language, not without some few saving clauses.

"I confess, my Lord, this is by no means reassuring. Exchange, besides laying on us, on very slender pretences, a heavy break-back load of a considerable amount, has played and is playing like a fickle goddess, whom it is impossible to propitiate, without a reserve for making periodical—I had almost said, almost daily—doles of considerable bonuses. Having regard to her unlimited and illimitable aptitude for pranks and caprices, it is of the utmost importance not to quit the hold of the 50 lakhs or give it to those who may be coerced into giving it back rather than to others who are already clamouring at its insignificance and are vowing dire vengeance against what is left us.

"To my Anglo-Indian colleagues—my non-official colleagues in particular—I have a word of earnest prayer. I know that most of their class believe in a Conservative Ministry and that they are demonstrably partial to it. I know also that many Conservative members, who constitute the bulwark of that Ministry, have entered Parliament, pledged to look after the interests of Lancashire in India. I mean no offence when I therefore say, what I cannot help feeling, that my Anglo-Indian colleagues would therefore be, in the last degree, reluctant to impair that bulwark or vex it. But I shall beg of them to bear in mind that, while India is safe-guarded against foreign inroads by the strong arm of the British Power, she is defenceless in matters where the English and the Indian interests clash and where (as a Tamil saying puts it) the very fence begins to feed on the crop. In all vital affairs relating to India England holds the whip-hand, and men, sent out to us to watch those interests here on the spot, are placed directly under that whip-hand. It requires preternatural strength of conviction and fortitude to withstand the flourish of the lash wielded by that whip-hand when the English and Indian interests stand mutually opposed. In such struggles—the present is a pronounced instance of such a struggle—the Anglo-Indian co-operation and support are of the supremest value. Not long ago a Secretary of State for India said to a Lancashire deputation: 'Drop all questions about public feeling in Lancashire; do not say anything about members of Parliament being influenced.' These were seemingly dropped, only to be picked up by others—not avowedly, as that would be a scandal—but to give utmost effect to them, as these Bills evidence. In the spirit in which the quondam Secretary of State for India spoke to the Lancashire deputation, in the same spirit, I have to tell my non-official Anglo-Indian colleagues to drop their personal predilections as against their sense of justice, at this sore hour of need.

"They prosper by finding a fitting field in India; and let India too prosper by their presence and their labours in her midst. Let them realise that there is hope for her countless masses, if they cast their lots with them and throw their weight in the scale of justice to them; for a united representation of all India could not but powerfully tell. The Government themselves might then abandon these obnoxious measures. If they do not, even then such a combined protest might yet tell effectively in England. That these Bills are, transparently, the outcome of pressure from high need not trouble them any more than they should trouble us; for meditating a wrong is one thing and perpetrating it is quite another; and our final arbiter might yet see fit not to perpetrate what he may have meditated. Even would-be murderers, my Lord, have been known to relent, repent, and renounce. I first entreat the Government to abandon these unjust and injudicious measures; and I next entreat my Anglo-Indian colleagues—my non-official colleagues in particular—to lend the Government a helping hand so that, with their votes against the Government, the Bills might be dropped. Even if the Government were not prepared to take advantage of the chance thus offered, a solidarity of non-official votes might nevertheless give us a chance in the freer atmosphere of England—a chance which would be seriously imperilled if the Government and my non-official Anglo-Indian colleagues become one and send up these odious measures to that final arbiter of Indian destinies as enjoying their hearty or united support—a course which would seemingly imply full local approval and might supply the Secretary of State with an excuse and a justification which neither justice nor fair play would warrant. I am painfully conscious that I have spoken with considerable warmth; but I could not carry a smile on my lips or play the rôle of a soft-tongued courtier when I am face to face with a gross injury which is in store for the masses. More I will not say just at present; but less than this I could not say—with justice to my own convictions and with justice to the multitudinous poor that are meant to be bled for no benefit of their own and for no fault of their own.

"I have a word to say to two honourable members who have spoken before me—the Honourable Mr. Rees and the Honourable Sir Griffith Evans. To Mr. Rees I shall say that he has taken a far too rosy view of the situation, and that, after hearing all he said,

I see no reason to recall a single word of what I have spoken. To the Honourable Sir Griffith Evans I say that it was as one of the people I have spoken and not as the spokesman of any party, against which latter rôle he has advised—and rightly advised.”

The Honourable Mr. Stevens said :—

“ My Lord, on the last occasion when the subject of the cotton duties was discussed by this Council a decision was arrived at which was practically unanimous. There was, indeed, some difference of opinion on a single point of detail. The majority accepted the view more favourable to Lancashire, and all hoped that enough had been done to secure a satisfactory and peaceful settlement of the whole question. Your Excellency's Government had power to afford further relief if any branch of the trade should be found by experience to require relief, and accordingly in one clearly defined instance relief has been given.

“ I am sure that the members of this Council—and most of all (I venture to think) those who form your Excellency's Executive Government—have been gravely disappointed by the discovery that these anticipations have not been realised, that the concessions have been regarded in Lancashire as insufficient, and that the trade and the people in India generally are again disturbed by renewed discussions. The circumstances, no doubt, have to some extent changed in appearance, if not in reality, and I think we must reconcile ourselves to the necessity for reconsidering the position. We cannot shut our eyes to the truth that the cotton industry in Lancashire is in far from a prosperous state. Mills have been closed and a multitude of operatives have been thrown out of work ; while the industry is of such vast importance to Great Britain that a serious depression becomes a source of great political danger and difficulty. In such a time of stress it is not unnatural that the Lancashire manufacturers should anxiously examine the conditions under which all their competitors are working, nor is it a matter for surprise if they over-estimate the importance of those particulars adverse circumstances which appear to them to be most susceptible of control.

“ I do not propose to enter into any lengthened discussion of the Manchester arguments, but I share the common opinion in India that they much exaggerate the influence of the existing fiscal arrangements. They ignore altogether the conditions of the labour supply in England, the strikes, the higher wages, and the shorter hours of work ; they ignore the disadvantage of old machinery, and they ignore the competition of foreign countries. In a report which my colleague in the Board of Revenue has recently submitted to Government he has quoted Messrs. Ellison & Co.'s Annual Review of the Cotton Trade for the year ending 30th September 1895. These gentlemen say that ‘ the margin of profits 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.’ Mr. Lyall goes on to say, on the authority of the ‘ Economist,’ that the increase in the number of spindles in the world during the years 1892-95 has been—

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

“ ‘ It may safely be asserted,’ he says, ‘ 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 ‘ Economist’ also gives the figures of consumption of cotton. In 1894-95 they were—

	Bales.			
Great Britain	-	-	-	4,080,000
Continent	-	-	-	5,096,000
United States	-	-	-	3,219,000
East Indies	-	-	-	1,342,000

“ These figures, like those relating to the increase in spindles, point most distinctly to the conclusion that the competition which is really injuring Lancashire is that of the Continent rather than that of India. Messrs. Ellison & Co. make a further statement which is evidently of great importance, not only in reference to the particular year but as indicating the growing enterprise of foreign nations. They say that ‘ American and ‘ Continental spinners were smarter in taking advantage of the market by laying in large

‘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.’ Now the price of cotton has ranged between $2\frac{3}{4}d.$ per lb. to $4\frac{1}{4}d.$, the latter being the closing quotation. Here we have another cause in comparison with which the fiscal arrangements of your Excellency’s Government can have had but an infinitesimally small effect.

“But although we may believe, as I for one believe, that the results of the competition of India have been greatly over-estimated in Lancashire, it is not to be questioned that in the tracts affected there is a very strong and (I might say) angry feeling, and that the importance of that public sentiment cannot be lost sight of by Her Majesty’s Government at home, or by your Excellency’s out here. It has all along been said that we have no wish to protect Indian manufacturers against English, and therefore, if a reasonable scheme of taxation be arrived at more satisfactory than that existing, this Council ought, I think, without hesitation to support your Excellency in introducing it. It is with this object that the present Bill has been brought before us to-day.

“I fear it must be owned that the measure has not received the support of the public as a whole. For this there are two main reasons: first, the suspicion existing in some quarters that it has been called for by the exigencies of party politics in England rather than by the wants of India; secondly, that the trade will be disturbed to the disadvantage of important industries and of poor consumers in this country, while the relief of taxation is not to be given in the best way. It is not at this stage necessary to discuss the propriety of any policy which would sacrifice the interests of those for whom we legislate in order to secure profits for those who neither adjust our expenditure nor bear our burdens. Even public opinion in England would never defend such a policy. But it is impossible for us to claim the privileges of a perfectly self-governing and selfish Legislature, for these are inconsistent with the constitution under which we serve, and under which we must continue to serve. It is our duty to consider the obligations and limitations which bind not only your Excellency’s Government but the Government of Her Majesty; and we must not be deterred from passing a measure, if it is reasonable in itself, by any suspicions as to its origin.

“The question then remains whether this measure is in itself reasonable. In so far as it taxes alike all the products of the Lancashire and of the Indian weaving mills it is consistent with the avowed desire expressed in both countries that there should be no protection for either. It has, however, been urged very strongly that a new element of protection has been introduced by giving a new advantage to the hand looms, whose products it is quite impossible to reach by excise duties. I think that the extent of this advantage has been greatly exaggerated. It is a matter of notoriety, and beyond argument, that the competition of English and foreign power-looms has hitherto proved destructive to an important branch of the hand-loom industry; but we are told that still two-thirds of the cloth used are the product of hand-looms. The condition of affairs is, I think, well and justly put in the following extract from the Census Report of 1891, which, of course, was written from the Indian point of view:—

“The home products, strong and coarse, but genuine and durable, still hold the agricultural market amongst the lower classes, and indeed among the ruiyats generally, a fact that is obvious to any one who goes about amongst the country people. In the town the competition is beyond doubt severe, for the finer fabrics of the home loom must be more expensive than the machine-made product of Europe, now that processes are so much improved and freights so low, and it is the townsman that takes first to a novelty. On the whole, therefore, looking to the very small proportion of the urban population and of the wearers of fine raiment among the rustics, it does not appear that the field of the ordinary weaver is yet usurped by any competitor. The manufacture of muslin and “woven air,” and so on, is the one to suffer.’

“There may be said to be three classes of weavers—those who obtain their whole livelihood by weaving, those who supplement some other occupation, such as agriculture, by weaving, and those who weave for domestic use. I think that the competition of the power-loom will never affect the last two classes until the time of these people can be more profitably spent in other ways, and this period is far distant. There are other considerations which limit the competition of price; there is the habit of wearing country cloth, and there are the superior honesty and durability of the hand-woven goods. The country weavers do not turn out as cotton goods products half of which is size. It is not the case that the whole of India, including all castes and classes of the population, is an arena for contests between the power-looms and the hand-looms.

“ Again, I would point out that the caste system limits the possibilities of production in the hand-loom, while, if I am not mistaken, it has less effect in the case of power-loom. The mill-owners of Bombay, in their letter of the 29th of January, have in this connexion committed a very serious error, which I feel bound to correct. They say: ‘ According to the census returns, there are no less than 7,000,000 of people working ‘ as weavers in India.’ I have referred to the Census Report, and have found that the number of cotton weavers, including mill-owners and managers, was 4,877,357 in British territory, and in Native States 1,433,389, or in all a total of about 6,300,000. In the explanation of the manner in which these figures had been arrived at it is stated that ‘ it ‘ was held desirable on this occasion to recognise no distinction in tabulation between ‘ the working and the non-working members of the community, and to widen the inquiry, ‘ so as to indicate the relative supporting power of the various occupations, by returning ‘ against each the whole population living by it, whether as workers or dependents. In overlooking this explanation the Bombay mill-owners have over-estimated the number of their competitors probably something like fourfold.

“ The mills in Upper India have again pointed to the closing of power-loom, and to the depression of their trade. They attribute this to the competition of the hand-loom, but surely it is more likely that the injurious rivalry is that of mills which turn out the same, or approximately the same class of goods, namely, such goods as are imported into India.

“ It seems clear then that, even if a trifling protection will certainly be given to some of the products of hand-loom, the extent of it has been much over-estimated by those who fear it. It has been repeatedly argued that this measure will injure the poor for the benefit of the rich. So far as the poor are supplied by hand-loom (and we are told that two-thirds of the goods woven are the products of such looms), it is clear that this will not be the effect. And in those parts of India with which I am acquainted, the hand-loom weavers are themselves among the poor, and among the first to suffer in times of scarcity.

“ The gravest objection to the Bill appears to me to be the selection of this particular method of reducing taxation. There is no one who will maintain that there are not numerous and important directions in which money might be spent with great advantage to the country. But if we have become so rich that such expenditure can be met with a smaller revenue than that which is now collected, there are other directions in which many think that taxation can be remitted with greater relief than this. I would especially urge once more the case of the income tax, which, even in the higher classes, is assessed with difficulty and no little annoyance; in the lower classes my own personal experience, which appears to have been less favourable than that of the Honourable Mr. Rees, forbids me to believe that it can be evenly and equitably levied.

“ I will not weary your Excellency by further comments in detail. The conclusions at which I have arrived are that the Bill is not likely to be accepted without objections, even after the exaggerations and misconceptions of some of its critics have been removed. On the other hand, it seems to satisfy the importers, and to be accepted, so far as is known, by Lancashire. It is the outcome of the mature deliberations of your Excellency’s Government—a Government which (if a subordinate officer may venture to say so) has given the most conspicuous proofs of its anxiety to defend Indian interests. Therefore, even though I see difficulties, I believe that it is my duty to support the Bill.

“ I have endeavoured to show that the effect of this measure on the competition of hand-loom and power-loom has been much magnified; and I cannot abandon the hope that, when this is understood, it may not be deemed to be destructive of that finality and peace which we all desire to see.”

The Honourable Babu Mohiny Mohun Roy said:—

“ The two Bills under consideration propose to make the following important changes in the levy of cotton duties: (1) to abandon all duty upon yarns, whether imported or manufactured in India; (2) to repeal the exemption which now exists of cotton goods of 20 counts and under, manufactured in India; (3) to reduce the duty all round from 5 to $3\frac{1}{2}$ per cent.

“ On the first item of change I have not much to say. Any change in the incidence of duty is certain to affect, whether slightly or largely, the interests of some industry. The point for consideration is whether this change is likely to affect the interests of cotton mills, Native or English, to such an extent as to render it objectionable. I do not think so. The hand-loom industry of India is now in a very depressed condition, and is gradually being pressed out of life between the cotton mills—Native and foreign. It is an industry which the world and we, of all people in the world, ought not willingly to

let die. Our cotton fabrics, the produce of hand-loom, have been famous from very ancient times, and may be said to have made our country famous when it was otherwise little known in the Roman world. A very large proportion of our industrial population—the weaver caste among Hindus, and Jolahas among the Mohamedans—find employment in hand-loom, and earn a precarious livelihood, as Sir James Westland has truly observed, ‘not by wages fixed on economical principles, but rather by picking up at odd hours the scanty crumbs which the mill industry still leaves them.’ He estimates the loss of revenue from relinquishment of 5 per cent. duty upon yarns at 20 lakhs. I do not grudge this sacrifice, because it is likely to stimulate and benefit the hand-loom industry of India, and because it is not favourable either to Manchester or to Bombay so far as their mutual competition is concerned.

“With reference to the second item of change, I find it more difficult to formulate my views. The Finance Minister has stated that ‘it is not possible to longer maintain the system by which an exemption is granted to goods of 20 counts and under when they are of Indian manufacture, but refused when they are imported by sea.’ This, we are bound to take it, is the case. And it follows that goods of 20 counts and under, whether manufactured in India or imported by sea, ought to be placed upon the same footing. But this may be done in two ways, viz., in the way proposed by levying excise upon Indian woven goods of 20 counts and under, or by exempting similar goods imported by sea. The Bombay mill-owners strongly advocate the adoption of the latter remedy, and show that the adoption of the former remedy would cripple and imperil the infant industry, and cause an enormous increase of excise, something like 11 lakhs. It seems we are not now covetous of grabbing the 11 lakhs of excise. We are now in a generous mood and rather for throwing away our revenue. The Bombay mill-owners show that, whereas the taxation on imported goods will be reduced by $51\frac{1}{2}$ lakhs, or 37 per cent., the excise on Indian goods will be increased by 11 lakhs, or 300 per cent., a difference in treatment which seems somewhat startling. Sir James Westland tries to justify this difference in treatment upon the ground that it is not possible in the case of woven goods to work out a line of discrimination by counts with that exactitude which is requisite as a basis of taxation. He says, ‘we believe that careful tests by experts can establish, as regards any woven yarns, that they are within one or two counts of any given standard, but this unfortunately leaves a certain margin for dispute, and as we have not merely to protect the revenue from frauds directed towards obtaining exemption where exemption is not due, but have also to protect the honest trader from the trader who does not draw so finely the lines of conscientious dealing, we are unwilling to undertake, if we can avoid it, a system the operations of which will certainly be jealously watched, and which may have to be abandoned from sheer difficulty in working.’ We have hitherto exempted Indian goods of 20 counts and under, and have not found much difficulty in doing so. The only thing that remains to be tried is to discriminate and exempt imported goods of 20 counts and under. Assuming that we shall find considerable difficulty in doing so, it does not follow that we ought to abandon this scheme without a trial. As we are now in a generous mood, we need not be very strict about imported goods which are within one or two counts of 20. We may give up claims to disputed revenue near the line, or appoint an umpire to settle these little differences. Then, after all, there will not be much work to do in the discrimination of imported goods of 20 counts and under, as Manchester imports very little of such goods. Sir James Westland admits this in substance, but says that ‘Manchester may justly object to being prevented from trying the experiment of sending out coarse cotton goods by our insisting upon interposing in the way of it a duty to which we do not subject the goods of Indian manufacture.’ To this complaint the grant of an exemption in respect of such coarse goods would be a simple, complete, and satisfactory answer. But no, our mode of doing things is different. We tell the mill-owners of Manchester, ‘We cannot, by taking off the duty, place you in a better position for making an experiment in coarse goods. But we will do what will, perhaps, please you better. We will heavily weight with duty your competitors in Bombay, and make their position a great deal worse.’ This is granting what is proverbially known among Hindus as the boon of Sita. When the great monkey hero of the Ramayana burnt down the city of Lunka he happened to burn his own face, which became blackened. He then went to mother Sita and complained that he could not, with his blackened face, appear again among his fellow monkeys. She said, ‘Be of good cheer, my son. I have, by my word, blackened the faces of your fellow monkey worse than yours, among which yours will not show to disadvantage.’ This, according to Pauranik legend, is the origin of the black-faced monkey so numerous in India. Now,

it seems we are about to effectually burn the faces of the Indian mill-owners as a solatium offered in anticipation to Manchester men who may hereafter burn their fingers by making an experiment in coarse cotton goods.

“In regard to the second item of change, therefore, my views are quite in accordance with those of the Finance Minister that goods of 20 counts and under, whether manufactured in India or imported by sea, should be assimilated in regard to payment of duty. But I differ from him in that I hold and maintain that we should cause this assimilation by exempting such cotton goods imported by sea and not by imposing excise upon Indian goods of similar quality.

“The third item of change I look upon with considerable dismay. The import duty on cotton goods happens to have a past history which augurs no good of its future. The duty was fixed at 10 per cent. *ad valorem* by Act VII. of 1859. It continued at that rate till 1875, when by Act XVI. of 1875 it was reduced to $7\frac{1}{2}$ per cent. Then, in 1882, it was abolished altogether by Act XI. of that year. Of these two Acts, the one of 1875, which was passed during Lord Lytton's Viceroyalty, was ‘the beginning of the end,’ and the other Act, XI. of 1882, passed during the administration of Lord Ripon, was ‘the end’ itself of the import customs revenue. The repeal was made amidst a flourish of trumpets. Our finances were represented to be in a very prosperous condition, and fully able to bear the sacrifice of about a million and a half of revenue. There was a great deal of tall talk about the import duty pressing upon poor people, and invocation of the principles of free trade. Disillusion came soon enough. The income tax had to be re-imposed, the salt tax considerably increased, and a petroleum duty imposed; and yet the Government did not find it possible to make two ends meet. Deficit continued to be the normal condition of the finances of India until we re-imposed last year an import duty of 5 per cent. upon cotton goods. Then, owing to a rise in exchange, we have before us the prospect of a small surplus at the end of the year. Dost thou do wisely to throw away this surplus? is a question which the tax-paying millions of India have a right to ask our Finance Minister. Nay more, they have a right to insist that no portion of our revenue shall be thrown away without necessity. The Finance Minister has no guarantee that the exchange will not go down during the next five years. He has not made out or stated any case of necessity for throwing away 30 per cent. of our import revenue. Surrender of duty upon yarns, amounting to 20 lakhs, seems to be a sufficient sop for the time to Manchester. She will never accept as a payment in full anything that we may offer her now. She will take it merely as an instalment. Then it clearly behoves us to pay in instalments small and spread over a large number of years.”

The Honourable Sir James Westland said:—

“I confess that I am hardly able to accept for the Government of India the position which the honourable member who represents Madras has described us. He evidently thinks that we have deliberately entered upon a course of crime, that we are thoroughly conscience-stricken but are now desiring to repent at the last moment when we find that the crime will amount to what, I think, he called murder.

“The fact is that the questions which have been discussed in this Council, and the questions upon which the settlement of the cotton duties hinges, have been for a long time under our anxious consideration. The matter has been discussed by us from all points of view, and I do not think any new fact has come out since the Bill was introduced which was not already before us, with one exception only. That exception is in the extraordinary line adopted at the public meeting in Bombay, and, following the Bombay meeting, in the numerous protests received from various parts of the Bombay Presidency. I confess I was not prepared for the allegation that the result of our measure will be to relieve the rich from taxation and to impose new taxation upon the poor; and I think I shall be able to show the Council before we have done that that is an utter travesty of the real state of things. I ought to mention to the Council that this morning we received four additional protests from the Bombay Presidency which arrived too late to be circulated; but it is probably right that the Council should know that these documents have arrived, because, of course, if this matter had been a little longer under consideration, it would have been the duty of the Government to lay these papers before the Council. I admit that the large number of these protests which we have received do great credit to the organisation of the opposition in Bombay, but I would have been able to attach a greater value to their contents if the protesting associations had been able to see the question stated from both sides and had not so absolutely followed the extraordinary and, as I may call it, the false line of argument set forth at the Bombay public

meeting. I hope that, when these associations have before them the considerations which I shall bring forward before the Council to-day, they will see that there are two sides at least to the question of rich *versus* poor, and that the Government on that particular point has a great deal to say for itself; and I hope to commend the view of the Government rather than the view of the Bombay public meeting to the sense of this Legislative Council.

“ A great deal has been made out of arguments based on the comparison of the total amounts of taxation as they stand at present and as they will stand if the Bill passes into law. It is said that we are adding so much to the Indian portion of the duties, and reducing so much from the Manchester portion.

“ The use of percentages in a comparison of this kind is a very specious but a singularly fallacious argument; and I may be permitted to take an example from an operation which arises very frequently in the ordinary course of our business. We have a class of pensions which we call political pensions, because they arise out of the political relations of the Government of India, and we have frequently on the death of a pensioner to divide the pension among heirs. I will assume that we divide a pension of Rs. 40, so as to give one heir, A, Rs. 10, and another, B, Rs. 30, but it is afterwards brought to our notice that their claims are really equal, and we therefore alter the division to Rs. 20 and Rs. 20. What would we think of B putting in this argument?—

“ “ You admit that you have no right to diminish the aggregate, and that you have no right to give to A more than you take away from me. But the fact is that though you have diminished my share by only 33 per cent. you have gone and increased A's by 100 per cent., which is obviously grossly unfair.’

“ Is not the argument put forward in the present matter exactly of this nature? It is alleged that, though we have reduced the taxation on Manchester goods by 37 per cent., we have increased that on Indian goods by 300 per cent. The two figures are percentages of utterly different totals, and are therefore not capable of comparison; and the only answer we can give is that the real question is whether the result attained is or is not equality of incidence, and that, if the result is equality of incidence, it is beside the question to discuss comparisons arising out of the process by which that equality has been attained.

“ And so also with reference to the corrections which the Bombay Mill-owners' Association have made in the figures I presented in Council in introducing the Bills. I noted at the time that we were without proper statistics of this production, and my figures were really based, rightly or wrongly, on information which I obtained in Bombay 18 months ago. The mill-owners have much improved their information since then, and, when they estimate that they will have to pay 18 lakhs instead of my estimate of 12, I can only say that I accept their figures for present purposes, but that they in no way affect the principle of the Bill. Let me take another illustration, for illustrations often explain matters better than arguments. I will suppose that I am introducing an income tax of 1 per cent. I estimate it will produce 10 lakhs of rupees, and included in that estimate is a sum of Rs. 10,000, being the proceeds of the 1 per cent. tax on mill-owners' income, which I reckon at 10 lakhs. The mill-owners come to me and say, ‘ Your estimates are too small, our joint incomes come to 20 lakhs, and the tax you will get is not Rs. 10,000, but Rs. 20,000.’ It seems to me that all I can say is, ‘ Gentlemen, I accept your correction on a matter which I admit you are better informed than I am, and I will correct my figures accordingly.’ But supposing they were to go on to say, ‘ You reckoned upon getting only Rs. 10,000 from us, and therefore we claim that the tax upon our incomes should be $\frac{1}{2}$ per cent. only, so as to produce that sum, and not 1 per cent.’ I do not see how I could possibly admit the contention. I would have to point out that the question of the precise total of the result did not affect the principle of the tax, and that it was necessary to lay the tax upon them at the same rate as upon others, whether the result was a levy of Rs. 10,000 or Rs. 20,000.

“ And so in the present case, the principle of the taxation is a levy of a $3\frac{1}{2}$ per cent. tax on woven goods; and for decision of the question of whether it falls equally or not, it is quite irrelevant to compare merely the total amounts.

“ But the whole of these comparisons and arguments are based on a radically unsound foundation. We discuss the question on false lines when we deal with it as a question how much Manchester mills will pay and how much Indian mills. The real payer in each case is eventually some person quite different from both. In fact, it is quite unnecessary for revenue purposes to call in the Indian mill-owner at all. If we were to deal with Indian goods as we deal with Manchester ones, we would arrange that they should be on their manufacture delivered into store-houses under our control, just as

goods arriving in ships are delivered into our customs-houses; and we should arrange that in one case, as in the other, the purchaser or the importer should receive them out of our control on producing his documents and paying the duty. The Indian mill-owner would disappear from the whole system, and his purchaser would be, in the one case as in the other, the real person charged with the tax. I am sure that such a system would be intolerable to mill-owners, and that they prefer being made the collectors of the tax to having their business so greatly interfered with as it would be under the supposed system; but I introduce the illustration as showing how impossible it is to admit, as really bearing upon the case, arguments that are founded upon a comparison of the total amounts levied respectively upon Manchester and upon Indian mill goods. It is a question of equality of position, and not a question of the total amounts involved in the alterations necessary for the attainment of that equality.

“The basis of the policy adopted by the Government in this matter is the fact, of which they believe they have received sufficient evidence, that in the competition between the different makes of cotton goods, whether imported or Indian-made, a difference of $3\frac{1}{2}$ per cent. on the burden of taxation is enough to divert the course of consumption from one class to another. It is of course not so much in the difference of price in the goods as sold in the bazars that these diversions of trade take place; it is the importers and the middlemen whose operations are chiefly affected, and who keenly take advantage of any difference which taxation imports into their transactions. This influence is felt even in the minuter differences which arise among imported goods, out of the differences of incidence in a tax which is not levied strictly *ad valorem*. The three Chambers of Calcutta, Bombay, and Madras, have all objected (Bombay less than the other two) to any system of valuation on imported goods which is not strictly an *ad valorem* one; and I had an interview with some of the importing merchants in Calcutta, in which they convinced me that a difference in incidence of tax as between two different makes, which amounted to 1 per cent. upon the value, was sufficient to place one of these makes at a disadvantage in the market, and to bring about an immediate tendency to alter the makes and the various marks in the direction of securing lightness of taxation. This was certainly the case in 1879, when, as has been often pointed out, the Lancashire trade changed its character to meet our fiscal system. I expressed the opinion last year, and it is no doubt true that a much more violent change is now required to obtain exemption from duty than was then necessary, but to obtain diminution of duty the changes required are not so great. I have accepted it as a fact that those petty variations I have referred to will be the necessary consequence of our varying in any respect from a system of *ad valorem* duties in respect of import goods, and I have persuaded the Select Committee on this ground to meet the views of the importers by adhering to *ad valorem* taxation.

“Now, if in these petty variations this diversion of the lines of trade takes place, how much greater will be the effect of a difference of $3\frac{1}{2}$ per cent. between goods that are below and above a line of a particular count in yarn. As I stated when introducing the Bills, the Government of India, in the form of excise duty which it introduced in December 1894, altogether under-estimated this effect, and it has been obliged to retrace its steps because it has found that the exemption of low count goods has actually had the effect of promoting consumption of Indian goods at the cost of imported goods.

“I desire in this connexion to refer to two documents, both of which are dated before the introduction of the Bills, but which were only brought under my cognizance after their introduction. It will show that the Government are not altogether without evidence, or rather it will show that the evidence before the Government previous to the introduction of the Bills has in this matter been confirmed by further evidence received afterwards. I have a letter written by one of the import merchants in Calcutta, and placed in my hands with other papers by the Honourable Mr. Playfair, who has been the medium of communication throughout between me and the commercial classes interested in this question. This merchant writes:—

“As regards, however, practically the whole of what is technically called “grey goods,” of which the bulk of the Lancashire imports consist, they are used by the same class of consumers as take the production of the Indian mills, and if they can, owing to their passing free of duty, obtain the latter on more favourable terms than the former, then unquestionably the tendency will be towards a decrease in the demand for those least favourably situated. As an object lesson is better than any amount of writing, will you allow me to lay before you two patterns of cloth in the accompanying parcel. That marked A represents a quality for which my firm has for many years had a

very large sale, and B is a cutting from a cloth bearing the stamp of the Hindustan Spinning and Weaving Company, Limited, Bombay, upon which duty is not payable. Since the re-imposition of the duties we have had a steadily decreasing demand for our cloths of such quality, and moreover the prices we have been obliged to take have left a loss on the cost of manufacture. Both these cloths are used for the purpose of covering the nakedness of the labourers in the field, and there cannot be a doubt that if a 5 per cent. duty is put upon the one, while the other is left untouched, protection is given to the latter.

"I beg Mr. Playfair's pardon. I find now that I obtained this letter from the Board of Revenue, and that it is not one of the papers which he gave me.

"The other document, which I only received last night, comes from Manchester. It says, after referring to the argument which the Manchester merchants put forward in which they asserted that the relief of goods under 20s were sure to re-act in the form of restricting the demand for goods over 20s,—

"On Tuesday I had a very remarkable confirmation of my opinion in the shape of two pieces manufactured by one of the Petit group of mills at Bombay from 20s yarns, which have totally supplanted an English-made cloth, the yarns being 28s in the twist (the "reed" threads) and 32s in the weft (the "pick" threads).

"These Indian-made cloths were sent to a certain firm' (I omit names) 'of Manchester by their Karachi house, and along with a piece of the cloth they have supplanted.

"The remarkable feature of this case is the wide difference in the yarns and "reed" and "pick" of the substituted and supplanted cloths. That 20s should be substituted for 22s or 24s and 12 or 13 threads per quarter inch for 14 or 15 we were quite prepared for, but that substitution should at once have gone so far we did not expect.

"It only proves, what we have always asserted, that every cloth competes with every other cloth, and that the buyer takes that one which, at a price, best suits his requirements.'

"These are two pieces of further evidence received since the Bill was introduced and confirm the view the Government of India have taken in this matter, and on which it has based its policy, that there is no permanent solution of the difficulty in any system which will leave a dividing line at any point and tax the cloth which is above that line and exempt from the tax the cloth which is below it.

"Moreover, the Government of India could not fail to be struck by the circumstance that, though this view was put forward in the letter in which it asked for the opinions of the Chambers of Commerce as one of the points requiring consideration, the fact was not called in question in any of the replies it received. Even the reply of the Mill-owners' Association of Bombay, able and exhaustive as it was in other respects, did not take up this point, and after I called their attention expressly to the matter, their contention in the document which they have addressed to the Council, under date 29th January, is not that this alleged effect or tendency does not exist, but that if it does exist it is not a 'direct' competition within the meaning of the declaration which Her Majesty's Government made through me in 1894. It occurs, they urge, in the region of consumption in which the competition is indirect, and therefore ought to be left out of account. Even one of the gentlemen who has been loudest in his denunciation of the Government of India and all its works makes the strange admission that he has actually observed the very transference of trade to which allusion has been made. Presiding at a meeting of the mill-owners of Calcutta on Monday last he said (I have verified the quotation from two newspapers):—

"By the exemption of all yarns from taxation, the new Bill will encourage the importation of finer yarns to the detriment of the cotton mill industry in this country, as only the coarser counts of yarn can be spun from Indian cotton.'

"In other words, he declares that Manchester is kept out of a market that would be open to it if there were no taxation at all; and he holds that, if the Government does not continue to tax yarns above 20 and exempt those below, he will lose the protection which the present system gives him.

"Moreover, it cannot escape observation that in Bombay, where the opposition to the present measures has at least been most public, not a single voice has been raised in contradiction of the claim which Manchester put forward, and the admission of which, as I explained in introducing the Bills, rendered it necessary for us to extend the line of taxation below twenties, the claim, I mean, '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.' The resolutions which we received from the public meeting in Bombay, and which have been printed and circulated

as papers to the Bill, abandoned this branch of the contention altogether, and took up entirely different lines, with which I shall afterwards deal.

“I must hold, therefore, that the fact that we have to this extent placed Manchester competition at a disadvantage must be taken as proved; and it becomes necessary for us to seek a remedy for this state of things. I am quite aware of the evil things that are said of us for taking into consideration any claims of Manchester. My own position in this matter is to my own mind perfectly clear. It is useless to talk as if India were an independent Government, in the same sense as, say, the Government of the United States of America. The Government of such a country can afford to neglect all interests but those of its own subjects; and in fact it is bound to do so, and to regard the interests of other countries only so far as they re-act upon its own. It need not care what injury (if any) its fiscal or commercial legislation causes to other countries; such injury is not its concern, except (as I say) in so far as it may re-act upon itself. But that is not our position. India is one of the members of a big empire, the portions of which are bound together by innumerable ties, and it is out of the question that we should intentionally administer its affairs so as to cause injury to a great British industry. If injustice were proposed to an Indian one, it would be the duty of us, as representing Indian interests, to fight against that injustice to the utmost; but even then the final verdict would not rest with us. But the pretension that it is in any way either our duty, or even consistent with our duty, to shut our eyes to interests that lie outside the geographical limits of India, and to refuse to consider them, is one which is utterly unsustainable, and which, notwithstanding the sorrowful solicitations of the honourable member for Madras, I do not for a moment accept as defining my line of conduct. I know it gives grand opportunities for public orators, and for people like the writer of one of the letters that have been circulated with the Bill (Paper No. 7), to issue to us high-falutin exhortations to act up to our responsibilities and frustrate machinations invented in the interest of English party politicians. My views as to my responsibilities differ from theirs, a difference which not unfrequently exists between those who have to exercise responsibilities and those who have not. But I would ask them, looking at the matter merely from the point of view of self-interest, whether they consider it better that the legislation on the subject should be undertaken here, by persons who have at least a full knowledge of the Indian side of the case, or that, by our refusal to give even a just consideration to the Manchester side of the case, the matter should be entirely taken out of our hands and made the subject of orders or of legislation by a higher authority than the Government of India. I have myself little doubt that that would be the result of our deliberately electing to continue a system which, as a matter of fact, places Manchester at an admitted disadvantage, and which, so far as I see, everybody stoutly denies that he desires to have that effect.

“I am well aware that the Chambers of Commerce in this country have recommended a manner of dealing with this matter which has not been accepted by the Government, though their recommendation has not been quite so unanimous as some of the papers make out. I can only say they are more strictly bound than the Government of India is to give exclusive attention to Indian interests. The Government of India is, as I have explained, bound to give a wider consideration to the subject, and that is the reason why it has found itself unable in this matter to follow their advice. The argument that because we ask their advice we are bound to follow it is a two-edged weapon which it is somewhat dangerous to use—I am referring to this as one of the public arguments which have been directed against our action—I say the argument is a two-edged one, for it would obviously equally apply to the consultations which have been publicly held through the Secretary of State with those who represent the Manchester side of the case.

“I come now to deal with the argument put forward first of all by the public meeting in Bombay, and afterwards reiterated by various members of this Council, that the effect of our legislation is to relieve from taxation the richer classes of India and put upon the poorer classes a burden which they are not at present liable to bear.

“It is clear that a statement of this sort is entirely without foundation unless we accept the theory that the cotton goods imported from Manchester are wholly consumed by a certain class called the richer class, and the goods manufactured in India are wholly consumed by another class called the poorer class. It is only upon a supposition of this kind that the diminution of taxation upon the former class of goods and the imposition of taxation upon the latter class can be called a transfer of taxation from the richer to the poorer class.

“A mere glance at the figures of the trade is enough to show that any theory of the kind is absolutely without foundation. We know that imported cotton goods come to a value of 30 crores of rupees, and it is out of the question to assume that the consumers of

such a vast import are a class that can in any way be called a limited class. The mere statement of the figures is enough to show that they include at least a very considerable share of what may be called the vast mass of the population. I never heard the fact denied that Manchester goods were in general use, until it suited some persons to get up the cry of rich *versus* poor, and no one who sees how these goods are scattered over the length and breadth of the country can admit that their use or consumption is confined to a limited class.

“In the same way, take the mill-goods. A similar unfounded assumption has been made with regard to them. It is no doubt true that whatever cloths the poor classes use are coarse cloths of low count, but it is an utterly different thing to assert that the whole production of coarse count cloths is used by those poorer classes and by them alone. The mills produce and sell in India, according to the figures last given me, over five crores in value of cloth, mostly of low counts; and again I say these figures are enough to show that their consumption is not confined to the poor classes, if we use that term as applying to those persons who, in any scheme, even of petty taxation, might claim, on account of their poverty, an exemption from the common burden.

“We have in India that very large middle class, which is often referred to as the vast mass of the population, and which contains at least three-quarters of it. This class contains the ordinary agriculturist of all grades, the village tradesman, the villagers in fact of all classes. In the urban population it includes the labourer, the petty tradesman, and those whose livelihood come under the generic specification of service. This large class is not wealthy in any sense in which that word can be used. Their standard of living may be a low standard according to Western notions; but they live in what is moderate comfort according to their own notions, passing frugal lives, fairly free from any anxiety about the future. But neither are they in any proper sense in a state of poverty. I entirely decline to accept Mr. Bhuskate's estimate that all who are not the direct recipients of the advantages of Western education are to be included under the designation of the ‘poorest classes.’

“That I am well within the mark in putting down this large proportion of the population as outside the line of poverty I take to be proved from the following considerations arising out of the test which this country unfortunately sometimes applies in the shape of famine. The Famine Commissioners, who carefully went into the subject, estimated that during the worst famines the average number likely to require relief for the space of a year was 7 or 8 per cent. of the whole population affected, and the maximum number likely to be in receipt of relief in worst months was 15 per cent. I asked Mr. Ibbetson, our secretary in the Revenue and Agricultural Department, how far subsequent experience had confirmed this estimate; his reply is that all experience teaches that the estimate of the Famine Commissioners is a full one; in short, that 85 per cent. of the population are well enough off to pass, without any relief from the State, through the worst of famines. Of course I know that these views differ from those urged by the people who like to descant upon the poverty of the Indian, chiefly because they think that the circumstance contains something of reproach to the administration. But then I am unfortunately dealing with facts and not with declamatory rhetoric; and therefore I deal with this huge middle-class as what it really is, fairly well-off according to its own lights, its own traditions, and its own standards.

“It is this large class which furnishes the bulk of the consumers both of Manchester and of Indian goods. If this were not so, that is, if we were to exclude from either class of goods the consumption of three-fourths of the population of India, it is impossible that either branch of trade could show anything approaching to its present figures. There is no doubt a fringe of wealthier people above the class I refer to who probably confine their consumption to the finer classes of goods that come from Manchester, and there is a fringe of poor people below, who have to be content with the coarsest and cheapest goods they can get; but the consumption of this last class is necessarily something very small and is probably the village-woven cloth which pays no tax at all. By far the bulk of the consumption in both cases is in the large middle class I have referred to. How they distribute the Manchester consumption and the Indian consumption is, I am afraid, what no one can precisely tell. There is no doubt that a very large number of individuals use both kinds. A villager does not use the same clothes when he goes to the *hât* for his weekly bazar or when he goes to the chief town for a holiday (as I have seen them do in crowds) as when he goes out to do his ploughing in the fields; and like ourselves he clothes his wife in garments of quite different kind from those he uses himself. There are abundance of reasons, and there are abundance of occasions for the possession by the same man of different varieties of raiment.

“I must hold, therefore, that there is absolutely no evidence on which to base the theory of the division of India and the Indian population into two great classes—the richer who use Manchester goods and the poorer who use Indian goods. It is a pure imagination, and it is entirely opposed to the facts that we do know. By far the bulk of the consumption of both kinds of goods lies in the same classes of the population; and what the Government has done in readjusting the taxation so far as the consumers are concerned, is not that it has relieved one class at the expense of another, but that in having to deal in the main (that is, in all but a small part of the effect of its proposals) with a taxation contributed in a general way by a class that contains about three-fourths of the population of India, it has accompanied the extension of taxation to all the articles of their clothing instead of a part only, with a diminution in the rate of the tax so that the burden might be lighter on the whole. I think it is evident that this was a wise and proper thing to do, if we could afford to give up the revenue.

“Of course it is very natural that, when any question of giving up revenue arises, we should be assailed with claims of various kinds; that we should be told that other taxes have a preferable claim to remission over that of the cotton duties. The reason why we selected the cotton duties was simply this, that we know that the duties extend over a vast mass of the population, and the way in which the remission of duties could best benefit the population as a whole was when applied in the form of a reduction of the cotton duties. This was the more pressed upon us for the reason that one of the results of the proposals which we are at present laying before the Legislature would otherwise be to increase the amount of taxation which we expect this large population to pay to us. As for the argument that we ought to take the opportunity of remitting the income tax. I would be very glad to see it done if we were rich enough to do it; but at the same time it is very obvious that the remission of income tax and the maintenance of the cotton duties would be, more than anything else, a remission of taxation on the rich, and a continuance of taxation on the poor.

“I know no foundation for the theory that the classes who have to bear the tax are in any way unable to do so. It has always been urged that one great reason in support of duties on cotton goods was that we thereby obtained, even from the subjects of Native States, some small contribution in consideration of the benefits which these persons, though outside the sphere of our direct taxation, reaped from the protection enjoyed under British rule. It seems to me singularly inconsistent to say that, while it is legitimate and even desirable to obtain a revenue from these classes so far as they are dwellers in Native States, it is not proper to obtain similar revenue from the same classes in our own territories who enjoy a much more direct share in the benefits of the system to which they are asked to contribute.

“Indeed, I have heard it argued, and it has been argued to-day, that they are in some respects precisely the classes who ought to contribute to present necessities; inasmuch as the same fall in the rupee which has rendered it necessary for us to enlarge our revenue, has been to them a source of advantage. To them it means higher prices for their agricultural produce, and more active trade in carrying it away to the markets.

“Those who argue about oppressiveness of taxation and the inability of these classes to meet the demand, altogether forget, it seems to me, the figures with which they are dealing. The whole tax which we intend to obtain by cotton duties is put down at 105 lakhs of rupees; the number of people who pay it—for nearly every soul in India wears cotton cloths—is something like 287 millions; and the result of these two figures is to show that the average contribution of each person to the tax is about seven pies, a little over half an anna. It is a tax which by the nature of its application is to some extent graduated according to the means of the payer, and we may safely say that the vast mass of the population to which I have referred will not be called on to pay on the average more than half an anna, and that the poorest classes—those who cannot afford to indulge in even such minor luxuries as a good *dhuti*—will not have to pay, even if they used taxed cloth more than a quarter as much, or say one pie and a half. To talk of this as oppressive taxation is a misuse of words. The amount has been saved to these same persons over and over again in the cheapness which the improvement of communications has brought about in the supply of these same cotton goods. It may be a pity that in the nature of things we cannot maintain the fabric of civilised society without making the members of it contribute in some minute degree towards the cost. But, that necessity being accepted, the obligation upon us is limited to seeing that the demand we make is as small as is consistent with our necessities, and that we have striven to do, by reducing the total amount of it by some 50 lakhs. This reduced demand, I think I have shown, is as fairly assessed by the cotton duties we propose as it is possible in India to

assess any tax; and I must leave to the indignation orators of Bombay the task of reconciling their denunciation of a tax which, as I have shown, has in any case to be paid by the general mass of the population of India, with their denunciation of the Government for reducing it within as narrow limits of amount as possible. We do not impose taxes merely for amusement; we do it because we are obliged to do it by our financial necessities; and I confess that I think people must find it rather difficult to attack our proposals on the merits, when their attack practically comes to this, that if our existing financial necessities do not warrant our maintaining a high rate of duty, why, then, we ought to find some other financial necessities which do. I repeat again what I said before, we have been obliged to alter the manner of incidence of a tax which is now paid and will in future—whether it be levied upon the principles we have adopted, or upon those which have been recommended to us by some of the bodies we have consulted in India—be paid by the general mass of the population, and we are doing what is wise and proper in not only preventing that change from involving an additional total demand, but in reducing that demand within the narrowest limits our financial exigencies warrant.

“The truth is that a great deal of the opposition which has been made in this respect arises from a notion that crops up over and over again in the arguments, that if we maintain the tax upon goods imported from Manchester, we in some way or other obtain the revenue, not from the pockets of our own subjects, but from the producers in Lancashire. Take away this false view, and realise the fact that the tax, whether levied on Manchester goods or on Indian ones, has to be paid by the consumer in this country, and the whole question at once becomes plain. It becomes absurd then to talk of a relief of $1\frac{1}{2}$ per cent. of taxation on Manchester goods as a relief given to anybody but the consumers of the 30 crores of goods that come from there; and as these 30 crores of goods account for nearly three-quarters of the woven goods consumed in the country (including hand-woven), the consumers who have obtained this partial relief must be something approaching to three-quarters of the population of the country.

“We are told by those who oppose our policy in this matter that we are altogether wrong in imagining that the financial position of India is such that we can afford to reduce our revenue by 50 lakhs. It is certainly a very unusual thing when a government proposes to remit 50 lakhs of taxation and say they are able to do so, for people who say they represent the taxpayers to insist that the government is wrong, and that taxation should not be remitted. The contention of course really arises from that notion to which I have referred, that it is the producers in Manchester and not the consumers in India who are the real payers of the tax, and that the benefit will be to the former and not to the latter.

“We are quite accustomed in this country to being told that we know nothing about our business; and that the commonest sense of our self-constituted critics would be sufficient to prevent us falling into patent blunders; but still I would think that, upon such a question as the real nature of our financial position, people would think they were treading upon dangerous ground in asserting that they are better informed than the Government itself. I hope, however, to convince the Council that in this matter at least the Government knows its business better than its critics.

“The head and forefront of our offending is that we have proposed to give up revenue on the face of the ‘notorious fact that the famine insurance fund is suspended’; so says a resolution of the ‘citizens of Bombay.’ There is a document which is annually published by the Comptroller General and which will, as usual, be published in the first half of the present month. It contains the accounts of the year 1894–95, which we are obliged by Statute to lay before the two Houses of Parliament before the middle of May. The Comptroller General has sent me an early copy of the document, and on referring to these accounts I see that the famine insurance grant is in its old place, and in short the Government has, as a matter of fact, restored the famine insurance before it proposed to reduce its revenue. In short, the notorious fact which was stated as the forefront of our offending turns out not to be a fact at all.

“I seem in some quarters to have been understood as depreciating the alleged competition of hand-loom industry on the ground of the small extent of that industry; but that was not at all my meaning. I am quite content, so far as the extent to which hand-loom weaving is carried on, to accept the estimates put in my hands by the mill-owners of Bombay, who allege that it is very considerable as compared with Indian mill industry, though no great fraction of the consumption of India as a whole. The exact figures which they give me would account for the consumption of woven goods in India as follows:—Indian mill-woven, 5 crores; Indian hand-woven (including that

woven from imported and other yarns), about $2\frac{1}{2}$ times as much, say, 12 crores; Lancashire mill-woven, 24 crores; total 41 crores.

“What I pointed out was that the conditions under which the hand-loom industry was carried on were such as to remove it from commercial competition with the other woven goods. I call it commercial competition when two sets of goods enter the channels of consumption alongside of each other, and contest the entrance against each other. That is the way in which Manchester mills and India mills compete; the prices at which the two can be sold are determined by the cost of production, by rate of wages, and various other elements; the two classes of goods are laid down alongside of each other, and in the wholesale market the consumer, or rather the man who purchases for sale to the consumer, is attracted to the one or to the other according to their relative cheapness. An advantage of cheapness gained by one kind over the other enables the cheaper kind immediately, to that extent, to oust some of the dearer. Heavier taxation on the one than on the other, therefore, immediately affects the amount of each that will pass into consumption.

“But the village industry is on an entirely different footing; it has no such standard as cost of production; it is for the most part the product of the bye-time of the person who weaves it, and even where there are villages of regular weavers it is not an organised industry entering the market in bulk. The weaver brings his wares in small quantities to small markets, and he gets for them what he can get. Whatever he can get above the cost price of the raw material is gain, for his time he reckons as of no value; if he cannot get 4 annas he will take $3\frac{3}{4}$, and if he cannot get that he will take $3\frac{1}{2}$. He has no cost of production which establishes for him a minimum value such that if the price he realises goes below it he must discontinue his manufacture altogether. The amount he weaves will not be determined by the prices he receives; it will not increase if he remains untaxed, and it will not diminish even if we were to place a heavy tax upon him. His trade is on a retail basis, and all the effect of taxation or non-taxation is wiped out before the trade reaches that level. The additional price that the mill-owner may have to put on his goods may enable the village weaver to realise slightly more than he would otherwise do, for there is no other standard by which the price of his wares can be regulated than that they must be just such as to give him a footing alongside the Manchester or Indian goods; but, as his chief reason for weaving is that his fathers and grandfathers were weavers before him, the advantage of price will not bring more of his goods into the market and will not diminish the area of consumption available to the power-loom.

“The Cawnpore mill-owners, writing of the hand-loom industry in the North-Western Provinces, say—

“‘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.’

“Meaning, as I understand it, that the price of the hand-woven cloth is adjusted so as to be a little less than that of the mill-woven.

“I have seen an account to precisely the same effect given by a merchant of Calcutta, who, though he is interested in both Lancashire mills and in Indian mills and in the Indian import trade, holds that the hand-loom industry cannot, for the reasons stated, be regarded as a commercial competitor. As a matter of economic cost of production, the advantage of the power-loom must be many times $3\frac{1}{2}$ per cent.; and if it were not for this fact just stated, that the weaver plying a hereditary calling will go on weaving and taking what he can get, he would have been ousted long ago, as he has practically been in England.

“The Cawnpore Chamber of Commerce have urged the fact that two mills in the North-Western Provinces have within the last three or four years had to give up their weaving business as proof of the competition of hand-loom industry; but the real facts I interpret differently. Bombay mill goods and Manchester mill goods sell freely at all the commercial centres in the North-West, and it is their inability to compete with these that has prevented the establishment on any considerable scale of power-loom weaving in the provinces. In short, the products of mill-weaving find ample sale in the marts, but Cawnpore is at a disadvantage both with Bombay and with Manchester in producing them. There is no want of a market for mill-woven goods; only Bombay and Manchester have ousted Cawnpore from it.

“I do not therefore believe that the limited advantage which hand-loom weavers obtain in getting these yarns untaxed from the mills will have any real effect in restricting the mill production of woven goods. The hand-loom industry can be taxed, as I explained in introducing these Bills, only by taxing the yarns, which means levying the

tax through the mill-owners. In fact, I put it to the deputation which came over from Bombay, that, if they preferred, we might consider extending the tax to yarns, and then it would be enough to take 3 per cent. all round instead of $3\frac{1}{3}$. Of course, in the case of a proposal of this kind, sprung in the course of conversation upon a deputation who had no authority to discuss it, I do not take the replies of the gentlemen concerned as expressing matured opinions; but I thought, for myself, that it was easy to see that the mill-owners of Bombay were not likely to consider the competition of hand-loom weavers of sufficient importance to warrant their undertaking the burden of the collection of the duty with which it would be necessary to weight it. It would have involved, as I make out the figures, adding $17\frac{1}{2}$ lakhs of rupees to the amount of excise levied upon Indian mill manufactures; and the discussions that have taken place since the Bills were introduced clearly show, as I take it, that the Government were wise in abstaining from adding this amount to the excise levied upon Indian industry, although it necessarily involved a similar abstention from taxation on imported yarns. The policy of exempting yarns has been both a lightening of the burden to India, and a considerable diminution of the liabilities we have to impose upon Indian mill-owners; for, taking the mill industry as a whole, they produce twice as much yarn as cloth. If we reckon only by the amounts consumed in India, and therefore coming within the purview of taxation, the amount of yarn produced exceeds that of cloth. We may gather from the criticisms that have been passed upon us during the past week, the denunciations that would have been levelled at us if we had added taxation on all yarns produced in India to the taxation included in the present measure.

“I have been referring to the deputations which came from Bombay and Cawnpore to confer with me on the subject of these Bills; and before I leave the subject of these deputations I may say at once that they have been of the greatest assistance to myself and the Select Committee in collecting facts, and in adapting some of the detailed provisions of the Bill, though they have not moved the Government from the principle upon which it has deemed itself obliged to base its legislation. I desire, however, to remove a wrong impression that seems to have got abroad that they were at once stopped from any discussion of that principle. Indeed, when Mr. Marshall sent his telegram to Bombay, saying that I had informed him that certain matters were ‘not open to discussion,’ he could not have meant that discussion was prohibited, for, as a matter of fact, the discussion of matters relating to the principle occupied no inconsiderable portion of the two hours and 40 minutes our conversation lasted; and the deputation had afterwards a further opportunity of stating their views on the matter before the Select Committee. What I did was to point out my own inability as a member of the Government to deal with the principle of the Bill as a question that was still open, or to go beyond explaining as far as I could the grounds upon which it was based, and receiving and communicating to my colleagues any objections or proposals they might have to make. I pointed out, as I think it was my business to do, that the establishment at count 20, or any other count of a dividing line between taxation and non-taxation, would certainly not meet the occasion out of which the Bill arose, and that we might as well leave the matter altogether untouched as introduce a system of that kind, which left the whole question in dispute still open. In saying this I was, it seems to me, stating only what was a matter of fact, and was in that sense not ‘open to discussion.’ I also advised them that the real place of formal discussion on the principle of the Bill was now the Legislative Council, and asked them to draw up their case in writing for circulation to the members of that Council, and this, as the Council is aware, they did. I do not think the members themselves consider that they were prevented from stating their case, though they may be disappointed that the Government has not seen its way to departing from its decision as to the inadmissibility, for any practical purpose of settlement, of a line of division at any particular count.

“These are the observations which I have to offer both on the question of the principle on which we have based our Bill, and in reply to the criticisms which have been directed against us. I thought it necessary to answer questions which come from outside the Council, because it is impossible to pass them over, or leave them out of consideration after the papers have been circulated to the Council. It is with reference to that necessity and to our wish to give full consideration to the matters laid before us by the various bodies, that I have referred to these matters in directing my remarks to the Council. I have, I think, shown that the Government have given very careful consideration to this measure, first of all carefully weighing the principle on which they have based it, and afterwards striving sufficiently to meet the claims of Manchester, while doing ample justice to the claims also of the Indian mills.”

His Honour the Lieutenant-Governor said:—

“It is an extremely difficult position to have to follow in debate such a speech as we have listened to, especially in the case of one who like myself entered this room with considerable doubts as to the equity and wisdom of this measure. It would have been well, I think, had the forms of the Council permitted it, if Sir James Westland had given us this speech at the commencement of the debate when he presented the Report of the Select Committee. I should then have had the assistance of the criticisms of the commercial members and others who are more familiar with this subject than I am myself. I must confess that, listening with all my ears, I have not been able to follow clearly and completely the very rapidly read paper with which the Financial Member has favoured us. I do, however, see that he has been able to meet some of the objections that were brought forward to this measure. I think, he has, to a large extent, met the objections arising from the allegation that there is a transfer of taxation from the well-to-do classes to the poorer classes. No doubt what he has said will be submitted to criticism hereafter, and the case in favour of the Bill may not in the end prove to be so strong as he has made it appear; but as well as I can judge I think he has to a large extent met that particular objection. He has not, however, dealt with what to my mind is one of the principal objections to the measure, that is, the protection and favouritism shown to one special item of our import tariff, while there are undoubtedly many other items in that tariff which have equal claims to consideration. As a free trader myself I shall rejoice to see the day when we revert to free trade altogether, but so long as our finances require us to realise duties of this kind I can see no particular reason why cotton should be more favoured than (say) woollen or other goods in the tariff. There is an inequity which comes out very clearly in the proposal to reduce the duties on cotton goods to $1\frac{1}{2}$ per cent. less than the ordinary tariff rate. I am not, moreover, altogether convinced that either he, or the other members who have to a certain extent taken his views have fully realised the effect of the retention in the Bill of the exemption of hand-woven goods. That is a point which presses very much upon my mind and regarding which I shall have to say something by and bye, but as to the general form of the thing and treatment of the Bill I must say now that I certainly understood, when this measure was introduced a fortnight ago, that the only principle to which the Government was pledged was the principle of removing from our fiscal system not only all protection but all appearance of protection, and I thought it was quite open to the Select Committee to consider fairly and frankly the objections that were raised to the particular scheme of the Government and to put forward any better scheme which would have secured the main object in view.

“Judging from their report, however, the Select Committee appear to have felt themselves precluded from considering any scheme save that which lay within the four corners of the Bill; but I cannot see myself why it should not have been open to the Select Committee to have taken some such line as this. ‘Lancashire says that there shall be no protection. We agree, and we will tax everything alike, imported yarn, imported cloths, country-made yarn and country-made cloths’—mill-woven of course I mean, for no one has ever dreamt of taxing the domestic spindle; and then they might have gone on to say, ‘We shall not of course require the Indian mill-weaver to pay his duty twice over, but he shall be entitled to set off against the duty on his cloth what has been actually paid on the yarns.’ I would have met the difficulty with regard to the Indian dyes, to which the honourable member referred in introducing the Bill, by saying, ‘Very good, here we are prepared to make a sacrifice and we will admit dyed goods at grey or white values.’ It appears to me that it was possible to devise some scheme which would entirely have done away with protection, or the very appearance of it, without raising or retaining all the inherent difficulties which appear to me still to cling to this measure. I entirely concur with Sir Griffith Evans in all he has said about its being our duty to sympathise with and support the Government in its efforts to hold the scales evenly between Manchester and Indian interests, and I think the Government has honestly tried to do its duty; but I do regret that the Select Committee, with all the opportunities that they had of consulting gentlemen interested in the trade, were not allowed to consider whether some better scheme than that contained in the Bills might not have been devised.

“Now, as regards this question of the hand-loom trade, opinions, as the Council see, differ very considerably. I confess that I agree with those who hold that the protection will have a very serious effect upon both the Indian and import interests. It robs the measure, in my opinion, of all hope of finality. It is, I fear, the little ‘pitted speck’ in the ‘garnered fruit’ of our cotton-duties which rotting inward bids fair to

'moulder all.' I differ from those who speak of the indigenous weaving industry of India as a moribund industry. I would rather describe it as in a state of suspended animation. Nor do I think the description given us just now by the Honourable Sir James Westland of the condition of the weaver generally is altogether correct. The weaver does not stand so much alone as some suppose. There is no doubt that he is a very depressed member of the community at present, but he has behind him the Marwari, the native piece-goods dealer, and I have myself seen scores, nay hundreds, of villages in which the weaving classes are kept from utter extinction simply by the action of the local Marwari, who finds it to his interest to keep them under his hand. He gives them advances, little as an ordinary rule, just enough to keep them alive, but he is prepared to increase these advances whenever it suits his book; and I happen to know that there is a very real intention on the part of some big dealers here in Calcutta to act in this way and take advantage of that protection which is given to hand-loom by the present Bill. I cannot help thinking that both the mills of India and of Lancashire will feel that competition very severely, and if that is the case, then I agree with Sir Griffith Evans that it is extremely unlikely that there will be any finality attaching to this measure. I have had very little time to go into the matter, but I have had the statistics of a typical weaving district in the neighbourhood of Calcutta examined. I find it is a mistake to suppose that the hand weavers use only the coarser counts. My information is that they use very largely the very finest counts, and that they use these counts in a very large proportion, up to, in fact, one-third of their total yarns, and the cloth turned out by them is better liked by large classes of consumers than any imported or well-sized goods, and so long as the prices can be kept down to the level of mill-woven goods or near it the out-turn of the hand-loom weaver will be in demand. Taking the statistics of the district to which I have referred—of course I only put them forward by way of illustration, I cannot build a whole theory upon a few figures which I take out at random—I find that the exemption of coarse cottons in 1878-79 had no effect whatever upon the trade of the district. The amount of twist and yarn imported from Calcutta and the value of hand-made goods exported from the district remained practically stationary. But when the cotton duties were altogether taken off in 1882 the quantity of yarn taken fell from 60,000 maunds in 1881-82 to 21,000 maunds in 1890-91, and the value of hand-made goods exported fell from 7½ lakhs to 1¾ lakhs, while the value of imports of European piece goods rose year by year with the improvement of communications from 9 to 31 lakhs of rupees last year. In its best year the district exported, before the repeal of the duties took effect, nearly 12 lakhs of rupees worth of hand-made goods, and took exactly that same amount of imported European goods; but in 1890-91 the hand-made industry had, as I say, fallen to 1¾ lakhs. Now, these figures seem to me to show just this, that the hand-loom cannot compete with the mills on equal terms, but that they can compete when the mill goods are saddled with an excise. It may be said that the local administration ought to view with satisfaction anything that can be done to stimulate an industry so depressed as the hand-loom industry. The salvation of the proletariat of India no doubt lies in the development of mechanical industries; but we must look to the conditions of our own day; it is to the power-loom, the steam engine, and electricity that we must look for their salvation; and therefore I do not hail the revival of this hand-loom industry with any great fervour. We are told that the Finance Minister has the prospect of a surplus, and that this must go to relieve the distress of Lancashire or to stifle its complaints. My Lord, no relief that we can give will meet the case of Lancashire, involved as it is in the throes of a struggle such as Mr. Stevens has described. It is futile to spend our surpluses in such a way. These Bills will not relieve Lancashire, and any flaw in them will, as has been urged, give an opening for fresh agitation and further disturbance of trade. Then again I must say, in spite of all the Honourable Sir James Westland has said, that I do not myself feel satisfied that we ought to remit taxation at the present moment. The financial situation is in his hands, and in the womb of the future; we know nothing about it, but on general grounds I can see any number of objects to which surpluses, if available, might, in my opinion, be more usefully applied. One great matter that occurs to me is the reform of our currency. Surely it would be wise to accumulate surpluses with a view to securing that gold reserve which is the only thing that will save us from the bugbear of a constantly fluctuating exchange; and even if there be nothing in that, I can point to Burma across the Bay, your fine new territory, which requires development in every way, with its calls for irrigation, railways, roads, and works of every description. You have the port of Calcutta hampered with crushing dues, which interfere most seriously with the development of trade. You might endeavour to strengthen generally the trade of India to meet that

competition which is looming upon it from the islands of the East. Not only that, but as was suggested by Sir Griffith Evans, you have, I fear, grinning at you from behind the door of the North-Western Provinces at present the actual spectre of famine. I should have been glad, therefore, as I have said, to have seen some scheme devised which, whilst avoiding any appearance of protection, would have applied our system of taxation to all counts and all goods, and I should have preferred much not to diminish revenue or favour unduly one special branch of trade."

His Excellency the President said :—

"The same cause which has compelled me most unwillingly to absent myself from earlier meetings of this Council prevents me from attempting any lengthy or reasoned arguments in favour of the Bills now before it. It is, however, the less necessary for me to do so, because I entirely agree in and adopt the defence of the policy of the Government which has been made by my honourable colleague in charge of the Finance Department in a manner which, while it was in no way deficient in vigour and mastery of detail, has been commended here, and will no doubt be recognised elsewhere, as showing a full measure of temper and moderation. I desire, however, more especially to express my entire concurrence in what he has said of the nature of our responsibilities as administering the affairs of this portion of the great empire of the Queen-Empress. It is, of course, absurd to represent the Government of India and Her Majesty's Government as advocates of two hostile interests. Honourable members may recollect a spirited passage in an eloquent speech of Sir Henry Fowler, in which he declared that every member of the House of Commons was a member for India. Is there to be no reciprocity in this matter? I am glad to say that I am not called upon to argue that question after the speech of the Honourable Sir Griffith Evans to-day. So far as we are concerned, who hold our commission from the Queen-Empress, we are bound, as the Honourable Finance Member has pointed out, to weigh carefully all the circumstances of the case where, as here, other interests as well as purely Indian interests are involved.

"Now I should like to look for a moment at the history of this case. The Honourable Finance Member reminded you in his introductory speech that it extended over three years. None of us, I think, will wish to renew the discussions or even the memory of the discussions of 1894, and all I would say is that I cannot take the description of those discussions by the Honourable Sir Griffith Evans as completely exhaustive, because he omitted one result of that controversy which perhaps did not attract so much attention at the time, but which I always thought was of great importance, and that was the admission by Her Majesty's Government that the claim for the imposition of these cotton duties must be measured by the financial necessities of India. Accordingly when, at the end of 1894, we presented an overwhelming case, so far as our necessities were concerned, the imposition of these duties was agreed to subject to the condition that they were not to be protective. I am not going to enter into any argument now as to the propriety or reasonableness of that condition. It is sufficient for my purpose to say that it was accepted by the Government of India, and that this Council endorsed our acceptance. The main debate in 1895 was concerned with the method by which we should carry out that condition. We, the Government of India, certainly thought then, and Council probably thought still more emphatically, that we had amply met our obligation; but in matters of this importance we are bound to be fair minded, and it has been impossible for us to refuse to acknowledge that the arrangement which we thought sufficient last year has been inadequate to fulfil our obligation. It then became our duty to reconsider our arrangements. I regret that it was not in our power to act upon the suggestion which those interested in cotton goods in Bombay and Calcutta made to us; and I join with my honourable colleague in recognising the ability, liberality, and fairness of mind which are apparent in the papers in which they embodied their views. There were, no doubt, advantages to be gained from that proposal, and it was most carefully discussed and considered by us; but we came distinctly to the opinion—and nothing that has emerged since has weakened my conviction—that this particular remedy would fail in what the Honourable Mr. Playfair has most truly insisted upon as the all-important condition, namely, some reasonable chance of finality. It is impossible, of course, to give the honourable member the pledge he asks. If, as I have said, the imposition of these duties must be ruled by India's financial necessities, he would be a bold man who would undertake to prophecy the duration of those necessities; but we do put forward the present legislation in the hope and belief that it meets the obligation which we undertook when the duties were imposed, that obligation being that the mills in England and the mills in India should compete on equal terms. I have said the mills in England and the mills in India,

because it has been attempted to put forward, the hand-loom weaver, and I have been somewhat surprised to find this matter insisted upon so strongly in this Council. We have had some suggestions from his Honour the Lieutenant-Governor, based on the statistics of a limited area, which of course I cannot deal with on the spur of the moment; and we have had an ingenious and, if I may say so, an amusing attempt by the Honourable Sir Griffith Evans to reconcile his opinion of 1894 with the necessities of his argument to-day.

"The Honourable Finance Member and the Honourable Mr. Rees have, I think, shown how entirely different is the position of the hand-loom weaver as a competitor from that of one set of mill-owners competing with another. I cannot but think that the reasonable men in Lancashire (and I venture to say that there are reasonable men there) will be the first to acknowledge this fact. I say so with the more confidence because I come from a district in Scotland which was the home of hand-loom weaving in the memory of men still living; but all that I can recollect is row upon row of houses, through the dusty windows of which one could see the looms still there, but silent and deserted as an asset of no value, to perish with the roof that covered them. It may be said that these weavers at home had no duty to assist them; no, but they also were not scattered over the vast Empire of India, but were able and knew how to bring their influence to bear on Parliamentary elections, and they had the Scottish 'dourness' (if I may use a Scotch word) that is not easily beaten; yet beaten they were absolutely out of the field, and I have a firm conviction that, if it ever comes to real competition between mills and hand-loom weavers in India, I shall be able to agree with the Sir Griffith Evans of 1894 that it is not $3\frac{1}{2}$ or 5 per cent. that will save the latter.

"The Government must proceed with the legislation they have put before you, and must ask you to pass these Bills. We believe they will effect their purpose and restore to the great trade both in Lancashire and in India the feeling of security which at this moment it solely needs. I venture to hope that, if this most desirable end is attained, the somewhat excited feelings of to-day in certain circles will pass away, and it will at least be acknowledged, as the Honourable Sir Griffith Evans has most handsomely said, that the Government of India has had no other object in view but to deal with a most difficult question in the manner which in their judgment is most likely to be effectual."

The motion was put and agreed to.

The Honourable Sir James Westland moved that the Bill, as amended, be passed.

The motion was put and agreed to.

INDIAN TARIFF ACT, 1894, AMENDMENT BILL.

The Honourable Sir James Westland presented the Report of the Select Committee on the Bill to amend the Indian Tariff Act, 1894. He said:—

"The chief amendment that has been made I have already explained to the Council in connexion with the Select Committee's Report upon the other Bill, namely, that of introducing a valuation *ad valorem* instead of a specific duty. Another alteration was the incorporation in the Bill of a notification of an alteration of tariff value (relating to rose-water) which was issued after the date of the introduction of the Bill by the Executive Government within its legal powers."

The Honourable Sir James Westland moved the President to suspend the Rules of Business to admit of the Report of the Select Committee being taken into consideration.

His Excellency the President declared the Rules suspended.

The Honourable Sir James Westland moved that the Report of the Select Committee be taken into consideration.

The motion was put and agreed to.

The Honourable Sir James Westland moved that in Article 62, after the word "descriptions" should be added the words "of hides or skins." He explained that this was to correct the Bill in the manner in which it was really passed by the Select Committee. The words were intended to express more clearly and in a manner free from doubt what the real intention of the article was, but they had apparently been overlooked in the reprinting.

The motion was put and agreed to.

The Honourable Sir James Westland moved that the Bill, as amended, be passed.
The motion was put and agreed to.

The Council adjourned to Thursday, the 6th February 1896.

Calcutta,
5th February 1896.

S. HARVEY JAMES,
Secretary to the Government of India,
Legislative Department.

NOTE.—The meeting fixed for Thursday, the 30th January 1896, was subsequently postponed to Monday, the 3rd February 1896.

No. 6.

The following ACT of the GOVERNOR-GENERAL OF INDIA IN COUNCIL received the assent of His Excellency the GOVERNOR-GENERAL on the 3rd February 1896.

ACT No. III. OF 1896.

AN ACT to amend the INDIAN TARIFF ACT, 1894.

VIII. of
1894.

WHEREAS it is expedient to repeal Schedules II. to V., both inclusive, of the Indian Tariff Act, 1894, as amended by Act XVI. of 1894, and to substitute other schedules for them; it is hereby enacted as follows:—

VIII. of
1894.

Substitution of new schedules for Schedules II. to V., Act VIII., 1894, as amended by Act XVI., 1894.

For Schedules II. to V., both inclusive, appended to the said Indian Tariff Act, 1894, as so amended, the schedules appended to this Act shall be substituted.

SCHEDULE II.—(IMPORT TARIFF).

XI. of 1878.

ARMS, AMMUNITION, and MILITARY STORES, including also any ARTICLES, other than those included in Nos. 1 to 12 of this SCHEDULE, which are "ARMS" within the meaning of the INDIAN ARMS ACT, and any ARTICLES which the GOVERNOR-GENERAL IN COUNCIL may, by notification in the GAZETTE OF INDIA, declare to be "AMMUNITION" or "MILITARY STORES," for the purposes of this ACT.

No.	Names of Articles.	Duty.
		<i>Rs. a.</i>
1	Firearms other than pistols, including gas and air guns, and rifles, for each	50 0
2	Barrels for the same, whether single or double, for each	30 0
3	Pistols, for each	15 0
4	Barrels for the same, whether single or double, for each	10 0
5	Springs used for firearms, including gas and air guns and rifles, for each	8 0
6	Gunstocks, sights, blocks, and rollers, for each	5 0
7	Revolver-breeches, for each cartridge they will carry	2 8
8	Extractors, nippers, heel-plates, pins, screws, tangs, bolts, thumb-pieces, triggers, trigger-guards, hammers, pistons, plates, and all other parts of a firearm (including a gas and air gun or rifle), not herein otherwise provided for, and all tools used for cleaning, or putting together, or loading the same, for each	1 8
9	Machines for making, loading, or closing cartridges, for each	10 0
10	Machines for capping cartridges, for each	2 8
	<i>Exception I.</i> —Articles falling under the 5th, 6th, 8th, 9th, or 10th head of the foregoing list, when they appertain to a firearm falling under the 1st or 3rd head, and are fitted into the same case with such firearm, are free.	
	<i>Exception II.</i> —The following are also free, namely:—	
	(a) arms forming part of the regular equipment of an officer entitled to wear diplomatic, military, naval, or police uniform;	
	(b) a sword, a revolver, or a pair of pistols, when accompanying an officer of Her Majesty's regular forces, or a commissioned officer of a volunteer corps, or certified by the commandant of the corps to which such officer belongs, or, in the case of an officer not attached to any corps, by the officer commanding the station or district in which such officer is serving, to be imported by the officer for the purposes of his equipment;	
	(c) swords and revolvers which are certified by an inspector-general of police to be part of the ordinary equipment of members of the police force under his charge;	
	(d) swords forming part of the equipment of native commissioned officers of Her Majesty's army;	
	(e) swords for presentation as army or volunteer prizes;	

No.	Names of Articles.	Duty.
	<p>(f) arms, ammunition, and military stores imported with the sanction of the Government of India for the use of any portion of the military forces of a Native State in India, which may be maintained and organised for Imperial service ;</p> <p>(g) Morris tubes and patent ammunition when imported by officers commanding British and Native regiments, or volunteer corps, for the instruction of their men.</p> <p><i>Proviso 1.</i>—No duty in excess of 10 per cent. <i>ad valorem</i> shall be levied upon any of the articles numbered 1 to 10 in the foregoing list, when they are imported in reasonable quantity, for his own private use, by any person lawfully entitled to possess the same.</p> <p><i>Proviso 2.</i>—When any articles which have been otherwise imported, and upon which duty has been levied, or is leviable under numbers 1 to 10, are purchased retail from the importer by a person lawfully entitled as aforesaid, in reasonable quantity for his own private use, the importer may apply to the Customs collector for a refund or remission (as the case may be) of so much of the duty thereon as is in excess of 10 per cent. <i>ad valorem</i> ; and if such collector is satisfied as to the identity of the articles, and that such importer is in other respects entitled to such refund or remission, he shall grant the same accordingly.</p>	

No.	Names of Articles.	Tariff Valuation.	Rate of Duty.
11	Gunpowder, all sorts	<i>Rs. a.</i> <i>ad valorem</i>	} 10 per cent.
12	All other sorts of arms, ammunition, and military stores	"	

SCHEDULE III.—(IMPORT TARIFF).

LIQUORS, OPIUM, SALT, AND SALTED FISH.

No.	Names of Articles.	Per	Rate of Duty.
1	LIQUORS :—		<i>Rs. a.</i>
	Ale, beer, and porter	} Imperial gallon, or six quart bottles.	0 1
	Cider and other fermented liquors		6 0
	Liqueurs		
	Spirit which has been rendered effectually and permanently unfit for human consumption.	} <i>ad valorem</i>	5 per cent.
	Spirit when used in drugs, medicines, or chemicals in a proportion of less than 20 per cent. of spirit of the strength of London proof.		
	Spirit when so used in a proportion of 20 per cent. and upwards.	Imperial gallon, or six quart bottles of the strength of London proof.	6 0 and the duty to be increased or reduced in proportion as the strength of the spirit exceeds, or is less than London proof.
	Spirit, perfumed, in wood or in bottles.	Imperial gallon, or six quart bottles.	8 0
	Spirit, other sorts	Imperial gallon, or six quart bottles of the strength of London proof.	6 0 and the duty to be increased or reduced in proportion as the strength of the spirit exceeds or is less than London proof.
	Wines—		
	Champagne and all other sparkling wines not containing more than 42 per cent. of proof spirit.	Imperial gallon, or six quart bottles.	2 8
	All other sorts of wines not containing more than 42 per cent. of proof spirit.	" "	1 0
	Provided that all sparkling and still wines containing more than 42 per cent. of proof spirit shall be liable to duty at the rate applicable to spirit, other sorts.		

No.	Names of Articles.	Per	Rate of Duty.
2	OPIUM, not covered by a Government pass.	ser of 80 tolas	<i>Rs. a.</i> 24 0
3	SALT	Indian maund of 82½ lb. avoirdupois weight.	The rate at which excise duty is for the time being leviable on salt manufactured in the place where the import takes place.
4	SALTED FISH, wet or dry	" "	Such rate or rates of duty not exceeding 12 annas as the Governor-General in Council may, by notification in the Gazette of India, from time to time prescribe.

SCHEDULE IV.—(IMPORT TARIFF).

GENERAL DUTIES.

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
	<i>Animals, living.</i>		<i>Rs. a.</i>	
1	HORSES, CATTLE, SHEEP, and all other living animals of all kinds.	—	—	Free.
	<i>Articles of Food and Drink.</i>			
2	COFFEE	cwt.	70 0	5 per cent.
3	FRUITS AND VEGETABLES, except fresh fruits and vegetables not separately enumerated, which are free:—			
	Almonds without shell	"	48 0	"
	" in the shell	"	15 8	"
	Cashew, or cajoo kernels	"	12 0	"
	Cocoanuts	1,000	35 0	"
	" kernel (khopra)	cwt.	11 0	"
	Currants, European, in cases	"	10 0	"
	" " in cans	"	22 0	"
	" Persian	"	14 0	"
	Dates, dry, in bags	"	5 8	"
	" wet	"	4 0	"
	" " in pots and boxes	"	8 8	"
	Figs, Persian, dried	"	8 0	"
	Garlic	"	5 0	"
	Hops	—	—	Free.
	Pistachio nuts	cwt.	32 0	5 per cent.
	Prunes, Bussora (álu-Bokhara)	"	20 0	"
	Raisins, black	"	10 0	"
	" kishmish, Persian Gulf and Red Sea.	"	15 0	"
	" Munakka, Persian Gulf and Red Sea.	"	9 0	"
	" other sorts	—	<i>ad valorem</i>	"
	Walnuts	cwt.	10 0	"
	All other sorts of fruits and vegetables.	—	<i>ad valorem</i>	"
4	GRAIN AND PULSE, including broken grain and pulse, but not including flour.	—	—	Free.
5	MINERAL AND AERATED WATERS, and all unfermented and non-alcoholic beverages.	—	<i>ad valorem</i>	5 per cent.

No.	Names of Articles.	Per	Tarif Valuation.	Duty.
			<i>Rs. a.</i>	
6	PROVISIONS, OILMAN'S STORES, AND GROCERIES:—			
	Bacon in canvas and cans, jowls and cheeks.	lb.	0 14	5 per cent.
	*Beef and pork	tierce of 3 cwt. barrel of 2 cwt.	100 0 75 0	}
	Biche de mer	cwt.	50 0	
	Butter	lb.	1 0	"
	Cheese	"	0 14	"
	China preserves	box of six jars.	5 8	"
	" fruit preserves, dry candied	lb.	0 5	"
	Cocum	cwt.	5 0	"
	Fish-maws	"	100 0	"
	Flour	barrel or sack of 200 lbs.	20 0	"
	Ghi	cwt.	40 0	"
	Groceries not otherwise described	—	<i>ad valorem</i>	"
	Pork hams	lb.	0 14	"
	Sago	cwt.	8 8	"
	Shark fins	"	40 0	"
	Singally and sozille	"	25 0	"
	Tapioca	"	9 8	"
	Vinegar, European, in wood	Imperial gallon	1 0	"
	" Persian	"	1 8	"
	" country	"	0 6	"
	All other sorts of provisions, oilman's stores, and groceries.	—	<i>ad valorem</i>	"
	SPICES:—			
	Betelnuts—Goa	cwt.	17 0	"
	" in the husk	1,000	2 0	"
	" all other sorts	—	<i>ad valorem</i>	"
	Cardamoms, Ceylon	cwt.	150 0	"
	Chilies, dry	"	11 0	"
	Cloves	"	20 0	"
	" stems and heads	"	4 0	"
	" in seeds, narlavang	"	8 8	"
	Ginger, dry	"	16 0	"
	Mace	lb.	1 8	"
	Nutmegs	"	1 0	"
	" in shell	"	0 8	"
	Pepper, black	cwt.	16 0	"
	" long	"	7 0	"
	" white	"	30 0	"
	All other sorts of spices	—	<i>ad valorem</i>	"
8	SUGAR, China, candy	cwt.	20 0	"
	" loaf	"	21 0	"
	" crystallized, beet	"	13 0	"
	" " and soft, from China	"	13 0	"
	" " " " Mauritius	"	11 0	"
	" soft or raw, other than from Mauritius or China.	"	10 0	"
	" all other sorts, including saccharine produce of all kinds, and confectionery.	—	<i>ad valorem</i>	"
9	TEA, black	lb.	0 8	"
	" green	"	0 12	"
	<i>Chemicals, Drugs, Medicines, and Narcotics, and Dyeing and Tanning Materials.</i>			
10	CHEMICAL PRODUCTS AND PREPARATIONS:—			
	Acid, sulphuric	"	0 2	"
	Alkali, country (sajji-khár)	cwt.	1 8	"
	Alum	"	5 0	"

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
	CHEMICAL PRODUCTS AND PREPARATIONS—cont.		<i>Rs. a.</i>	
	Arsenic - - - - -	cwt.	21 8	5 per cent.
	" China mansil - - - - -	"	17 0	"
	Bicarbonate of soda - - - - -	"	7 0	"
	Copperas, green - - - - -	"	3 0	"
	Explosives, namely, blasting, gelatine, dynamite, roburite, tonite, and all other descriptions, and including detonators and blasting fuse.	—	<i>ad valorem</i>	"
	Sal ammoniac - - - - -	cwt.	37 0	"
	Sulphate of copper - - - - -	"	15 8	"
	Sulphur (brimstone), flour - - - - -	"	6 0	"
	" " roll - - - - -	"	5 12	"
	" " rough - - - - -	"	4 8	"
	All other sorts of chemical products and preparations, including saltpetre and borax.	—	<i>ad valorem</i>	"
11	DRUGS, MEDICINES, AND NARCOTICS:—			
	Aloes, black - - - - -	cwt.	14 0	"
	" Socotra - - - - -	"	30 0	"
	Aloe-wood - - - - -	lb.	6 0	"
	Asafœtida (hing) - - - - -	cwt.	65 0	"
	" coarse (hingra) - - - - -	"	21 0	"
	Atáry, Persian - - - - -	"	15 0	"
	Bánslochan (bamboo camphor) - - - - -	lb.	0 4	"
	Brimstone (amalsára) - - - - -	cwt.	50 0	"
	Calumba or Colombo root - - - - -	"	7 0	"
	Camphor, Bhimsaini (barás) - - - - -	lb.	70 0	"
	" retined, cake - - - - -	"	1 4	"
	" crude, in powder - - - - -	"	0 12	"
	Cassia lignea - - - - -	cwt.	22 0	"
	China root (chobchini), rough - - - - -	"	8 0	"
	" " scraped - - - - -	"	17 8	"
	Cubebs - - - - -	"	25 8	"
	Galangal, China - - - - -	"	7 0	"
	Pellitory (akalkára) - - - - -	"	40 0	"
	Peppermint crystals, from China and Japan. - - - - -	lb.	11 8	"
	Quinine and other alkaloids of chin-chona. - - - - -	—	—	Free.
	Salep - - - - -	cwt.	60 0	5 per cent.
	Senna leaves - - - - -	"	54 0	"
	Storax, liquid (rose melloes) - - - - -	"	54 0	"
	Tobacco, unmanufactured - - - - -	—	—	Free.
	" manufactured - - - - -	—	<i>ad valorem</i>	5 per cent.
	All other sorts of drugs, medicines, and narcotics, except opium (for which see Schedule III).	—	—	"
12	DYEING AND TANNING MATERIALS:—			
	Alizarine dye, dry, 40 per cent. - - - - -	lb.	1 7	"
	" " " 50 " - - - - -	"	1 10	"
	" " " 60 " - - - - -	"	1 16	"
	" " " 70 " - - - - -	"	2 2	"
	" " " 80 " - - - - -	"	2 8	"
	" " " 100 " - - - - -	"	2 12	"
	" " liquid, 10 " - - - - -	"	0 5	"
	" " " 16 " - - - - -	"	0 8	"
	" " " 20 " - - - - -	"	0 10	"
	Aniline - - - - -	"	0 9	"
	" " dry - - - - -	"	1 8	"
	Avar bark - - - - -	cwt.	4 8	"
	Buzgand (gulpista) - - - - -	"	27 0	"
	Cochineal - - - - -	lb.	1 2	"
	Gallnuts (myrabolams) - - - - -	cwt.	4 0	"
	" Persian - - - - -	"	35 0	"
	Madder or manjit - - - - -	"	7 0	"
	Orchilla weed - - - - -	"	5 0	"
	Sappan wood and root - - - - -	"	5 8	"
	All other sorts of dyeing and tanning materials. - - - - -	—	<i>ad valorem</i>	"

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
	<i>Metals and Manufactures of Metals.</i>			
13	<p>HARDWARE AND CUTLERY, including iron-mongery and plate ware, and also including machines, tools, and implements to be worked by manual or animal labour, except water-lifts, sugar mills, oil-presses, and parts thereof, and any other machines and parts of machines ordinarily used in processes of husbandry, or for the preparation for use or for sale of the products of husbandry which the Governor-General in Council may, by notification in the Gazette of India, exempt, all of which are free.</p>	—	<i>Rs. a. ad valorem</i>	5 per cent.
14	<p>MACHINERY, namely, prime-movers, and component parts thereof, including boilers and component parts thereof; also including locomotive and portable engines, steam-rollers, fire-engines, and other machines in which the prime-mover is not separable from the operative parts.</p> <p>” (and component parts thereof), meaning machines or sets of machines to be worked by electric, steam, water, fire, or other power not being manual or animal labour, or which before being brought into use required to be fixed with reference to other moving parts; and which are intended for—</p> <p>(a) the preparing, ginning, pressing, spinning, weaving, sewing, knitting, bleaching, and dyeing of cotton, jute, hemp, silk, wool, or other fibres, and any other process intervening between the raw material and the finished product as packed ready for the market;</p> <p>(b) the smelting and milling of iron and other metallic ores, and the manufacture of iron, steel, and other metals;</p> <p>(c) the manufacture of leather, sugar, indigo, silk, paper, soap, gas, oil, flour, cordage, rope, and twine;</p> <p>(d) the milling of rice;</p> <p>(e) the manufacture of tea in all its stages, from the drying of the leaf to its packing for the market inclusive;</p> <p>(f) the pulping of coffee;</p> <p>(g) printing presses;</p> <p>(h) foundries and workshops of iron and other metals;</p> <p>(i) railway workshops;</p> <p>(j) the refining of petroleum, and the manufacture of vegetable oils;</p> <p>(k) the crushing of bones and bricks;</p> <p>(l) the manufacture of lac;</p> <p>(m) potteries;</p> <p>(n) sawmills;</p> <p>(o) agriculture, mining, navigation, dredging, and pumping;</p> <p>(p) such other manufactures and industries as the Governor-General in Council may from time to time specify;</p>	—	—	Free.

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
	MACHINERY—cont. Provided that the term does not include tools and implements to be worked by manual or animal labour, and provided also that only such articles shall be admitted as component parts of machinery as are indispensable for the working of the machinery, and are, owing to their shape or to other special quality, not adapted for any other purpose. <i>Note.</i> —Machinery and component parts thereof made of substances other than metal are included in this entry.		<i>Rs. a.</i>	
	MACHINERY and component parts thereof not included in the foregoing exemptions.	—	<i>ad valorem</i>	5 per cent.
15	METALS, unwrought and wrought, and articles made of metals:—			
	Brass, beads, ghungri, China - - - - -	1,000	0 12	"
	" foil or dānkpana, white, 10½ in. × 4½ in. - - - - -	100 leaves	1 4	"
	" foil or dānkpana, coloured, 10½ in. × 4½ in. - - - - -	"	1 12	"
	" old - - - - -	cwt.	26 0	"
	" sheets, flat or in rolls, very thin. - - - - -	"	10 0	"
	" wire - - - - -	lb.	0 7	"
	" all other sorts - - - - -	—	<i>ad valorem</i>	"
	Copper, Australian - - - - -	cwt.	40 0	"
	" bolt - - - - -	"	50 0	"
	" brazier's and sheets - - - - -	"	45 0	"
	" China cash - - - - -	"	30 0	"
	" Japan - - - - -	"	39 0	"
	" nails and composition nails - - - - -	"	50 0	"
	" old - - - - -	"	33 0	"
	" pigs and slabs - - - - -	"	38 0	"
	" sheathing, plate, and raised bottoms. - - - - -	"	48 0	"
	" tiles, ingots, cakes, and bricks - - - - -	"	40 0	"
	" China, white copper-ware - - - - -	lb.	1 2	"
	" foil or dānkpana, white, 10½ in. × 4½ in. - - - - -	100 leaves	2 6	"
	" foil or dānkpana, coloured, 10½ in. × 4½ in. - - - - -	"	3 3	"
	" wire, including wire of phosphor-bronze. - - - - -	lb.	0 9	"
	" all other sorts, unmanufactured and manufactured, except current coin of the Government of India, which is free. - - - - -	—	<i>ad valorem</i>	"
	Gold bullion and coin - - - - -	—	—	Free.
	" leaf, European - - - - -	100 leaves	3 4	5 per cent.
	Iron, anchors and cables - - - - -	—	<i>ad valorem</i>	1 per cent.
	" angle, T, and channel - - - - -	ton	110 0	"
	" angle and T (if galvanised - - - - -	"	160 0	"
	" " (if tinned) - - - - -	—	<i>ad valorem</i>	"
	" bar, plate, and sheet, Lowmoor - - - - -	ton	310 0	"
	" bar, of any kind not specified in this number. - - - - -	—	<i>ad valorem</i>	"
	" beams, joists, pillars, girders, bridge-work, and other descriptions of iron imported exclusively for building purposes. - - - - -	—	"	"
	" flat, square, and bolt, including Scotch. - - - - -	ton	94 0	"
	" flat, square, and bolt, including Scotch (if galvanised). - - - - -	"	150 0	"
	" flat, square, and bolt, including Scotch (if tinned). - - - - -	—	<i>ad valorem</i>	"
	" hoop, plate, and sheet, other than Swedish. - - - - -	ton	122 0	"

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
	METALS—cont.		<i>Rs. a.</i>	
	Steel, plates and sheets - - -	ton	130 0	1 per cent.
	" plates and sheets, other than basic (if galvanised).	"	220 0	"
	" plates and sheets, other than basic (if tinned).	—	<i>ad valorem</i>	"
	" rails, chairs, and fish-plates other than those described in No. 93, also spikes (commonly known as dogspikes).	—	"	"
	" rivets and washers - - -	ton	220 0	"
	" " " (if galvanised).	"	320 0	"
	" " " (if tinned) -	—	<i>ad valorem</i>	"
	" T-bars - - -	ton	105 0	"
	" " (if galvanised) - - -	"	180 0	"
	" " (if tinned) - - -	—	<i>ad valorem</i>	"
	" wire, excluding wire-netting -	—	"	"
	" wire rope - - -	—	"	"
	" all other sorts, including wire-netting.	—	"	5 per cent.
	Tin, block - - -	cwt.	72 0	"
	" foil, China - - -	lb.	0 12	"
	" other sorts - - -	—	<i>ad valorem</i>	"
	Zinc or spelter, nails - - -	cwt.	20 0	"
	" " plates and other shapes, soft.	"	18 0	"
	" " plates and other shapes, hard.	"	13 0	"
	" " sheet or sheathing - - -	"	19 0	"
	" " all other sorts - - -	—	<i>ad valorem</i>	"
	All other sorts of metals - - -	—	"	"
	Oils.			
16	OILS—			
	Cajeputi - - -	quart	1 4	"
	Cassia - - -	lb.	2 8	"
	Cocconut - - -	cwt.	16 0	"
	Earthnut - - -	"	16 0	"
	Grass - - -	lb.	1 12	"
	Jinjili or til - - -	cwt.	16 0	"
	Linseed, European - - -	Imperial gallon	2 0	"
	Otto of sorts - - -	ounce	15 0	"
	Petroleum, including also naphtha and the liquids commonly known by the names of rock-oil, Rangoon oil, Burma oil, kerosine, paraffin oil, mineral oil, petroline, gasoline, benzol, benzoline, benzine, and any inflammable liquid which is made from petroleum, coal, schist, shale, peat, or any other bituminous substance, or from any products of petroleum.	Imperial gallon	—	1 anna
	" which has its flashing point at or above 200 degrees of Fahrenheit's thermometer and is proved to the satisfaction of the Customs Collector to be intended for use exclusively for the batching of jute or other fibre or for lubricating purposes.	—	<i>ad valorem</i>	5 per cent.
	Sandalwood - - -	lb.	7 0	"
	Whale (except spermaceti) and fish -	cwt.	15 0	"
	Wood - - -	"	25 0	"
	All other sorts of oil, including paraffin wax.	—	<i>ad valorem</i>	"

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
	<i>Other Articles, Unmanufactured and Manufactured.</i>			
17	AMBER, AND ARTICLES MADE OF AMBER, including imitation amber.	—	<i>Rs. a. ad valorem</i>	5 per cent.
18	APPAREL, including drapery, haberdashery, and millinery, and military and other uniforms and accoutrements; but excluding cotton hosiery (for which see No. 44) and boots and shoes (for which see No. 70), and excluding also uniforms and accoutrements appertaining thereto, imported by a public servant for his personal use, which are free.	—	"	"
19	ART, WORKS OF, except statuary and pictures intended to be put up in a public place, which are free.	—	"	"
20	ASBESTOS, AND ARTICLES MADE OF ASBESTOS not otherwise described.	—	"	"
21	BAGS, CASES, BOXES, and other packages, empty, of all kinds.	—	"	"
22	BAMBOOS, common, grass, hay, rushes, straw, and leaves.	—	—	Free.
23	BEADS, of all materials except glass, for which see No. 58, and brass, for which see No. 15.			
	Beads, China, Ankdána - - -	133½ lb.	35 0	5 per cent.
	" " Dagri - - -	"	30 0	"
	" " Gadgadia - - -	"	24 0	"
	" " Kamrakhi - - -	"	32 0	"
	" " Lálri - - -	"	44 0	"
	" " Naksi - - -	"	38 0	"
	" " Pakhaváji - - -	"	30 0	"
	" " Sulemáni - - -	"	34	"
	All other sorts - - -	—	<i>ad valorem</i>	"
24	BELTING, of cotton, leather, or other material, for driving machinery.	—	—	Free.
25	BONE, INCLUDING WHALEBONE, articles made of.	—	<i>ad valorem</i>	5 per cent.
26	BOOKS, printed, including covers for printed books, maps, charts, and plans, proofs, music, and manuscripts.	—	—	Free.
27	BRISTLES AND FIBRE for brushes and brooms.	—	—	"
28	BRUSHES AND BROOMS, all sorts - - -	—	<i>ad valorem</i>	5 per cent.
29	BUILDING AND ENGINEERING MATERIALS, namely, asphalt, bricks and tiles, cement of all kinds, fireclay, earthenware piping, lime, and other kinds not otherwise described.	—	"	"
30	CABINET-WARE AND FURNITURE - - -	—	"	"
31	CANDLES, paraffin - - -	lb.	0 6	"
	" spermaceti - - -	"	0 7	"
	" wax - - -	"	1 0	"
	" all other sorts - - -	—	<i>ad valorem</i>	"
32	CANES AND RATTANS, ARTICLES MADE OF CANE OR RATTAN, AND BASKET WORK :—			
	Canes, Malacca - - -	dozen	5 0	"
	Rattans - - -	cwt.	10 0	"
	All other sorts - - -	—	<i>ad valorem</i>	"

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
33	CARRIAGES AND CARTS, including bicycles, tricycles, jinrikshas, Bath chairs, perambulators, trucks, wheelbarrows, and all other sorts of conveyances, and component parts thereof.	—	<i>Rs. a. ad valorem</i>	5 per cent.
34	CASES (EMPTY) for spectacles, opera-glasses, jewellery, and other articles.	—	"	"
35	CELLULOID, ARTICLES MADE OF, not otherwise described.	—	"	"
36	CHALK, common " French, knife and plate powder, Bath bricks, emery powder, and whiting.	— —	" "	" "
37	CHINESE AND JAPANESE-WARE, including lacquered-ware, but excluding earthenware, china, and porcelain (for which see No. 47).	—	"	"
38	CLOCKS, WATCHES, and other time-keepers, and parts thereof.	—	"	"
39	COAL, COKE, AND PATENT FUEL - -	—	—	Free.
40	COIR AND ARTICLES MADE OF COIR, EXCEPT CABLES AND ROPE (for which see No. 42):— Yarn of all kinds - - - - All other sorts - - - -	cwt. —	9 0 <i>ad valorem</i>	5 per cent. "
41	CORAL, real - - - -	—	"	"
42	CORDAGE, ROPE, and Twine made of any vegetable fibre:— Coir, cables, tarred - - - - " rope - - - - Cordage, hemp, European - - " Manila - - - - Twine, sail, European - - - All other sorts of cordage, rope, and twine.	cwt. " " " lb. —	17 0 10 0 25 0 28 0 0 9 <i>ad valorem</i>	" " " " " "
43	CORK, AND ARTICLES MADE OF CORK:— Bottle-corks - - - - Vial corks - - - - All other sorts - - - -	gross " —	1 8 0 8 <i>ad valorem</i>	" " "
44	COTTON, AND ARTICLES MADE OF COTTON:— Cotton, raw - - - - " twist and yarn - - - - " sewing thread - - - - " piece-goods, hosiery, and all other manufactured cotton goods not otherwise described.	— — — —	— — — <i>ad valorem</i>	Free. " " 3½ per cent.
45	DISINFECTING AND DEODORISING FLUID AND POWDER.	—	"	5 per cent.
46	EARTH, COMMON CLAY, AND SAND - -	—	—	Free.
47	EARTHENWARE (except earthenware piping, for which see No. 29), china, china clay, porcelain, and imitation or false coral.	—	<i>ad valorem</i>	5 per cent.
48	EGGS, ostrich and other, not mounted -	—	"	"
49	EMERY PAPER AND CLOTH, AND SAND-PAPER.	—	"	"
50	FANS OF ALL KINDS, except common palm-leaf fans, which are free.	—	"	"

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
51	FEATHERS, including bird-skins - - -	—	<i>Rs. a.</i> <i>ad valorem</i>	5 per cent.
52	FIREWORKS, all sorts, including fulminating powder.	—	"	"
53	FLAX, AND ARTICLES MADE OF FLAX, including linen thread.	—	"	"
54	FLOWERS, ARTIFICIAL, not otherwise described.	—	"	"
55	FURNITURE, TACKLE, AND APPAREL, not otherwise described, for steam, sailing, rowing, and other vessels.	—	"	"
56	FUR, AND ARTICLES MADE OF FUR, not otherwise described.	—	"	"
57	GELATINE - - - - -	—	"	"
58	GLASS, GLASS-WARE, AND FALSE PEARLS :—			
	Glass, China, all colours - - -	133½ lb.	32 0	"
	" crown, coloured - - -	100 superficial feet	15 0	"
	" of sizes - - -	"	6 0	"
	Pearls, false, bájria - - -	lák	3 0	"
	" " boria - - -	1,000	0 10	"
	" " jauria - - -	lák	6 0	"
	" " lolakh - - -	1,000	0 8	"
	" " nathia - - -	"	0 3	"
	" " táchia - - -	"	0 8	"
	" " wattanah - - -	lák	10 0	"
	All other sorts of glass and manufactures of glass, including false pearls and glass beads.	—	<i>ad valorem</i>	"
59	GUMS, GUM-RESINS, and articles made of gum or gum-resin :—			
	Copal - - - - -	cwt.	70 0	"
	Cutch and gambier - - - - -	"	20 0	"
	Gamboge - - - - -	lb.	1 4	"
	Gum ammoniac - - - - -	cwt.	15 0	"
	" Arabic - - - - -	"	18 0	"
	" bdellium (common gum) - - -	"	8 0	"
	" benjamin - - - - -	"	40 0	"
	" bysabol (coarse myrrh) - - -	"	16 0	"
	" olibanum or frankincense - - -	"	11 0	"
	" Persian (false) - - - - -	"	11 0	"
	" kino - - - - -	"	10 0	"
	Myrrh - - - - -	"	33 0	"
	Rosin - - - - -	"	6 0	"
	All other sorts of gums, gum-resins, and articles made of gum or gum-resin, including caoutchouc and gutta-percha.	—	<i>ad valorem</i>	"
60	HAIR of all kinds, and articles made of hair.	—	"	"
61	HEMP, including Manilla hemp, and articles made therefrom (except cordage rope, and twine, for which see No. 42).	—	"	"
62	HIDES AND SKINS (except raw or salted hides and skins, which are free) :—			
	Hides, border - - - - -	each	33 0	"
	" buffalo - - - - -	score	70 0	"
	" cow - - - - -	"	60 0	"
	Skins, including parchment and vellum, goldbeaters' skins, and all other descriptions of hides or skins.	—	<i>ad valorem</i>	"
63	HORN - - - - -	—	—	Free.
	" articles made of, not otherwise described.	—	<i>ad valorem</i>	5 per cent

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
64	INSTRUMENTS, APPARATUS, AND APPLIANCES, and parts thereof :— Computal, dental, distilling, diving, drawing, educational, electric, electric lighting, galvanic, measuring, musical, optical, philosophical, phonographic, photographic (including materials for photography), scientific, surgical, surveying, telegraphic, telephonic, typewriters, and all other sorts, except telegraphic instruments and apparatus when imported by or under the orders of a railway company, which are free.	—	<i>Rs. a. ad valorem</i>	5 per cent.
65	IVORY AND IVORY-WARE :— Unmanufactured :— Elephants' grinders - - - - - Elephants' tusks (other than hollows, centres, and points) each exceeding 20 lbs. in weight, and hollows, centres, and points each weighing 10 lbs. and over. Elephants' tusks (other than hollows, centres, and points) not less than 10 lb. and not exceeding 20 lb. each, and hollows, centres, and points each weighing less than 10 lb. Elephants' tusks, each less than 10 lb. (other than hollows, centres, and points). Sea-cow or moye teeth, each not less than 4 lbs. Sea-cow or moye teeth, each not less than 3 lbs. and under 4 lbs. Sea-cow or moye teeth, each less than 3 lbs. All other sorts, manufactured and unmanufactured.	cwt. " " " " " " —	350 0 800 0 680 0 525 0 200 0 185 0 135 0 <i>ad valorem</i>	" " " " " " " "
66	JET, ARTICLES MADE OF - - - - -	—	"	"
67	JEWELLERY AND JEWELS, including plate and other manufactures of gold and silver :— Silverware, plain - } other than " embossed } European. { " or chased. } All other sorts, except precious stones and pearls, unset, which are free.	tola " —	1 0 1 4 <i>ad valorem</i>	" " "
68	JUTE, raw - - - - - " articles made of, except second hand or used gunny bags, which are free.	— —	— <i>ad valorem</i>	Free. 5 per cent.
69	LAC, all sorts, and articles made of lac -	—	"	"
70	LEATHER, and articles made of leather, including boots and shoes, harness, and saddlery.	—	"	"
71	MANURES of all kinds, including animal bones.	—	—	Free.
72	MARINE AND NAVAL STORES, not otherwise described.	—	<i>ad valorem</i>	5 per cent.
73	MATCHES, all sorts - - - - -	—	"	"
74	MATS AND MATTING :— Floor-matting, China and Singapore, of all sorts. All other sorts, except coir-matting (for which see No. 40).	100 —	60 0 <i>ad valorem</i>	" "

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
75	MICA AND TALC, and articles made therefrom.	—	<i>Rs. a. ad valorem</i>	5 per cent.
76	MINERALS NOT OTHERWISE DESCRIBED -	—	"	"
77	MODELS OF ALL DESCRIPTIONS -	—	"	"
78	MOULDERS' BLACKING AND SAND -	—	"	"
79	OILCAKE, also bran fodder, and cattle-food of all kinds.	—	—	Free.
80	OILCLOTH AND FLOORCLOTH, including lincrusta, linoleum, and tarpaulins.	—	<i>ad valorem</i>	5 per cent.
81	PAINTS, COLOURS, PAINTERS' MATERIALS, and compositions for application to leather, wood, and metals:—			
	Ochre, other than European, all colours.	cwt.	1 8	"
	Paints, composition -	"	65 0	"
	" patent driers -	"	10 0	"
	Prussian blue, China -	lb.	0 8	"
	" " European -	—	1 0	"
	Red lead -	cwt.	14 0	"
	Turpentine -	Imperial gallon	2 0	"
	Verdigris -	cwt.	70 0	"
	Vermilion, Canton -	box of 90 bundles	95 0	"
	White lead -	cwt.	16 0	"
	White zinc -	"	25 0	"
	All other sorts, including glue and putty.	—	<i>ad valorem</i>	"
82	PAPER, PASTEBOARD, MILLBOARD, AND CARDBOARD of all kinds, including ruled or printed forms and account and manuscript books, labels, advertising circulars, sheet or card almanacs and calendars, Christmas, Easter, and other cards, including cards in booklet form, including also waste paper and old newspapers for packing.	—	"	"
	" articles made of paper and papier mâché.	—	"	"
83	PERFUMERY:—			
	Gowla, husked and unhusked -	cwt.	35 0	"
	Kapurkachri (zedoary, China) -	"	9 8	"
	Patch leaves (patchouli) -	"	9 8	"
	Rose flowers, dried -	"	16 0	"
	Rose water -	Imperial gallon	2 0	"
	All other sorts, except perfumed spirit (for which see Schedule III).	—	<i>ad valorem</i>	"
84	PIPES and other implements used in the consumption of tobacco and other narcotics.	—	"	"
85	PITCH, TAR, AND DAMMER:—			
	Bitumen -	—	—	—
	Dammer -	cwt.	5 8	"
	Pitch, American and European -	"	7 0	"
	" coal -	"	2 8	"
	Tar, American and European -	"	6 0	"
	" coal -	—	3 0	"
	" mineral -	—	<i>ad valorem</i>	"
86	PLANTS AND BULBS, living, also dried for herbaria.	—	—	Free.
87	PLASTER OF PARIS, and articles made of plaster of Paris, not otherwise described.	—	<i>ad valorem</i>	5 per cent.
88	PLUMBAGO, and articles made of plumbago	—	"	"

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
			<i>Rs. a.</i>	
89	PRECIOUS STONES AND PEARLS, unset	—	—	Free.
90	PULP of wood, straw, rags, paper, and other materials.	—	—	"
91	PRINTING AND LITHOGRAPHIC MATERIAL, namely, presses, type, ink, brass rules, composing sticks, chases, imposing tables, and lithographic stones, but not including paper.	—	—	"
92	RAGS	—	—	"
93	RAILWAY MATERIAL for permanent way and rolling stock, namely, cylinders, girders and other material for bridges, rails, sleepers, bearing and fish-plates, fish-bolts, chairs, spikes, crossings, sleeper fastenings, switches, interlocking apparatus, brake gear, couplings and springs, signals, turn-tables, weigh-bridges, engines, tenders, carriages, waggons, tracers, trolleys, trucks, and component parts thereof; also cranes and water cranes and standards, wire, and other material for fencing, when imported by or under the orders of a railway company : Provided that for the purpose of this exemption "railway" means a line of railway subject to the provisions of the Indian Railways Act, 1890, and includes a railway constructed in a Native State under the suzerainty of Her Majesty, and also such tramways as the Governor General in Council may, by notification in the Gazette of India specifically include therein.	—	—	"
94	SEEDS:—			
	Castor	cwt.	5 0	5 per cent.
	Cummin	"	24 0	"
	" black	"	24 0	"
	Linseed	"	7 8	"
	Methi	"	4 8	"
	Mustard, rape, or sarson	"	6 0	"
	Poppy	"	8 8	"
	Quince, bihidána	"	60 0	"
	Sozirá	"	24 0	"
	Til or jujili	"	7 0	"
	All other sorts	—	<i>ad valorem</i>	"
95	SHELLS AND COWRIES:—			
	Chanks—large shells, for cameos	100	7 0	"
	" white, live	"	8 0	"
	" " dead	"	4 0	"
	Cowras	"	0 10	"
	Cowries, bazar, common	cwt.	3 8	"
	" Maldivé	"	8 0	"
	" sankhla	"	70 0	"
	" yellow, superior quality	"	4 0	"
	Mother-of-pearl, nacre	"	45 0	"
	Nakhla	"	60 0	"
	Tortoise-shell	lb.	10 0	"
	" nakh	"	4 0	"
	All other sorts, including articles made of shell, not otherwise described.	—	<i>ad valorem</i>	"
96	SHIPS AND OTHER VESSELS for inland and harbour navigation, including steamers, steam launches, boats, and barges, imported entire or in sections.	—	—	Free.
97	SILK AND ARTICLES MADE OF SILK:—			
	Floss	lb.	7 8	5 per cent.
	Piece-goods	—	<i>ad valorem</i>	"

No.	Names of Articles.	Per	Tariff Valuation.	Duty.
97	SILK AND ARTICLES MADE OF SILK—cont. Raw silk :— Cháharam, Cochin-China, and yellow Shanghai. Mathow - - - - - Other kinds of China - - - - - Waste and Kachra - - - - - Panjam - - - - - Persian - - - - - Siam - - - - - Produced from the tasar or other wild worm. Sewing thread, China - - - - - All other sorts, including cocoons - - - - -	lb. " " " " " "	<i>Rs. a.</i> 4 8 3 4 6 8 1 4 2 0 5 0 3 0 4 6 9 0 <i>ad valorem</i>	5 per cent. " " " " " " " " " "
98	SIZING for cotton, paper, or any other material.	—	"	"
99	SOAP - - - - -	—	"	"
100	SPECIMENS ILLUSTRATIVE OF NATURAL SCIENCE, including also antique coins and medals.	—	—	Free.
101	SPONGE AND SPONGES - - - - -	—	<i>ad valorem</i>	5 per cent.
102	STARCH - - - - -	—	"	"
103	STATIONERY, excluding paper (for which see No. 82).	—	"	"
104	STONE AND MARBLE, and articles made of stone and marble.	—	"	"
105	STRAW PLATTING, and articles made of straw, not otherwise described.	—	"	"
106	TALLOW AND GREASE, including stearine -	cwt.	20 0	"
107	TEA CHESTS of metal or wood, whether imported entire or in sections, provided that the Customs collector is satisfied that they are imported for the purpose of the packing of tea for transport in bulk.	—	—	Free.
108	TEXTILE FABRICS not otherwise described	—	<i>ad valorem</i>	5 per cent.
109	TOILET REQUISITES not otherwise des- cribed.	—	"	"
110	TOYS, including toy-books, and requisites for all games.	—	"	"
111	UMBRELLAS, parasols, and sunshades of all kinds.	—	"	"
112	VULCANITE AND EBONITE, articles made of, not otherwise described.	—	"	"
113	WALKING STICKS and sticks for umbrellas, parasols, and sunshades, of all kinds, mounted and unmounted, driving, riding, and other whips, fishing rods, and lines.	—	"	"
114	WAX, and articles made of wax, excluding candles (for which see No. 31).	—	"	"
115	WOOD AND TIMBER (except firewood, which is free), and articles made of wood not otherwise described.	—	"	"
116	WOOL, raw - - - - - " articles made of, including felt - - - - -	— —	— <i>ad valorem</i>	Free. 5 per cent.
117	ALL OTHER ARTICLES, manufactured or unmanufactured, not described in this schedule.	—	"	"

SCHEDULE V.—(EXPORT TARIFF).

Name of Article.	Rate of Duty.
RICE, husked or unhusked, including RICE-FLOUR, but not including RICE-BRAN and RICE-DUST, which are free.	Three annas per Indian maund of 82½ lbs. avoirdupois weight.

S. HARVEY JAMES,
Secretary to the Government of India.

No. 7.

The following Act of the Governor-General of India in Council received the assent of his Excellency the Governor-General on the 3rd February 1896 :—

ACT No. II. OF 1896.

THE COTTON DUTIES ACT, 1896.

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Inspection.

16. Power to collector to inspect mills and take copies of records and accounts.
17. Information acquired to be deemed official secrets within meaning of Act XV., 1889.

Export and Drawback.

18. Grant of certificate when dutiable goods are to be exported to foreign port.
19. When certificate granted, goods to be exempt from duty.
20. Repayment of duty in case of certain cotton goods exported to foreign ports.
21. When such re-funds may be granted.
22. Power to prohibit repayment of duty in case of exportation to certain ports.
23. No repayment of duty to be granted in certain cases.
24. Application of sections 51 and 52 of principal Act to claims under this Act.

Offences and Penalties.

Section

25. Punishments for offences.
26. Magistrates having jurisdiction.
27. Application of section 168 of principal Act to cases of confiscation under this Act.

Miscellaneous.

28. Samples of certain goods to be taken by mill-owners at time of manufacture, and to be available for inspection.
29. Power to Collector to take samples.
30. Records and accounts to be kept by mill-owners.
31. Mill-owners to make periodical returns of cotton yarn spun by machinery.
32. Application of certain provisions of principal Act to proceedings under this Act.
33. Power to local governments to reverse or modify orders under this Act.
34. Certain provisions of principal Act to be incorporated in this Act.
35. Application of section 10, Act VIII., 1894, to duties under this Act.
36. Power to Governor-General in Council to make rules.

PART II.—INLAND CUSTOMS DUTIES.

37. Levy of Duties on cotton goods passing into British India from foreign territory.
38. Application of provisions of principal Act as to drawbacks to goods taxed under this Part.

PART III.—TRANSITORY PROVISIONS.

39. Drawback in respect of yarns in mills produced, purchased, or imported before the 23rd January 1896.
40. Mode of making claims for drawback under section 39.
41. Provision with respect to goods in stock.
42. Return of yarn as under section 7, Act XVII., 1894, to be delivered in February 1896, but no duty leviable on yarn produced on or after the 23rd January 1896.

AN ACT to provide for the IMPOSITION and LEVY of certain DUTIES on COTTON GOODS.

WHEREAS it is expedient to repeal the Cotton Duties Act, 1894, and to impose certain duties on cotton goods; it is hereby enacted as follows:—

XVII, of
1894.*Preliminary.*

- 1.—(1.) This Act may be called the Cotton Duties Act, 1896.
- (2.) It extends to the whole of British India; and
- (3.) It shall come into force at once.
- 2.—(1.) The Cotton Duties Act, 1894, is hereby repealed.
- (2.) But all the provisions in respect of drawback contained in sections 17 to 24 of that Act shall be deemed to be in force in respect of all duty paid thereunder, and all sums recoverable, liabilities incurred, officers appointed or authorised, warehouses licensed, and rules and directions made under that Act shall, so far as may be, be deemed respectively to be recoverable, and to have been incurred, appointed, or authorised, licensed, and made under this Act.
3. In this Act, unless there be something repugnant in the subject or context:—
- (1.) "The principal Act" means the Sea Customs Act, 1878:
- (2.) "Chief Customs authority" means, in the Presidency of Fort St. George, and the territories respectively under the administration of the Lieutenant-Governors of Bengal and the North-Western Provinces, and the Chief Commissioner of Oudh, the Board of Revenue; in the Presidency of Bombay outside Sind, the Commissioner of Customs; in Sind, the Commissioner; in the Punjab and Burma, the Financial Commissioner; and elsewhere the local government, or such officer as the local government may, by notification in the official Gazette, appoint in this behalf by name or in virtue of his office:

Title, extent,
and com-
mencement.Repeal.
XVII, of
1894.Definitions.
VIII, of
1878.

- (3.) "Collector" means,—
- (a) at Calcutta, Bombay, Madras, Rangoon, and Karachi, the collector of Customs; and
 - (b) in any other place, the collector or deputy commissioner of the district, or such other officer as the local government may appoint in this behalf, and includes
 - (c) every officer for the time being duly authorised by the local government to perform all or any of the duties of a collector under this Act:
- (4.) "Cotton yarn" or "yarn" means yarn wholly or partly composed of cotton fibres:
- (5.) "Cotton goods" or "goods" includes all tissues and other articles (except yarn and thread), woven, knitted, or otherwise manufactured, wholly or partly, from cotton yarn:
- (6.) "Mill" means any building or place where cotton goods are woven, knitted, or otherwise manufactured by machinery, moved otherwise than by manual labour, and includes every part of such building or place:
- (7.) "Warehouse" means a place licensed for the storage of goods under this Act, and includes every public or private warehouse duly appointed or licensed under sections 15 or 16 of the principal Act, or under section 2 of the Inland Bonded Warehouses Act, 1887:
- (8.) "Customs port," "foreign port," "vessel," and "master" have respectively the meanings defined for them in the principal Act.

XXI. of
1887.

Performance
of duties of
Customs
officers by
subordinate
officers.

4. The officers subordinate to a collector shall, unless the local government shall otherwise so direct, for the purposes of this Act perform the duties imposed and exercise the powers conferred upon officers of Customs under the principal Act.

PART I.—EXCISE.

Application of principal Act.

Modifications
to be made in
principal
Act as
applied to
this Part.

5. In the application of the principal Act or any particular section or sections thereof to this Part, the following modifications shall be made therein, namely:—

- (a) "the owner of the goods" shall include the managing agent or other principal officer of a mill;
- (b) for "the bill-of-entry" or "shipping-bill" shall be substituted "the return required by this Act";
- (c) every reference to a warehouse, or warehousing, shall be construed as referring to a "warehouse" as herein-before defined.

Duty.

Imposition of
duty on
cotton goods
produced in
British
Indian mills.

6. There shall be levied and collected at every mill in British India, upon all cotton goods produced in such mill, a duty at the rate of $3\frac{1}{2}$ per centum on the value of such goods.

Explanation.—Goods are said to be produced within the meaning of this section when they are issued out of the premises of the mill. But, in the case of any mill in which the goods are chiefly or largely made up and sold otherwise than as piece-goods, the Governor-General in Council may direct that goods shall be reckoned as produced when they are issued out of the weaving section or sections of the mill.

Power to
Governor-
General in
Council to fix
tariff values
of such goods.

7.—(1.) The Governor-General in Council may, from time to time, by notification in the Gazette of India, fix, for the purpose of levying the said duties, tariff values of all such goods as aforesaid or of any particular description or descriptions thereof, and alter any tariff values for the time being in force.

(2.) Such tariff value shall, for the purposes of this Act, be deemed to be the "real value" of the goods to which it applies, but save as aforesaid all goods shall be assessed under this Act at their real value.

(3.) For the purposes of this Act the real value shall be deemed to be—

- (a) the wholesale cash price, less trade discount for which goods of the like kind and quality are sold or are capable of being sold at the time and place of production, without any abatement or deduction whatever, except of the amount of the duties payable on the production thereof;
- (b) where such price is not ascertainable, the cost at which goods of the like kind and quality could be delivered at such place, without any abatement or deduction, except as aforesaid.

8.—(1.) The owner of every mill shall prepare and deliver, or cause to be prepared and delivered, to the collector each month a return of all the cotton goods produced at his mill during the preceding month; and shall subscribe a declaration of the truth of such return at the foot thereof.

Delivery of monthly returns of goods produced by mill-owners.

(2.) Unless otherwise prescribed by any rules under this Act, every such return shall state for each description of goods the quantity produced during the period to which the return relates, and the real value of such goods.

(3.) Every such return shall also contain such further information and be in such form and be subject to such conditions as to verification and otherwise as may be prescribed by any rules under this Act.

(4.) Each return shall be delivered to the collector or posted to his address within three working days, and at most within seven days, of the period to which it relates; and the first of such returns shall be made for the month of February 1896, and shall include all goods produced since the commencement of this Act.

Explanation.—"Working day" in this sub-section means every day except a public holiday as defined in section 25 of the Negotiable Instruments Act, 1881.

XXVI. of 1881.

9.—(1.) The collector shall assess the duties payable in respect of the period to which the return relates, and unless the amount thereof is immediately tendered shall cause a notice, in such form as may be prescribed by any rules under this Act, to be served on the owner requiring him to make payment of the amount assessed within ten days of the date of service of the said notice.

Assessment of duty and notice requiring payment.

(2.) A notice under sub-section (1) may be served on the owner of a mill by delivering or tendering to him or his agent at his ordinary place of business a copy of the notice, or, if this cannot be conveniently done, by fixing a copy of the notice on one of the outer doors of the mill.

10. Sections 31 to 34, 37, and 39 to 41, all inclusive, of the principal Act, shall apply to the assessment and recovery of the duties imposed by this Act:

Application of certain sections of principal Act to assessment and recovery of duty under this Act.

Provided that the rate of duty and the tariff valuation applicable to any goods which have not been warehoused as herein-after provided shall be those in force at the time when the goods were produced, and not when the return was delivered as provided by the said section 37.

Recovery of unpaid duty.

11.—(1.) If any duty payable under this Act is not paid within the time fixed by any such notice as aforesaid for the payment thereof, the collector may, in lieu thereof, recover any sum not exceeding double the amount of duty so unpaid, which he shall, in his discretion, think it reasonable to require.

(2.) All sums recoverable under sub-section (1) shall be recovered in the manner provided in Act II. of 1886, section 30, sub-sections (1), (2) and (3), with respect to the sums therein referred to.

Warehousing.

12.—(1.) The chief Customs authority may from time to time license any room or place as a warehouse for the storage of cotton goods, and for the purposes of this Act every such room or place shall be deemed to be a warehouse, and to have been duly licensed under the principal Act.

Licensing of warehouses for storage of goods, and fees for same.

(2.) There shall be payable in respect of every such warehouse such and the like licensing fees and other payments as may for the time being be payable in respect of a private warehouse licensed under the principal Act.

Provided that the chief Customs authority may remit the whole or any part of such fees or other payments in respect of any particular warehouse.

13.—(1.) The owner of any mill may apply for leave to deposit in a warehouse any goods in respect of which duty has become leviable under section 6 but has not yet been assessed under section 9.

Permission to deposit goods in warehouses.

(2.) Such application shall be in writing signed by the applicant, and shall be in such form as may be prescribed by the chief Customs authority.

14. All the provisions of Chapter XI. of the principal Act, so far as the same are applicable to imported goods of a similar description, shall apply to all goods in respect of which an application has been made under section 13.

Application to goods so deposited of provisions of Chapter XI. of principal Act.

15. When any goods have been deposited in a warehouse, the quantity and particulars thereof shall be specified as so deposited in the return made under section 8 for the period in which the goods were produced, or in a separate return for that same period, and the said goods shall be deducted in the assessment and collection of duty.

Exemption from assessment of goods so deposited.

Inspection.

Power to collector to inspect mills and take copies of records and accounts.

16.—(1.) The collector, or any officer duly appointed by the local government in that behalf, shall have free access at all reasonable times during working hours to any mill, and subject to any order of the local government in this behalf to any part of any mill.

(2.) Any such officer may at any time, with or without notice to the owner, examine the working records, sale records, and accounts of any mill, and take copies of, or extracts from, all or any of the said records or accounts, for the purpose of testing the accuracy of any return, or of informing himself as to any particulars regarding which information is required for the purposes of this Act or any rules thereunder.

(3.) Any mill-owner may object to submitting to any officer under the rank of a collector any record or account containing the description or formulæ of any trade process:

But, if he objects to the inspection of any record or account by such an officer on the ground of its containing such description or formulæ, he must submit his objection in writing to the officer for transmission to the collector, and the officer may then and there seal up the record or account pending the orders of the collector.

Information acquired to be deemed official secrets within meaning of Act XV, 1889.

17.—(1.) All such copies and extracts, and all other information acquired by any such officer on the inspection of any mill or warehouse, shall be regarded as strictly confidential, and shall be deemed to be official secrets.

XV. of 1889.

(2.) If any such officer shall disclose to any person other than a superior officer any such official secret as aforesaid without the previous consent in writing of the chief Customs authority, he shall be guilty of a breach of official trust, and shall, upon conviction thereof, be punishable in the manner provided by section 4 of the Indian Official Secrets Act, 1889.

(3.) The restriction imposed by section 5 of the last-mentioned Act shall not apply to a prosecution for a breach of an official trust under this Act.

Export and Drawback.

Grant of certificate when dutiable goods are to be exported to foreign ports.

18. If any dutiable goods are exported by sea to any foreign port before the return in respect of them has been delivered to the collector under section 8, the owner of the mill in which they were produced may apply in writing to the Customs collector at the port of shipment, who, on being satisfied that such goods have actually been shipped for export, shall issue a certificate stating the quantity and particulars of such goods, and that they have actually been so shipped.

When certificate granted, goods to be exempt from duty.

19. When any certificate has been applied for under section 18, the quantity and particulars of the goods mentioned in the application shall be specified as so shipped in the return made under section 8 for any period not later than that in which they were shipped, and, if the collector is satisfied that the said goods have been so shipped, and that the conditions (if any) imposed by rules under this Act have been complied with, the said goods shall be deducted in the assessment and collection of duty.

Repayment of duty in case of certain cotton goods exported to foreign ports.

20.—(1.) When any dutiable goods are exported by sea from any Customs port to any foreign port, the exporter may apply to the Customs collector at the port of shipment for the repayment as drawback of any duty which may have been paid under this Act in respect of such goods.

(2.) In every application made under sub-section (1) the applicant must state the description or descriptions of the goods in respect of which drawback is claimed, the mill at which the goods were produced, and, as nearly as possible, the dates on which they were produced, and such further particulars (if any) as may be prescribed.

When such refunds may be granted.

21.—(1.) The drawback shall be allowed by the collector if it is shown to his satisfaction that the goods in respect of which drawback is applied for have paid duty within twelve months of the date on which they are shipped for export, and that the conditions (if any) imposed by rules under this Act have been complied with.

(2.) Drawback shall not cease to be admissible merely by reason of the goods in respect of which it is applied for having been bleached, dyed, coloured, or printed after having been produced within the meaning of section 6.

Power to prohibit repayment of duty in case of exportation to certain ports. XVII. of 1894.

22.—(1.) The Governor-General in Council may, from time to time, by notification in the Gazette of India, prohibit the payment of drawback on the exportation of cotton goods to any specified foreign ports.

(2.) Any notification already made under section 22 of the Cotton Duties Act, 1894, shall be deemed to have been made under this section.

23. Notwithstanding anything herein contained, no drawback shall be allowed in respect of any cotton goods on which duty has been paid—

(a) when the goods are of less value than the amount of drawback claimed, or

(b) when the claim is for drawback amounting to less than five rupees in respect of any single shipment.

No repayment of duty to be granted in certain cases.

24. Sections 51 and 52 of the principal Act shall apply to every claim for drawback under this Act.

Application of sections 51 and 52 of principal Act to claims under this Act.

Offences and Penalties.

25. The offences mentioned in the first column of the following schedule shall be punishable to the extent mentioned in the second column thereof with reference to such offences respectively :—

Punishment for offences.

1. Contravening any rule made under this Act.

Penalty not exceeding five hundred rupees.

2. Concealing or attempting to conceal, or knowingly permitting or procuring to be concealed, any goods liable to duty under this Act with intent to evade payment of the duty or any part thereof.

Such goods shall be liable to confiscation, and every person convicted of the offence shall be liable to a penalty not exceeding three times the value of the goods.

3. Omitting to make any return required by section 8 or refusing to sign or complete the same.

Penalty not exceeding one thousand rupees.

4. Making and delivering any such return containing any statement not true to the best of the information and belief of the person making the same.

The penalty provided in the Indian Penal Code, section 199, for making a false statement in a declaration. 1860.

5. Altering or falsifying any record or book of account kept in the mill with the intention of defrauding the revenue.

The penalty provided in the Indian Penal Code, section 465, for the commission of forgery.

6. Omitting, without reasonable cause, to keep samples as provided in section 28.

A penalty for each offence not exceeding two hundred rupees.

7. Omitting to keep such proper records and books of account as may be prescribed by any rule under this Act.

Penalty not exceeding five hundred rupees, and a further penalty of twenty rupees for every day after the date of the conviction during which the offence is continued.

8. Omitting to make and deliver any return which by any rule under this Act ought to have been made and delivered.

Penalty not exceeding one thousand rupees.

9. Intentionally obstructing any collector or other officer in the exercise of any powers given under this Act.

Imprisonment for a term not exceeding six months, or fine not exceeding one thousand rupees, or both.

10. If any goods in respect of which a certificate has been obtained under section 18, or any goods on the entry of which for export drawback has been paid, are not duly exported, or are unshipped or relanded at any Customs port, not having been duly relanded or discharged under the provisions of the principal Act.

Such goods, together with any vessel used in the unshipping or relanding them, shall be liable to confiscation, and the master of the vessel from which such goods are so unshipped or relanded, and any person by whom or by whose orders or means such goods are so unshipped or relanded, or who aids or is concerned in such unshipping or relanding, shall be liable to a penalty not exceeding three times the value of such goods, or not exceeding one thousand rupees.

Such goods shall be liable to confiscation.

11. If any goods are entered for drawback which are of less value than the drawback claimed.

Such goods shall be liable to confiscation.

12. If any goods are found concealed in any place, box, or closed receptacle in any mill, and are not duly accounted for to the satisfaction of the collector.

Such goods shall be liable to confiscation or to be charged with such increased duty as the chief Customs authority may direct.

13. If any goods are found in any mill in excess of the quantity entered in the return or not corresponding with the statement therein contained.

The person guilty of such omission or misdescription shall be liable to a penalty not exceeding ten times the amount of duty which might have been lost to the Government by such omission or misdescription, unless it be proved to the satisfaction of the collector or other officer that the variance was accidental.

14. If when any cotton goods are passed by tale or by package any omission or misdescription thereof tending to injure the revenue be discovered.

Such collector or officer shall be liable on conviction to a fine not exceeding five hundred rupees.

15. If any collector or officer subordinate to a collector does any act or is guilty of any omission in contravention of this Act, or of any rule or order made thereunder; or, with intent to cause injury or annoyance to any person, vexatiously and unnecessarily makes use of any power conferred upon him under this Act.

The penalties prescribed in the same schedule in respect of such offences respectively.

16. The offences described in the principal Act, section 167, Schedule Nos. 41-53, both inclusive, in reference to warehousing of dutiable goods.

26. All offences against this Act may be tried summarily by a district or presidency magistrate, or a magistrate of the first class.

Magistrates having jurisdiction.

Application of section 168 of principal Act to cases of confiscation under this Act.

27. Section 168 of the principal Act shall apply to all cases of confiscation of goods under this Act.

Miscellaneous.

Samples of certain goods to be taken by mill-owners at time of manufacture and to be available for inspection.

28.—(1.) The owner of every mill shall, in the case of any goods other than those for which tariff values have been fixed under section 7, take a sample or samples of such goods, at the time of manufacturing the same, and shall preserve such samples for reference for at least six months after the said goods are produced.

(2.) Such samples shall be at all times available for inspection by the collector, or by any officer appointed under section 16; and an examination thereof shall, if the goods themselves cannot conveniently be examined, be deemed to be an examination of the goods within the meaning of section 31 of the principal Act.

(3.) The Governor-General in Council may define by rule what shall in any specified case be a sufficient sample for the purposes of this section.

Power to collector to take samples.

29.—(1.) The collector or any officer appointed under section 16 may at any time take samples of any goods for examination or for ascertaining the value thereof, or for any other necessary purpose.

(2.) The owner may when required to deliver any sample to an officer appointed under section 16, seal up such sample in a cover addressed to the collector, and in such case the said officer shall deliver such cover intact to the collector.

(3.) Every sample shall, if practicable, be restored to the owner, or, at his option, sold by the collector, and the proceeds accounted for to the owner.

Records and accounts to be kept by mill-owners.

30. The owner of every mill shall keep such records and books of account as may be prescribed by any rules under this Act.

Mill-owners to make periodical returns of cotton yarn spun by machinery.

31. The owner of every mill or place where cotton yarn is spun by machinery moved otherwise than by manual labour shall make periodical returns to the collector of the quantity and description of all such yarns, in such form, with such particulars, and at such intervals, as may be prescribed by any rule under this Act.

Application of certain provisions of principal Act to proceedings under this Act.

32. All the provisions of Chapter XVII. of the principal Act, except sections 169, 170, 177, 182, 184, 185, 187, 190, 191, and 193, shall apply to all proceedings under this Act.

Power to local government to reverse or modify orders under this Act.

33. The local government may, on the application of any person aggrieved by any decision or order passed under this Act, reverse or modify such decision or order.

Certain provisions of principal Act to be incorporated in this Act.

34. The provisions of sections 198, 201, 204, 205, and 206 of the principal Act shall be deemed to be incorporated in this Act.

VIII. of 1894. Application of section 10, Act VIII., 1894, to duties under this Act.

35. The provisions of section 10 of the Indian Tariff Act, 1894, shall apply to duties on cotton goods imposed under this Act.

Power to Governor-General in Council to make rules.

36.—(1.) The Governor-General in Council may from time to time make rules under this Act,—

(a) prescribing the form of any return required by or under this Act, and the particulars to be contained therein respectively, and the manner in which the same is to be verified, and all such other conditions in respect thereof as may be necessary;

(b) requiring returns of yarns spun;

(c) prescribing the form of the notice to be issued by the collector under section 9;

(d) regulating the inspection of mills, and the powers and duties of collectors and other officers in respect thereof;

(e) regulating the provision of warehouses under this Act, and the deposit and discharge of goods therein and therefrom, and the powers and duties of the collector in respect thereof;

(f) prescribing the records and books of account to be kept by owners of mills under this Act;

(g) prescribing the conditions under which alone exemption from duty, and repayment as drawback, shall be allowed under sections 19 and 21; and

(h) generally, for carrying into effect the provisions of this Act.

(2.) The application of any such rule may be confined to any place or places specified therein.

PART II.—INLAND CUSTOMS DUTIES.

37.—(1.) Duties of Customs shall be levied at the rates for the time being prescribed in the Indian Tariff Act, 1894, upon cotton goods passing into British India out of any territory declared, under the power herein-after in this section conferred, to be foreign territory.

VIII. of 1894.
Levy of duties on cotton goods passing into British India from foreign territory.

(2.) The Governor-General in Council may, by notification in the Gazette of India, declare that any territory situated within or bordering on, but not forming part of, British India, shall be deemed, for the purposes of this section, to be foreign territory.

(3.) The Governor-General in Council may, from time to time, by notification in the Gazette of India, prohibit or restrict the bringing of cotton goods into British India from any such foreign territory, or prescribe the routes by which alone they may be brought.

(4.) The provisions of section 19A of the principal Act shall apply to all goods brought or attempted to be brought into British India in contravention of any such notification.

38. The provisions of the principal Act as to drawback on export shall apply to all goods upon which duty has been paid under this Part.

Application of provisions of principal Act as to drawback to goods taxed under this Part.

PART III.—TRANSITORY PROVISIONS.

39. If any mill-owner has in his mill, at the commencement of this Act, any yarns which, before the 23rd day of January 1896,—

Drawback in respect of yarns in mills produced, purchased, or imported before the 23rd January 1896.
XVII. of 1894.

(a) were produced at his mill within the meaning of clause (b) of the explanation to section 5 of the Cotton Duties Act, 1894, or

(b) were obtained by purchase or on account from another mill-owner, after having been produced by the latter, within the meaning of clause (c) of the said explanation, or

(c) were imported and Customs duty paid thereon,

and have not before the commencement of this Act formed part of any goods produced within the meaning of this Act, he shall be entitled to receive, by way of deduction from the amount of duty payable in respect of any goods produced out of such yarns at any time within three months after the passing of this Act, an amount not exceeding the duty which he may show to the satisfaction of the collector to have been paid upon such yarns, under the operation of the Cotton Duties Act, 1894, or the Indian Tariff Act, 1894:

VIII. of 1894.

Provided that the said yarns shall not have been used solely for borders.

40.—(1.) Any mill-owner who intends to claim drawback under section 39 shall within a week after the passing of this Act deliver to the collector a full statement showing,—

Mode of making claims for drawback under section 39.

with respect to clauses (a) and (b) of the said section, the quantity and count of yarn and, as far as possible, the monthly returns in which they were included;

with respect to clause (c) of the said section, the quantity and count of yarn, and the date and particulars of the payment of import duty thereon.

(2.) Such statement shall be subscribed and verified by the mill-owner, and the collector may, by inspection or otherwise, satisfy himself of its correctness.

(3.) No deduction shall be allowed under section 39, unless the yarns in respect of which deduction is claimed have been included in the statement prepared under this section.

41.—(1.) No duty shall be levied under this Act on any goods which at the commencement of this Act are upon the premises of any mill, and are ready for issue therefrom, either without undergoing any further process or after being made up into bales or packets:

Provision with respect to goods in stock.

Provided that a list of such goods be made up and deposited with the collector within seven days from the commencement of this Act.

(2.) The returns of the production of such goods prepared under section 8 of this Act shall be separate from those of other goods.

42. The return of yarn prescribed by section 7 of the Cotton Duties Act, 1894, which would but for the repeal of the said Act become due for delivery to the collector on or

Return of yarn under section 7, Act XVII., 1894, to be delivered in

February 1896,
but no duty leviable on yarn produced on or after the 23rd January 1896.
XVII. of 1894.

before the fifteenth day of February 1896, shall be prepared and delivered as if the said Act were still in force; but no duty shall be assessed or collected in respect of any yarn produced on or after the twenty-third day of January 1896.

S. HARVEY JAMES,

Secretary to the Government of India.

No. 8.

From the SECRETARY of STATE for INDIA to HIS EXCELLENCY the RIGHT HONOURABLE the GOVERNOR-GENERAL of INDIA in Council.

(Legislative, No. 11.)

London, India Office, 2nd April 1896.

I have to acknowledge the receipt of your Excellency's Despatch, No. 6, dated the 5th February 1896, transmitting authentic copies of the Laws noted in the margin, which have been passed by the Council of the Governor-General of India, for making laws and regulations, and to which your Excellency has signified your assent. I have to inform you that I have considered the Acts in Council, and that they will be left to their operation.

Act No. II of 1896, to provide for the imposition and levy of certain duties on cotton goods.

Act No. III of 1896, to amend the Indian Tariff Act, 1894.

I have, &c.

(Signed) GEORGE HAMILTON.

No. 9.

From the GOVERNMENT OF INDIA, FINANCE AND COMMERCE DEPARTMENT, to the SECRETARY OF STATE FOR INDIA.

(No. 61.)

MY LORD,

Dated the 26th February 1896.

WE have the honour to acknowledge the receipt of your Lordship's Despatch No. 99 (Revenue), dated the 5th September 1895, forwarding, for our consideration, certain representations made by gentlemen interested in cotton manufacture in the United Kingdom against the cotton duties levied in India, on the ground that such duties have the effect of protecting India against British industry.

2. We have been in communication, by telegraph, with your Lordship on the subject of these complaints and the most effective way of meeting them; and we now beg to invite your Lordship's attention to our proceedings, dated the 23rd January and 3rd February 1896, in the Council of the Governor-General assembled for the purpose of making laws and regulations, and to the papers noted in the annexed schedule (copy enclosed), showing the steps taken by us in view to the enactment by the Legislature of measures for the adjustment on an equitable basis of the import and excise duties on cotton manufactures.

3. We also enclose, for your Lordship's information, the papers noted in the schedule, which indicate how these measures were regarded in India.

We have, &c.

(Signed) ELGIN.

&c., &c.

SCHEDULE OF PAPERS.

1. Letters to the Governments of Madras, Bengal, the North-Western Provinces and Oudh, and Bombay, Nos. 5184-5, dated the 30th October 1895.
2. Letter to the Chief Commissioner of Burma, No. 5685, dated the 5th December 1895.
3. Telegram to the President, Chamber of Commerce, Bombay, dated the 2nd January 1896.
4. Telegram from the Secretary to the Chamber of Commerce, Bombay, dated the 2nd January 1896.
5. Telegram from the Secretary to the Mill-owners' Association, Bombay, dated the 3rd January 1896.
6. Telegram from the Secretary to the Chamber of Commerce, Bombay, dated the 10th January 1896.

7. Communication from the Government of Madras, No. 120 A., dated the 11th January 1896, and annexure.
8. Telegram from Sir Dinshaw Manockji Petit to the Government of India in the Legislative Department, dated the 21st January 1896.
9. Telegram to Sir Dinshaw Manockji Petit, dated the 22nd January 1896.
10. Telegram from the Secretary to the Mill-owners' Association, Bombay, dated the 22nd January 1896.
11. Telegram from the Government of Bombay, dated the 23rd January 1896.
12. Letter from the Chief Commissioner of Burma, No. 498-1 O. 2, dated the 21st January 1896, and enclosure.
13. Letter from the Government of Bombay, No. 725, dated the 23rd January 1896, and enclosures.
14. Papers Nos. 1 to 16, relating to the Cotton Duties Bill of 1896.
15. Letter from the Government of Bombay, No. 831, dated the 27th January 1896, and enclosures.
16. Notification No. 580, dated the 3rd February 1896.
17. Letter from the Government of Bengal, No. 894 S.R., dated the 6th February 1896, and enclosures.
18. Telegram, dated the 2nd February 1896, from A. C. Parthasaradhe Naidu, Esq., chairman of a public meeting held at Madras on the same date.
19. Letter from the Government of Bengal, No. 914 S.R., dated the 7th February 1896, and enclosures.
20. Memorial, No. 2067, dated the 8th February 1896, from Lalloobhai Asharam, president of a public meeting held on the 7th February 1896 at Borsad, in the Kaira District of the Bombay Presidency.

No. 5184 S.R.

GOVERNMENT OF INDIA, FINANCE AND COMMERCE DEPARTMENT, to the
SECRETARY TO THE GOVERNMENT OF MADRAS, REVENUE DEPARTMENT, the SECRETARY OF THE GOVERNMENT OF BENGAL, FINANCIAL DEPARTMENT, the SECRETARY TO THE GOVERNMENT OF THE NORTH-WEST PROVINCES AND OUDH, FINANCIAL DEPARTMENT, the SECRETARY TO THE GOVERNMENT OF BOMBAY, REVENUE DEPARTMENT.

SIR,

Simla, October 30, 1895.

I AM directed to forward, for communication to the

Madras
Bengal
Upper India
Bombay

 Chamber of Commerce

(and the Bombay Mill-owners' Association) copy of certain papers laid before Her Majesty's Secretary of State for India, by gentlemen interested in cotton manufacture in the United Kingdom, in which they urge objections to the cotton duties levied in India, on account of their having the effect of protecting Indian against British industry.

2. It will, no doubt, be remembered that sanction was given to these duties, by the Secretary of State, only on the condition that steps were taken to avoid any such protection, and both Sir Henry Fowler and the present Secretary of State have stated in Parliament that if it were shown on clear evidence that those duties, as now imposed, had any protective character as against British products, "Her Majesty's Government would, in concert with the Government of India, consider the matter with a view to carry out loyally the declared intention to avoid protective injustice." It is in consequence of this pledge that the Secretary of State has now sent these papers to the Government of India for consideration.

It will be seen from them that protective effect is alleged to exist mainly in the following particulars:—

- (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. These inequalities were admitted by the Government of India at the time of the imposition of the duties, but the view which was taken as warranting their being left out of consideration was, that India and Lancashire were practically not in competition, the former having almost the monopoly of yarns of No. 20 and lower counts and of goods made from such yarns, and the latter almost the monopoly of high-count goods. It will be observed, however, that not only are these facts called in question, but the objection is taken that a stimulus will be (and is now) given to the production in India of yarns of No. 20 and under and goods woven from them, by their exemption from taxation, and that these will be substituted for the taxable classes of yarns and goods.

4. Although the Government of India would be glad to receive the opinions of the Chamber (and the Association) upon any part of the question raised in these papers, there is much in them—such, for example, as the statistics of cost of production—which would only afford opportunity for endless discussion. In the opinion of the Government of India, no advantage will be gained by discussing the relative elements that enter into the cost, excluding taxation, of a rupee's worth of Manchester goods as laid down in Bombay and a rupee's worth of goods manufactured there. The question to be discussed is (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. These are the main points on which the Chamber (and the Association) is invited to favour the Government with its views.

5. It will be observed that in the papers laid before the Secretary of State no suggestions are made for the removal of the inequalities which are alleged to exist. But it would be of assistance in the consideration of the question by the Government of India if the Chambers (and the Association) would consider and state their views not only on the question whether there is any protective effect which requires remedy, but also as to what remedies can be applied without disturbing the course of trade.

6. The Government of India consider it desirable that the case, as stated by the representatives of the Lancashire industry, should be laid before the Indian Chambers (and the Bombay Mill-owners' Association) in as general a form as possible; but they have directed attention to the matters in which especially they desire to have the opinion of the Chambers.

7. The Government of India would also desire to be favoured with information as to the extent to which bleached and printed goods of Indian manufacture compete with imported goods.

I have, &c.

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

LIST OF PAPERS.

No. 1. Letter to the Secretary of State for India, dated Glasgow, the 3rd April 1895, from Messrs. William Stirling and Sons, and other firms of dyers and manufacturers.

No. 2. Statement by Mr. William Noble, manager, Wellington Mills, Bury, Lancashire, showing how Lancashire is affected by the exemption from excise duty of cloths made from Indian yarns of No. 20.

No. 3. Examples of the protective incidence of the Indian import duty and excise as now applied to cotton piece-goods, by Mr. William Thompson, Boundary Mill, Blackburn.

No. 4. Statement by Mr. A. G. C. Harvey as to the trade between England and India in goods made from coarse yarns, with reference to the Cotton Duties Act.

No. 5. Tables by Mr. William Noble, manager, Wellington Mills, Bury, Lancashire, comparing cost of yarn and expenses in the manufacture of certain descriptions of cloth in a Lancashire and an Indian mill.

No. 6. Paper by Mr. Tom Garnett, president, United Cotton Manufacturers Association: "Indian Import Duties—the Law of Substitution."

No. 7. Statement submitted to the Secretary of State for India, dated the 9th July 1895, signed by Mr. John Whittaker, and approved by others on behalf of the cotton spinners and manufacturers of Lancashire: "The imposition of the Indian import duties on cotton goods and yarn."

No. 5685 S.R., dated 5th December 1895.

From J. E. O'CONNOR, Esq., C.I.E., Assistant Secretary to the Government of India, Finance and Commerce Department, to the CHIEF COMMISSIONER OF BURMA.

I am directed to forward copy of a letter from this Department to the Government of Bombay, No. 5185, dated the 30th October 1895, and of its enclosures, on the subject of the operation of the import and excise duty on cotton yarns and goods, and to request that the papers may be communicated to the Rangoon Chamber of Commerce with the intimation that the Government of India will be glad to be placed in possession of the Chamber's opinion on the issues raised.

No. 9 S.R., dated 2nd January 1896.

TELEGRAM from J. F. FINLAY, Esq., Secretary to the Government of India, Finance and Commerce Department, to the PRESIDENT, Chamber of Commerce, Bombay.

When may we expect Chamber's reply about cotton duties? You have no doubt observed that newspapers received by last mail are complaining of delays in India.

Dated 2nd January 1896.

TELEGRAM from the SECRETARY, Chamber of Commerce, Bombay, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

Chamber's reply on import duties will be sent next week.

Dated 3rd January 1896.

TELEGRAM from the SECRETARY, Mill-owners' Association, Bombay, to the ASSISTANT SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

Hope to get mill-owners' reply passed at meeting on Tuesday, and shall send you copy direct without delay. Trust no action will be taken till reply considered, as think I can show Manchester has no case. I prove Bombay can spin 20s out of Indian cotton 25 to 30 per cent. cheaper than Lancashire out of Americans even at three pence, that if competition exists in finer goods, which does not, protection to Indian manufacturer less duty on stores would be three-quarters per cent. against which there is set-off of duty on stores on yarns and goods exported if same excise fixed on Indian goods as import duty. Then Lancashire will have advantage of duty on stores which equals quarter per cent. on cost of cloth.

Dated 10th January 1896.

TELEGRAM from the SECRETARY, Chamber of Commerce, Bombay, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

Chamber will recommend regarding cotton duties that yarns of 20s and under and goods made from such yarns should be exempted from import duty, and that excise should be levied on market value of goods made from yarns above 20s. Letter giving reasons and arguments in support of these conclusions will follow.

EXTRACT from PROCEEDINGS of the GOVERNMENT OF MADRAS, Revenue Department.

No. 120 Mis., dated 11th January 1896.

Read the following:—

Proceedings of the Board of Revenue, Separate Revenue, dated 21st December 1895,

No. 6888 Sub., on letter* from the Chamber of Commerce, Madras, dated 18th December 1895.

* Copy attached.

RESOLUTION.—Submitted to Government, with reference to G. O. Mis. No. 4427 (Revenue), dated 6th November 1895.

ORDER thereon by the GOVERNMENT OF MADRAS.

Ordered to be forwarded to the Government of India, with reference to its letter dated 30th October 1895, No. 5184 S.R.

No. 120 A.

ENDORSED by the GOVERNMENT OF MADRAS.

Copy to the Government of India, Finance and Commerce Department.

Dated 18th December 1895.

From the Honourable Mr. G. L. CHAMBERS, Chairman Chamber of Commerce, Madras, to the SECRETARY TO THE BOARD OF REVENUE, Madras.

I have the honour to acknowledge the receipt of G. O. No. 4427, dated the 6th November 1895, enclosing copy of a letter (dated Simla, the 30th October 1895) from the Government of India, Finance and Commerce Department, asking for the opinion of this Chamber on certain questions relating to the cotton duties raised by gentlemen interested in cotton manufacture in the United Kingdom.

2. In reply to the first question, I have the honour to state that this Chamber is of opinion that no new difference has been imported into the relative cost of home-made and Indian-made cotton goods, beyond the import and excise duties. As regards low counts of yarn, this Chamber greatly doubts whether Lancashire can produce them (even with American cotton at three pence per pound) at such a low cost as India. But that it has not been able to do so hitherto is proved by the fact that during the 15½ years in which those counts were duty-free practically none of Lancashire spinning was imported into Southern India. The Lancashire spinners have therefore no real grievance in regard to these counts.

3. In reply to the second question, this Chamber considers it indisputable that the effect of the duty on drills has been to favour the Indian industry as against the Lancashire, and although the decrease in imports this year is partly attributable to other unfavourable causes, the trade in Lancashire drills is likely to be permanently affected if the duty on them is maintained. Lancashire manufacturers also have a grievance as regards other fabrics made from low counts, such as sheetings, T cloths, checks and stripes, &c. It is true that the trade here in these goods has been waning for some years, but this Chamber is of opinion that it is likely to die out entirely under the burden of the duty.

4. In reply to the third question, I have the honour to state that this Chamber is opposed to an excise on the production of the Indian mills, and considers that the grievance may be most conveniently remedied by exempting from import duty all yarns of 24s and lower counts, and all goods that are made entirely of such yarns, or by reducing the duty on them to a nominal amount.

5. There is no bleaching industry to speak of in Southern India, but printing by hand is carried on to a large extent. The effects produced are generally rough and crude as compared with printed goods from Manchester and Glasgow, but the trade is nevertheless a large and expanding one. The dyeing of yarns and cloths and the weaving of dyed yarns have always been important native industries in this Presidency, and the consumption of imported dyes has increased very much of late years. The growing competition of these hand industries is undoubtedly an important matter, but the duty upon low counts of dyed yarns having been reduced to ½ per cent. by Government of India Notification No. 2500 S. R., dated 25th May 1895, this Chamber is of opinion that all complaint would be removed as regards coarser fabrics woven in this country if counts of dyed yarns up to and including 24s were included in the lower rate of duty. As regards finer makes of cloth which are imported in the grey or bleached state and subsequently dyed ^{and} _{or} printed in this country, the Chamber does not consider that the saving of the duty upon the cost of dyeing or printing greatly assists the local product as against the imported article which pays duty upon its dyed or printed value.

6. I have the honour to state, in conclusion, that this Chamber would have been prepared to go more fully into the various questions raised in the papers which have been laid before the Secretary of State for India, but it understands that a brief reply will be most acceptable to the Government of India.

Dated 21st January 1896.

TELEGRAM from Sir DINSBOW MANECKJEE PETIT, Bart., to the SECRETARY, Supreme Legislative Council, Government of India.

Rumour widely current that Government of India intend introducing Bill next Thursday to amend Excise Duties Act, whereby all cloths over and under 20s are to be excised. Rumours viewed with the greatest alarm. On behalf of weaving mill-owners we respectfully beg to protest against proposed measure. If rumour be correct proposed legislation calculated to inflict great injustice on weaving mills and do serious financial injury to their interests apart from worse economic results to the country at large. We respectfully pray that reasonable opportunity be allowed to us to learn authentically the exact intentions of Government, and submit our representation thereon before legislation is finally determined upon. The matter has been represented to the Mill-owners' Association, who have it under consideration and will probably address Government officially thereon to-morrow or the next day.

No. 347, dated 22nd January 1896.

TELEGRAM from J. F. FINLAY, Esq., Secretary to the Government of India, Finance and Commerce Department, to Sir DINSBOW MANECKJEE PETIT, Bart.

A legislative measure will be introduced to-morrow, Thursday, and full explanations regarding it, together with the Bills themselves, have been sent to Bombay for delivery to interested persons at the same time. The collector of Customs will deliver them at eleven o'clock. This is the only method in which proposed legislation can be laid before the public or the parties interested.

Dated 22nd January 1896.

TELEGRAM from the SECRETARY, Mill-owners' Association, Bombay, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

The Association having had under consideration urgent representations received from all the weaving mills in Bombay, would desire respectfully to endorse and approve the telegram despatched by them through Sir Dinshaw Maneckjee Petit yesterday, and would further beg leave to emphasize the objections urged in paragraph 93 of the association's letter (page 158) of seventh January, against an amendment of the Cotton Duties Act and Import Tariff Act on the lines therein referred to.

Dated 23rd January 1896.

TELEGRAM from the SECRETARY TO THE GOVERNMENT OF BOMBAY, Revenue Department, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

After considering arguments advanced by Mill-owners' Association and Chamber of Commerce, Government of Bombay are disposed to consider exemption of yarn of 20s and under and cloth made therefrom preferable to free yarn and taxed cloth, unless the difficulties in the way of differentiating cloth liable to duty from cloth entitled to go free are insuperable. This Government are not convinced these difficulties are insuperable.

No. 498-1 C. 2, dated 21st January 1896.

From F. C. GATES, Esq., Revenue Secretary to the Chief Commissioner of Burma, to the SECRETARY TO THE GOVERNMENT OF INDIA, Finance and Commerce Department.

In reply to your letter No. 5685 S. R., dated the 5th December 1895, I am directed to submit, for the information of the Government of India, a copy of a letter, dated the 7th January 1896, from the Secretary to the Chamber of Commerce, Rangoon, regarding the objections that are now under discussion to the duties now levied on cotton goods imported into India.

Dated 7th January 1896.

From the SECRETARY TO THE CHAMBER OF COMMERCE, RANGOON, to the REVENUE SECRETARY TO THE CHIEF COMMISSIONER, BURMA.

I am desired by the Committee to acknowledge receipt of your letter No. 673-1 C.-3 of 27th ultimo, with copy of letter from the Government of India to the Government of Bombay, having reference to certain objections to the cotton duties now levied in India.

The Committee have given the matter careful consideration, and see no reason to change the opinion expressed in their telegram to the Government of India of 7th March last, that an excise duty be levied on all Indian yarns.

The Government of India recognised the justice of the claim so far as 20s and under dyed yarns were concerned, and import duty was reduced to $\frac{1}{2}$ per cent., but this Chamber represented in their telegram of 12th June that 24s and under dyed yarns should also be included in this reduction.

To this representation no reply has been received. The facts and figures given in the papers forwarded with the letter of the Government of India, in the opinion of the Committee, deserve attention, and assuming their accuracy, they form a strong argument in favour of an excise duty being levied on all Indian yarns.

No. 725, dated 23rd January 1896.

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

With reference to your letter No. 5185 S. R., dated 30th October last, I am directed

Copies of letter No. 617, dated 14th January 1896, from the Collector of Land Revenue, Customs and Opium, Bombay, and its accompaniments.

Copy of letter from the Collector of Land Revenue, Customs and Opium, Bombay, No. 618 C., dated 15th January 1896.

Copy of memorandum from the Commissioner of Customs, Salt, Opium, and Abkari, No. 277, dated 16th January 1896.

to forward the papers quoted in the margin, containing the views of the Bombay Mill-owners' Association, and of the Collector of Land Revenue, Customs, and Opium, on the effect of the existing law for the levy of import and excise duties on cotton goods. The reply of the Chamber of Commerce which, as desired, was also consulted, has not yet been received, but Mr. Campbell has, it will be observed, been informed that the conclusions of that body are practically the same as those of the Mill-owners' Association.

2. There is much diversity of opinion as to the indications of statistics on the important questions discussed. While the English manufacturers complain that their trade with India in cotton fabrics has fallen off, the figures furnished by the Bombay mill-owners purport to show that in the two years ending 31st March 1895 the imports into India of cotton goods have been on an unparalleled scale, and statements prepared by the Assistant Collector indicate that although, after the 31st March of last year and up to August, there was some decline in the importation of high count yarns; there was no displacement of imported yarns by those made locally. The secretary of the Mill-owners' Association has adduced much evidence and used weighty arguments which, in the opinion of the Governor in Council tend to prove that there is really no serious competition between the English and the Indian mills, because (1) in respect of yarns of 20s count and under and the cloth made from such yarns, there can be no competition, owing to the fact that English mills do not produce such yarns and cloth, except khaki and drills of special manufacture (which cannot be made in India), representing about 2 per cent. of the total imports; and (2) in the case of finer cloths made from higher counts, the English manufacturers have practically a monopoly.

3. His Excellency in Council does not, however, think that it is necessary to record any definite conclusion on the question whether, under the existing Acts, there has been any actual protection of Indian produce. The Bombay mill-owners and the Chamber of Commerce are not averse to the adoption of measures which will remove all possibility of protection. The Collector of Land Revenue, Customs, and Opium, shows grounds for believing that under the existing system such possibility exists, and some amendment of the existing Acts is therefore expedient. The only question for decision is what measures, being effectual for the purpose in view, are open to least objection on other grounds.

4. There are two schemes put forward :—

(1.) That of the Bombay mill-owners, viz. :—

- (a) that imported yarns of 20s and under and goods made from such yarns should be exempt, and thus put on the same footing as similar local produce ;
- (b) that the excise should be imposed on the market value of all Indian cloth made from yarns over 20s instead of on the yarn only.

(2.) That of the Collector of Land Revenue, Customs, and Opium, Bombay, viz. :—

- (a) that all yarns should be exempt ; and
- (b) that all cloth should be taxed at its market value.

It is manifest that if either of these schemes is fully carried into effect, protection of Indian produce will be impossible, and it only remains to be considered which is preferable on other grounds.

5. Mr. Campbell admits that the measures suggested by the Bombay mill-owners are in theory free from objection, but he urges that they would be difficult to work, if not altogether impracticable, especially in the case of local produce, because, owing to the conditions in which cloth is woven in the Indian mills, there is often considerable variation from the standard, and it would be a task of great delicacy and difficulty to distinguish between cloths above and below the limit fixed. The grounds for this objection are stated forcibly and clearly, and they are doubtless very substantial. But after careful consideration the Governor in Council has come to the conclusion that the difficulty pointed out is not insuperable. I am to point out that, under the existing Tariff Act, it is necessary to discriminate cloth of various counts for the assessment of the duty. There is no doubt less need for absolute accuracy in this discrimination than in determining whether cloth is dutiable at all, since error in the latter case may have some protective effect. But it appears to the Governor in Council that men who are habitually engaged in discerning the counts of cloth would be able to say with practically perfect accuracy whether it is made of yarn over 20s or not. There seems no reason to question the statement of the Mill-owners' Association that native piece-goods buyers can by mere handling form a very accurate estimate of the yarns used in the manufacture of cloth, and that any doubt can be settled conclusively by rubbing or washing. Moreover, whether or not the English mills are adapted to spin and weave counts over 20s, and Bombay mills counts under 20s, so exclusively as is represented, there can be little doubt that cases open to dispute would be comparatively few. The close examination in such cases would entail trouble and inconvenience to importers and producers, and the probability is that in order to avoid such trouble and inconvenience it would become the practice to leave a fair margin above or below the limit. It would be necessary to rule that if cloth contained any yarn above the limit, it would be liable to full duty.

6. To Mr. Campbell's proposal the Bombay mill-owners object :—

- (1.) That there would be a great loss of revenue ;
- (2.) That it would be inequitable to tax the products of the loom and not of the spindle ;
- (3.) That the Indian industry would be paralysed to the extent of the duty on all the stores consumed ;
- (4.) That hand-loom weaving would be protected.

As regards the first objection, it is for the Government of India to say whether the loss of revenue can be afforded. It does not appear to the Governor in Council that there is much force in the second objection, because there is no competition between the products of the loom and those of the spindle. The third objection is entitled to careful consideration, although it loses some weight by the fact that it would also apply to the scheme of the association, more particularly if their contention that practically the production of Bombay mills is confined to counts under 20s is accepted. It appears, however, to his Excellency in Council that the objection would be in no material degree met by the suggestion of Mr. Campbell that the collector might be granted power to exempt dye stuffs certified to be for use in factories, because dye stuff must be of less importance than stores of many kinds required for spinning and weaving mills, and the outturn in India, or at all events in this Presidency, of dyed as well as of bleached and printed cloth, is so insignificant that the question as affecting them is of trivial importance. The fourth objection is in the opinion of his Excellency in Council of considerable importance. There are hereditary, skilled, and generally well-to-do weavers throughout the country who will be materially aided in their competition with the mills by a tax on the cloth produced in the mills, from which they are exempt.

7. But the most serious objection to the taxation of all cloth is that the poorer classes of consumers would have to pay more for their coarse cloths than there is any need to make them pay, for it is admitted that the excise duties are not imposed for the purposes of revenue, but only to prevent protection. The Right Honourable Sir Henry Fowler said that the taxation of these cloths "would be to impose a heavy oppressive tax upon the poorest class of the population, for which no justification could be offered." It was to a large extent for this reason that yarns of 20s and under were exempted by the existing Act, and his Excellency in Council considers that there should be no departure from this policy unless it can be shown to be absolutely needed, to prevent a greater evil, that the burden of taxation borne by the poorer classes should be thus increased. It is not overlooked that the Lancashire manufacturers state that the duty free cloth made in India is only $\frac{1}{10}$ th of that imported, and argue that the poorer classes must be mainly clothed with the latter. But they forget or do not know that the poor have to be satisfied with a small quantity of cloth at long intervals, while the rich buy much and often. Certainly the 240 millions of yards of cloth which they give as locally produced would go a long way towards clothing the poorest classes in the fashion they are clothed, and it may safely be assumed that all the coarser and cheaper cloth goes to them.

8. The conclusion to which his Excellency the Governor in Council is forced is that the proposal of the Collector of Land Revenue, Customs, and Opium, Bombay, is open to most serious objection from which the scheme of the Bombay mill-owners is free, that the latter should, therefore, be adopted unless the difficulties of working it are shown to be insuperable, and that there are good grounds for holding that an accurate differentiation of cloths made from yarns of 20s and under from cloths made of higher counts is practicable. A telegram in this sense has to-day been despatched to you.

P.S.—The Governor in Council has to-day, after the despatch of the telegram above referred to, and after the preparation of this letter, learned that Bills to amend the Tariff Act and Cotton Duties Act in a different manner from that recommended have been introduced into the Legislative Council of his Excellency the Governor-General. This Government, however, consider it desirable to show the grounds for the conclusions already telegraphed, and I am therefore directed to forward the letter.

No. 618 C., dated 15th January 1896.

From J. M. CAMPBELL, Esq., I.C.S., C.I.E., Collector of Land Revenue, Customs, and Opium, Bombay, to the SECRETARY TO THE GOVERNMENT OF BOMBAY, Revenue Department.

(Through the Commissioner of Customs, Salt, Opium, and Abkari, Bombay.)

With reference to your memorandum, No. 196, dated the 8th instant, I have the honour to submit herewith a printed copy of the report of the Bombay Mill-owners' Association on the subject of the representation made by the gentlemen interested in cotton manufacture in the United Kingdom, and also of my own, forwarding report and the accompaniments on the same subject.

No. 277, dated 16th January 1896.

Endorsed by the Commissioner of Customs, Salt, Opium, and Abkari, Bombay.
Submitted to Government.

No. 617, dated 14th January 1896.

From J. M. CAMPBELL, Esq., C.I.E., M.A., Collector of Land Revenue and Customs, Bombay, to the SECRETARY TO THE GOVERNMENT OF BOMBAY, Revenue Department.

I have the honour to forward the report of the Mill-owners' Association on the questions referred to them by the Government of India. The report of the Chamber of Commerce will follow when received.

2. The conclusions of the Mill-owners' Association may be summarised as follows :—

- (1.) The Mill-owners' Association would not object to the exemption from import duty of all cloths and yarns of 20 and under, although they would themselves still have to bear the import duty on mill stores. The Customs objections to this exemption they hold to be not insuperable.
- (2.) The exemption of cloths of 20s and under and of all yarn is more than Lancashire can fairly claim, seeing that the Indian mills will still be burdened by the import duty on stores, and that other English industries are not so favoured. But this also would be accepted by the Association as a final settlement.
- (3.) The reduction of the import duty on cloth of over 20s by $\frac{1}{4}$ per cent. or more would be unfair to other industries that pay 5 per cent.
- (4.) The exemption of all yarn and the taxing of all cloth is objectionable because—
 - (a) of the loss of revenue,
 - (b) of the unfair advantage it would give to spinning mills,
 - (c) of the burden of the import duty on stores,
 - (d) of the protection to hand looms.

I am informed that the conclusions of the Chamber are in brief :—

- (1.) That yarns of 20 and under and cloth made from those yarns should be free.
- (2.) That goods made of over 20s should be excised on the values of the goods instead of upon the yarns contained in them.

Government will observe that these conclusions are substantially the same as those of the Association. In a letter of yesterday the secretary of the Chamber of Commerce informs me that the considerations and the information which have led the Chamber to their conclusions are practically the same as those stated at length in the Association's report. Mr. Marshall suggests that it is advisable to lay the Association's report before Government at once and not to await the receipt of the report of the Chamber of Commerce. This suggestion is, I think, in agreement with the wish of the Government of India to whom the delay in the receipt of these reports is causing anxiety.

3. I would venture to draw attention to the ability and thoroughness with which the Mill-owners' Association have dealt with the complaints made by Lancashire manufacturers against the working of the existing duties. At the same time I beg to submit herewith the result of my assistant, Mr. Enthoven's, and of my own consideration of the questions so far as our acquaintance with it extends. The bulk of this report and of the accompaniments are the work of Mr. Enthoven.

4. Lancashire's objections to the present system of taxing cotton goods are :—

- (1.) That to exempt local yarns of 20 and under and cloth made from those yarns and to tax imported yarns of 20 and under and imported cloth woven from the same unfairly favours the local produce.
- (2.) That to tax local cloth on its yarn and imported cloth on its finished value unfairly favours the local produce.
- (3.) That to tax local yarn and cloth at grey values and to tax imported goods at dyed, bleached, and printed values unfairly favours the local produce.

5. Neither the Bombay Chamber of Commerce nor the Mill-owners' Association denies that these inequalities in the method of taxation of imports and local goods exist. It is, however, asserted that as the import of 20s and under and goods made therefrom is small, and as the local production of dyed, bleached, and printed yarns and cloth is not extensive, points (1) and (3), even if established, do not constitute serious grievances. It appears to be admitted that some unfairness exists in the system of taxing local cloth on yarn only. As shown in Note A. appended to this report, the import of yarn of 20s and under into Bombay is inconsiderable. As regards cloth made from yarn of 20s and under, evidence is lacking. Cloth has not been classified on import by the count of yarn it contains. But as the evidence produced from Lancashire on this point has not been disproved, it would seem to show a certain import which, though small, deserves consideration. It should be noted that, while the Bombay Chamber and the Mill-owners' Association admit that a tax on yarns is less than a tax on cloth, the latter do not agree with the English producers concerning the difference in incidence of the two taxes. According to the English producers a 5 per cent. tax on yarn is equivalent to

a $3\frac{1}{2}$ per cent. tax on cloth, whereas the Indian manufacturer calculates that a 5 per cent. tax on yarn is equal to a $4\frac{1}{2}$ per cent. tax on cloth. The result would seem to depend mainly on the extent to which the warp is sized. Without going into details it is sufficient to assume that the difference is about 1 per cent. or one-fifth of a 5 per cent. tax; it follows that under the present system local cloth is protected to the extent of about 1 per cent.

6. In regard to stores, both Lancashire goods and Indian mills pay duty, the Lancashire goods on all stores in so far as they are represented in the finished value of their cloth, and the Indian mills directly on the bulk of the stores used. It follows that this point need not be introduced in considering whether under the existing system locally made cloth is protected.

7. It seems of importance to note that, while protection of 1 per cent. more or less exists in the case of cloth made entirely of yarn over 20s, the percentage is materially increased if the warp be of a count not exceeding 20. This, it is believed, is very common in the case of the better class Indian cloths. In the case of cloth made with dutiable weft the warp is very largely of 18s and 20s count. Speaking roughly, the weft yarns represent one-third of the weight of a piece of cloth. The remaining two-thirds is sized warp. A moderate sizing of 25 per cent. on the warp would thus show the following calculation for cloth made with dutiable weft only :—

6 lb. cloth :—
 Weft, 2 lb.
 Warp, 4 lb., less size 3 lb.
 5 per cent. on 2 lb. weft (say 26s) = 0·7 as.
 5 per cent. on 2 lb. weft + 3 lb. warp = 1·5 as.

So that if the weft alone pays duty, the tax levied is half the amount payable if both weft and warp are dutiable, and this latter is admittedly only four-fifths of the tax which would be levied on the finished cloth at 5 per cent.

Thus—

	As.
Tax on weft - - - - -	= 0·7
Tax on warp - - - - -	= 0·8
	—
Tax on yarn - - - - -	1·5
$\frac{5}{4}$ representing tax of 5 per cent. on finished cloth -	2·0

Imported cloth would, therefore, pay nearly three times the amount of local cloth made with high-count weft and low-count warp. It will thus be seen that independently of the possibility of the substitution raised by Lancashire, local producers, in a sense, regularly substitute cloths which, if made in England, would contain high-count yarns both for weft and for warp. The saving in duty is over 3 per cent., a protection on local cloth which seems to call for a readjustment of the excise duty.

8. Short of removing both import and excise duties, the remedies for the inequalities of which Lancashire complains would seem to be :—

- A. To tax all local goods, including yarns, at finished values when they leave the mill or other factory in which they are prepared for the market.
- B. To tax in this manner, both locally and on import, all yarns over 20s and all goods containing such yarns, and to exempt yarns of 20s and under and goods woven therefrom.
- C. To tax all woven cotton goods at finished values, and exempt yarns, both local and imported.

The accompanying report shows that the Mill-owners' Association favour B., that is, the exemption of yarns and cloth of 20s and under.

The advantages of each of the three proposals and the objections which can be raised against them may be thus summarised :—

- A. To tax all local goods, both cloth and yarn, at finished values—
 - (1) would provoke local discontent;
 - (2) would be a surrender to Lancashire in excess of any proved ground of complaint;
 - (3) would involve the taxation of, or at least the control over, large quantities of yarn to be exported from Bombay, with a view to grant it free export;

The monthly export of local cotton goods is estimated at 30,000 bales of yarn and 3,000 bales of cloth. Note B. in the Appendix gives the details of this estimate, and shows actual figures during half of November 1895.

- (4) would lead to complications in the case of subsequently woven, imported, and local duty-paid yarn.

About one-fourth of the local mills either weave English yarn or yarn spun in other local mills. See Table in Note C.

B. To tax all cloth and yarn of over 20s, and to exempt all cloth and yarn of 20s and under—

- (1) would be difficult to work in the case of imported grey cloth, and still more difficult in the case of imported dyed, bleached, and printed goods ;

See extract from Mr. Trevor's report (Note B.), paragraph 6, on difficulty experienced in 1879-1881.

- (2) would be still more difficult, if not impracticable, in the case of local cloth, since in local cloth the counts vary so greatly that no proper line can be drawn between cloth containing yarn of over 20s count and other cloth. Further, this difficulty seems insurmountable, seeing that in local cloth the count of weft varies constantly, owing to atmospheric conditions as well as to inaccurate spinning.

See Note E. This point is of the first importance. It is worked in detail in Note E. attached, which describes the difficulties experienced in endeavouring to trace for local cloth the count of yarn contained in any particular piece.

- (3) would apparently tend mainly to exempt American drills, which form the bulk of the imports of coarse cloth ;

- (4) would, like A. (4), lead to complications in the case of subsequently woven imported and duty-paid yarn ;

- (5) would raise the question of high-count borders, which between 1878 and 1881 was the cause of serious trouble ;

- (6) owing to the difficulty of distinguishing between counts after dyeing and bleaching, it would probably require all local and imported dyed and bleached yarns and all dyed, bleached, and printed cloth to be taxed. Further, it would be very difficult to arrange for taxing at dyeworks yarns and cloths of certain counts only, as this would involve objectionable supervision of processes which are rightly considered more or less secret.

C. To tax all woven cotton goods and exempt all yarns—

- (1) would tax low-count cloth and let high-count yarn and hand-woven cloth made therefrom pass free ;

- (2) would benefit Lancashire by the exemption of Rs. 3,000,000 imported yarns from duty (*i.e.*, Rs. 15,00,000 duty), while the taxation of local mills would be increased. See Note G.

9. On the other hand, the proposal to tax cloth and exempt yarn is free from the great practical difficulties shown in the objections to A. and B. If it be admitted that for fiscal purposes the endeavour to draw a line between woven goods containing yarn above and below a fixed count must be unsatisfactory in that it involves constant interference with the process of manufacture in the case of locally-made goods, and a series of very difficult tests in the case of goods imported, and in neither case with conclusive results, it may be taken that the practical schemes are four :—

- (1.) To tax all yarn and all cloth.
- (2.) To tax no yarn and no cloth.
- (3.) To tax all yarn and no cloth.
- (4.) To tax all cloth and no yarn.

It has been seen that (1) is severely unfavourable to Indian interests ; that (2) is impossible financially ; and that (3) is not financially possible as regards imports, and, as applied locally, has been found to contain elements of protection to Indian manufactures. Thus (4), namely, to tax cloth and exempt yarn, is left as the one workable scheme. No doubt from the point of view of equality of taxation the exemption in all cases of yarn of 20s and under and of cloth made from those yarns is theoretically perfect. But for the reasons explained it is believed that the great practical difficulties in working this scheme would very shortly lead to grave and general dissatisfaction, both among importers, who would challenge tests at the Customs House, and among local

producers, who would resent the supervision of their looms which under such a scheme would be necessary in order to protect the revenue. Further, it is worthy of consideration that the adoption of C., that is, the taxing of cloth and the freeing of yarn, would very materially simplify the working of the Excise Act, both in respect to the form of returns submitted by mills for assessment and as to the establishment of claims for drawback on exported goods of local manufacture. The present returns of yarns spun, showing yarn bundled, yarn passed out of the spinning section for weaving purposes, and yarn otherwise issued off the premises, might be replaced by details of each kind of woven goods made by the mill, with the further result that when a claim for drawback on cloth goods came to be preferred the question of the count or counts contained therein, which has to be disposed of under the present system, would cease to be relevant and would no longer be raised. This must save mill-owners much troublesome labour in claiming drawback, and would further remove the difficulties which are fully explained in Note F.

Again, if goods are taxed without reference to the counts contained, the inspection, which is designed to protect the revenue, must similarly be rendered less open to objection on the score of interference with the process of production. Such interference is involved in inquiries into the method of manufacture, and these inquiries could not be foregone if cloth were dutiable or non-dutiable according to the nature of the yarns woven into it.

10. Whichever of the three systems explained in this report is found preferable, I would venture to urge that no change is at present desirable in the method of assessment; that is, assessment on returns submitted by mill-owners. So far, and this I hope to show later in submitting the first annual report on the working of the Cotton Excise Act, these returns have been prepared carefully and honestly, and every assistance has been rendered by mill-owners in working the system which is based thereon. Their action in this respect seems to call for grateful recognition. It is hoped that until some grounds are found for distrusting its efficacy the system of assessment by returns may be adhered to.

11. It will be seen from the report of the Mill-owners' Association that on the grounds stated in paragraph 14 of their report, the Association do not propose to submit either criticism or suggestion on the question of Indian competition with imported bleached, dyed, and printed goods. The grounds on which the Association adopt this course are, first, as regards machine competition, that there are neither bleaching nor printing factories in Bombay, and (apparently) that the competition of the three dye-works is inappreciable; second, as regards hand competition, that the methods of the hand bleachers, dyers, and printers are so antiquated and cumbersome, and the production so crude, that they cannot be considered as competing with European goods. This view may, I venture to think, be accepted as a practically correct description of existing conditions. At the same time, as the absence of any duty on local bleaching, dyeing, or printing, is one of Manchester's three main objections to existing arrangements, and as machine bleaching, dyeing, and printing are industries not unlikely to spread in the early future, it seems advisable to give the question a somewhat fuller consideration.

It appears that machine bleached, dyed, and printed local goods may be treated in one of three ways:—

- (1) they may be taxed *ad valorem* at finished values;
- (2) they may be taxed at grey values, imported goods being taxed at dyed, printed, and bleached values;
- (3) they may be taxed at grey values, imported goods being also taxed at grey values.

It is doubtful whether the second of these plans, namely, locals at grey and imports at dyed and printed values, would be satisfactory. It does not meet the objections raised by Manchester to the present cotton duties. Even if it were modified to the extent of taxing at the mills, through returns, all such goods dyed or bleached at the mill, or woven at the mill from yarn dyed outside, there would still remain the case of cloth brought from mills in its grey state and dyed in large dye-works. Hand-dyeing need not be considered, as it is not apparently a process which can compete with dyeing by mechanical power, whether in England or in India. In fact, the whole question of hand labour seems to lie outside the fair scope of this report. It does not seem that any moderate tax on mill-made goods could remove the advantages in cost of production which they enjoy over hand-made cloth. If hand-loom had to be considered, an indirect tax on the yarn would apparently be the best method of assessment, unless a loom tax were thought preferable. But hand-loom and hand-dyeing apart, it is to be feared that

seeing how very greatly, from 30 to nearly 70 per cent., dyeing and printing add to the grey values of imported goods, the taxation of imported coloured and bleached goods will give ground for complaint so long as grey cloth may be dyed locally in large dye-works, without paying duty on more than its grey value.

12. At present, since the Ahmedabad Manufacturing and Printing Company has ceased to print, the Bombay Presidency has neither separate bleaching nor print works. As regards local machine-dyed cloth, it is to be noted that under a system of taxing cloth and exempting yarn, almost the whole out-turn of machine-dyed cloth would pay full duty, since, except a minute fraction, all local machine-dyed cloth is dyed in the yarn either in factories which also weave or in one of three special dye-works, two of which are in Bombay and one is in Ahmedabad. Under such a system, the mass of local machine-dyed cloth would pay the same tax as imported dyed and printed cloth. There remains the minute fraction of local machine-dyed cloth which is dyed in special dye-works as cloth and not as yarn. So far as information is available, grey cloth is dyed at only two special dye-works, one in Bombay, the other in Ahmedabad. In neither case is the present output of dyed cloth large enough to cause any appreciable competition with imported dyed goods. At the same time, there is no reason why bleaching, dyeing, and printing at special factories should not extend if they be given an advantage which imported dyed goods do not possess, that is, freedom from taxation on the portion of the value of the finished article which represents the result of the bleaching, dyeing, or printing. To meet this objection, the admission of coloured goods at grey values would be theoretically adequate, but apart from the serious loss of revenue which this remission would entail, the arrangement would be practically difficult of adoption. The enhancement in value due to bleaching, dyeing, and printing varies so greatly, from 20 to 70 per cent. in different varieties of cloth, that to fix any general reduction would be well nigh impossible. Indeed, this enhancement of value would seem easier to estimate in the case of locally dyed cloth. Here the value of the grey cloth may be ascertained by a reference to the producing mill (imported cloth is rarely if ever dyed), and the finished value of the dyed cloth is equally ascertainable. The difference might be taxed even if it was for that purpose necessary to exempt such portion of the value as was held to represent the cost of dye stuffs taxed on import.

13. If C., that is, taxed cloth and free yarn, were to be adopted as a remedy for the present inequalities in taxation, it is to be observed that the local mills would be called on to pay duty twice on such stores as are now dutiable on import, and again so far as such stores are represented in the price of the finished cloth. It is almost impossible to calculate, with anything approaching to accuracy, the percentage of the final value of the cloth which represents the duty on stores. In the Indian mills bands, sizing ingredients, mineral oil, nuts, screws, and all portions of machinery imported separately to replace breakages, tools, packing paper, asbestos, bobbins, cans, dyed and heald yarn, and other minor items pay duty on import. It might, perhaps, be possible to exempt certain sizing ingredients imported solely for use in mills, but in reference to the other items it seems doubtful that relief could be given either by exemption on import, or by reduction in the taxation of the cloth. In the one case there is the difficulty that such stores are imported for many other purposes besides use in the cotton mills, while in the other there seems no method of framing a sufficiently accurate estimate of the reduction which should be granted. It may perhaps be noted that the portion of a 5 per cent. tax which could at a generous estimate represent a tax on stores used for the making of the cloth would in all probability be less than one-fourth per cent., that is, 4 annas on Rs. 100 worth of cloth. In the matter of dye stuffs, the case for the local mills is stronger than in the matter of stores. To meet the legitimate complaint that dye stuffs will be charged twice over, the suggestion may be offered that dye stuffs certified by a mill to be imported for its own use might pass free. The objection is the risk of deception. Still, there are two practical tests. A check from the past by comparing the import of dye stuffs by the same factory in former years, and a check from the future by tracing from the books how the dye stuffs passed free have been disposed of. This solution would escape the inevitable complaint that the reduction in duty on account of dye stuffs was either too great or was not sufficient.

14. On page 3 of their memorial to the Secretary of State the Lancashire manufacturers state that a kind of cloth 30 by 30s weft and warp, dimensions 35 in. \times 38 yds. \times $8\frac{1}{9}$ lb., and 16 \times 16 threads to the $\frac{1}{4}$ inch, would be counterfeited in India with yarn 20s by 20s. Without going into the question whether these two manufactures would compete on equal terms, or on which side the advantage would be in the Indian market—questions which have been discussed in full in the reply submitted by the

Bombay Mill-owners' Association—it may be of interest to note the following description of cloths which have recently been produced in the Bombay mills :—

- (1.) 35 in. × 38 yds. × 9½ lb. 13 × 13½ threads made with 32s weft and 20s warp.
- (2.) 36 in. × 38 yds. × 9 lb. 12 × 12 threads made with 28s weft and 19s warp.
- (3.) 35 in. × 38 yds. × 9 lb. 11 × 12 threads made with 30s weft and 18s warp.

It will be seen that these are practically the cloths which are stated in the memorial to be likely to be manufactured in Indian mills in competition with home products: That none of these descriptions of cloth were woven before the imposition of the cotton duties is not contended. At the same time, there is fair reason to suppose that its advantages under the existing system of duty was partly at least the origin of the substitution in the case of the cloths described in detail at page 13. That such a substitution is taking place seems a fair inference (a) from the simplicity of the change from dutiable to non-dutiable warp, and (b) from the decline in the production of dutiable yarns for weaving purposes, shown in Statement IX., page 14, and in Appendix I., page 15.

15. As on the practical grounds noted above, I have ventured to recommend to Government the proposal referred to by the Association, namely, to tax cloth and exempt yarn, it seems necessary to examine the grounds on which the Association reject that proposal. These grounds are four :—

- (1) the loss of revenue ;
- (2) the unfair advantage it gives to spinners ;
- (3) its failure to remove the special burden on local mills caused by the import duty on stores ;
- (4) the unfair advantage it gives to Indian hand-loom in their competition with Indian mills.

As regards (1) it is true that the scheme involves a loss of revenue. It is for the Government of India to decide whether this loss is or is not compensated by the advantages of the proposal.

(2.) That exempting yarns and taxing cloth will favour spinning is also true. In estimating the weight to be attached to this objection two points have to be considered :—

- (i) that spinning and weaving are not in competition ;
- (ii) that as all local weaving mills also spin, the exemption under spinning, will go some way to lessen the increased burden on weaving. And that even if a 5 per cent. duty might at first tend to increase the spinning and diminish the weaving, the change would adjust itself by the lowered price of yarn and the enhanced price of cloth which the change would produce.

(3.) The objection that the proposal does not remove the burden on local mills caused by the import duty on stores may be met by the argument that the same objection applies equally to all other proposals, including the abolition of cotton duties. Further, it is to be noticed, as shown in paragraph 21 of the Association's report, that details obtained from certain of the mills show that the duty on stores does not represent a burden of more than ¼ per cent. At the same time it might be possible to exempt certain stores such as China clay and other articles used in sizing, which are used mainly in spinning and weaving factories. And in the case of dye stuffs, where the burden is more appreciable, I would suggest for consideration whether the collector might not be allowed to exempt from duty dye stuffs which he is satisfied are imported for use in factories.

(4.) The Association seem to consider the advantage it would give to hand-loom the chief objection to the freeing of yarn and the taxing of cloth. On this I would notice that at paragraph 14 of their report the Association contend that the manufacturers of imported dyed and printed cloth will have no practical ground to complain if their goods are taxed on their dyed and printed values while the produce of local hand-dyers and printers is exempted, because the processes and appliances of Indian hand labour are so antiquated and cumbersome that hand produce enters into no practical competition with the products of machinery. This view seems to me sound. In applying it to the present case I would notice that the hand dyer and still more the hand printer has advantages both in his personal skill and in the character of the goods he turns out which the hand weaver does not possess. If the skill of the hand dyer and printer and the special character of his colours and patterns fail to enable him to compete with machinery, still less I venture to think can the simple and easily-copied wares and the half-skilled labour of the hand weaver, often weaving to eke out his earnings as a labourer, compete with machinery.

There remains against the taxing of cloth and the freeing of yarn the objection that it increases the burden on the local producer. This, which I venture to think the only serious objection to the proposal, may be met, or at least its force may be reduced, by adopting, if it is financially possible, a proposal referred to by the Association, namely, a reduction in the import and excise duties on cotton goods. The Association object to any proposal to reduce the cotton duties on the ground that it will be unfair to have cotton goods charged at a lower rate than other imports which are in competition with local products. The existence of the cotton excise duties proves the admittedly special position which cotton imports hold. For this reason, and since a reduction in the import duty on cotton goods in no way affects the position of other imports, the reduction in cotton duties, if a reduction is financially feasible and is found necessary to secure the equal taxation of imported and local cotton goods, seems to give no ground for a claim to a similar reduction on the part of manufacturers of other imports. In this matter it is also to be remembered that though under the present tariff the rate of taxation of cotton goods has been made uniform with that of other goods, this was not the case under previous tariffs. Under the Customs Act of 1862, while other goods paid 10 per cent., cotton goods paid 5 and yarn $3\frac{1}{2}$ per cent. Similarly under the Customs Acts of 1867, 1870, and 1871 other goods than cotton were charged $7\frac{1}{2}$ per cent., while cotton cloth paid 5 and yarns paid only $3\frac{1}{2}$ per cent.

16. I venture to think that the facts brought to notice in this report and accompaniments show that in certain details the existing system of excise tends unduly to favour the local producer. If this is accepted, and if further it is admitted that no workable remedy exists except the taxing of cloth and the freeing of yarn, it seems advisable, if it is financially possible, to reduce the import and excise duty on cloth. A reduction of duty would to a great extent meet the serious objection that to tax cloth and exempt yarn increases the burden on the local producer. A reduction in duty will also remove or at least it will lessen the risk that taxation should induce factories to increase their spindles and reduce their looms in a way which is not in agreement with the natural conditions of trade. Finally, a reduction will, I venture to think, refine to a point which no well-informed man can continue to press the argument about hand competition.

17. The result of these remarks is to show that Manchester's complaints of protection under the existing system of taxing local yarn, not cloth, are not without foundation, and that in certain details the existing system inclines to be somewhat unduly favourable to local interests. That to secure a satisfactory settlement of the question these traces of protection must be removed; that the proposal of the Chamber of Commerce and of the Mill-owners' Association to exempt all cloth and yarn made of 20s and under, though in theory fair, is open to the very serious, if not insurmountable, practical difficulties which envelop any attempt to draw the line of taxation at a certain count of yarn; that the only practical alternative is to tax all cloth and to exempt all yarn; that this scheme is open to the objection that it increases the amount of taxation which will fall upon the local industry; that to a certain extent this increased local burden will be due to the fact that the existing system has tended to prove unduly favourable to local interests; that in spite of this objection (or of so much of it as is relevant) the proposal to tax cloth and to exempt yarn seems to supply the only practical settlement of the question; that the main difficulty in working this scheme will be the treatment of bleached, dyed, and printed cloth; that the serious sacrifice of revenue which it would involve and the difficulty of ascertaining in many varieties of cloth the difference between their grey and their coloured values make impossible a settlement by a deduction from the taxable value of imported coloured and printed goods; that as the number of special local dye-works is at present only three, and as the increase of value due to the dyeing or printing in these factories can be accurately ascertained, it seems advisable to tax cloth dyed in these works in order that all cloth, both local and imported, whether grey, bleached, coloured, or printed, may as nearly as possible be taxed on its market value; that this will cause no injustice to local dye or print works since they will in no case pay more duty than similar imported dyed or printed cloth, and since the duty will not be of sufficient weight to give any practical encouragement to the competition of hand labour; that at the same time in the event of local bleaching, dyeing, and printing industries spreading, this precaution will prevent Manchester raising a protest that the extension of these industries is due to their protection; finally, that an allowance should be conceded to local dyers and printers to make up for their payment on import duty of dye stuffs; or that, which seems practicable and is preferable, the import duty on dye stuffs to be used in local factories should be remitted.

COMPETITION IN YARNS AND COTTON GOODS.

NOTE A.

Influence of the Duty on Cotton Piece-goods upon the Competition between the United Kingdom and Bombay.

It can be contended, and it is at the present moment being asserted by English manufacturers, that the levy of a 5 per cent. duty on cotton goods imported into India, accompanied by a countervailing excise on such goods locally manufactured as may compete with the former in the Bombay market, is calculated to benefit local producers at the expense of the home manufacturers. I do not propose to enter upon a discussion of the general economical principles on which such a contention is based. My object is merely to record facts which are to be learnt from the experience of the last nine months during which the cotton duties have been in force, and to endeavour to show how they bear on the contention which has been raised by Lancashire spinners.

2. It will be remembered that the Cotton Duties Act rendered liable to duty only local yarns of over 20s count, on the assumption that no competition exists between English and Indian cotton goods woven of yarns below that limit. It will, therefore, be useful to examine how the levy of the duty has so far affected the trade in English and Indian cotton goods :—

- (1.) Representing yarns of over 20s.
- (2.) Containing lower count yarns.

The objects to be attained by the examination of such facts as are available are twofold, namely, to ascertain—

- (1) whether, as a matter of fact, competition, either direct or indirect, exists in yarns of 20s count ;
- (2) whether the taxation of other yarns has altered the conditions of the home and Indian trade so as to injure either of the competing parties.

3. In a discussion of these points it will be advisable to treat separately the cases of yarn not woven in the mills and cloth.* They differ from each other in many points. The conditions governing the manufacture of cloth are complicated and render conclusions less positive. But it would seem that they are more im-

portant, inasmuch as Lancashire manufacturers have generally confined protests to the case of cloth goods. They no doubt anticipate in this direction the greater risk of injury to their trade.

4. As regards yarn which is not woven in the mills, it may, I venture to think, be safely asserted that the imposition of the duty on over 20s has affected alike both Indian and English yarns. In the working of the Cotton Duties Act I have so far found little difficulty in controlling the production of bundled yarns over 20s and assessing them correctly to duty. It may, I think, be fairly assumed that all bundled yarns over 20s count, whether produced in the Bombay Presidency or in England, pay the same tax to Government. The questions for consideration are thus whether any direct competition exists below the exciseable limit, and whether if this is shown not to be the case, the levy of 5 per cent. duty on both yarns has tended to favour local production.

5. I find, in a memorial presented by the Bombay Mill-owners' Association to the Government of India, that in the years 1892 and 1893 only 20 bales of yarns below 24s were imported into Bombay. This practically amounts to an entire absence of direct competition in counts below 24s. Since the duties came into force the import into Bombay from the United Kingdom below 25s has been as follows :—

TABLE I.—IMPORTS of YARNS below 25s, January—August 1895.

January 1st to April 1st.	April.	May.	June.	July.	August.
3,000 lb. - - - - -	NIL	900	NIL	NIL	3,000
(Total 6,900 lb.)					

In the absence of direct competition it has to be decided whether the duties have induced buyers to favour local non-dutiabale yarns in place of yarns over 24s formerly imported from England. It is difficult to presume that they would prefer local yarns between

20s and 24s to imported yarns of a higher count, for both have been taxed equally and therefore they are as regards each other in precisely the same position as they were before the duties were imposed. It would be different if the duty on local yarns of these counts were inaccurately levied; but on this point, as I have stated above, there is not at present any room for doubt. Hence the considerations which formerly led purchasers to prefer imported yarns of over 24s to local yarns between 20s and 24s cannot have been affected by the duties. It remains to be seen how far this conclusion agrees with the facts available, and whether, on the other hand, purchasers now prefer free yarn, that is, yarn of 20s and under, to the imported yarn over 24s. I take it that if this were the case, or if, as a matter of fact, the imposition of the duties has, contrary to expectation, created a demand for local yarn under 24s in place of imported yarn over 24s, the imported yarns would show a steady tendency to decrease since the duties came into force. Such tendencies take time to manifest themselves in statistics. The following particulars show the imports of yarns since the imposition of the duties on December 27th, 1894.

TABLE II.—IMPORTS of HIGH COUNT YARNS, January—August 1895.

Month.	Counts 26-30.	Counts 31-40.	Counts 41-50.	Counts over 50s.
	lbs.	lbs.	lbs.	lbs.
Average monthly imports, January 1st to March 31st.	320,000	262,000	72,000	10,000
April - - - - -	240,000	249,000	64,000	4,000
May - - - - -	373,000	296,000	54,000	15,000
June - - - - -	313,000	235,000	18,000	15,000
July - - - - -	117,000	124,000	21,000	18,000
August - - - - -	109,000	126,000	9,000	9,000

NOTE.—This table relates to grey yarns only.

These figures do not appear to show a steady decline in importations. July and August are monsoon months during which imports occasionally decrease, and the variations would appear to be more in the nature of trade fluctuations.*

* In support of this remark see Table in Appendix No. III. (p. 121), showing imports of yarns at Bombay for 10 years; these figures include both grey and coloured yarns. They show occasional variations of 50 per cent. from one month to another.

The period is somewhat too brief for the formation of general conclusions. But a comparison with the following figures would seem to favour the assumption that these goods have not been displaced by local yarns:

(1.) Table III. showing bundled yarns produced in the Bombay mills for the same period and of the same counts.

(2.) Table IV. showing gross productions of dutiable yarns in the Bombay Presidency since the Act came into force.

TABLE III.—PRODUCTION of HIGH COUNT YARNS in the BOMBAY MILLS, January—August 1895.

Month.	26-30.	31-40.	41-50.	Over 50s.
	lbs.	lbs.	lbs.	lbs.
January - - - - -	209,407	135,771	22,400	Nil.
February - - - - -	190,043	108,276	17,290	—
March - - - - -	195,263	124,116	17,290	—
April - - - - -	163,375	145,143	7,600	—
May - - - - -	229,580	146,791	18,010	—
June - - - - -	262,690	112,990	17,690	—
July - - - - -	254,288	61,850	1,600	—
August - - - - -	127,860	34,212	9,574	—

NOTE.—These figures are for the mills in Bombay Town and Island. Yarns outside Bombay do not compete, and no particulars are available.

These figures do not show any tendency on the part of the local yarns over 26s to increase and replace imported yarns of those counts. Nor is there any increase in the months of July and August when a falling-off is recorded in imported yarns. Nor

again has there been a steady increase in the production of local bundled yarns between 20s and 24s.

TABLE IV.—TOTAL BOMBAY PRODUCTION OF DUTIABLE YARN, January—August 1895.

Count Nos.	Assessed in January for December.	Assessed in February for January.	Assessed in March for February.	Assessed in April for March.	Assessed in May for April.	Assessed in June for May.	Assessed in July for June.	Assessed in August for July.	Total.
		Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.
Over 20s to 24s -	Nil	15,74,878 10	*22,18,814 10	12,72,231 0	39,41,029 11	30,40,337 8	25,36,453 6	23,96,630 10	1,50,80,428 7
" 24s „ 32s -	—	5,39,740 0	10,83,908 8	5,08,037 0	10,81,669 4	9,08,329 8	21,55,704 5	10,27,008 12	73,04,297 5
" 32s „ 42s -	—	1,87,174 2	58,011 2	1,54,077 8	3,84,062 8	1,18,613 0	2,98,148 8	1,40,218 4	13,13,305 0
" 42s „ 52s -	—	14,910 0	2,947 0	18,008 4	23,797 0	22,327 8	27,603 0	10,208 0	1,18,795 13
" 52s „ 60s -	—	3,827 0	2,946 0	55 0	1,768 0	324 0	226 0	289 0	9,775 0
" 60s „ 70s -	—	—	—	—	—	6,088 8	11,277 0	1,938 0	19,303 8
" 70s „ 80s -	—	46 0	—	3,298 0	—	—	—	—	3,344 0
Total - -	—	23,20,375 12	38,64,627 4	19,56,760 12	46,11,225 7	30,91,520 0	60,29,454 3	35,76,292 10	2,38,49,246 0

* This should be taken as the first true return of 20-24s, a quantity of yarn being omitted in January which has since been classed as 20s.

TABLE V.—YARN bundled in the BOMBAY MILLS from January to August 1895 under COUNT Nos. 2-20—24.

Count.	January.	February.	March.	April.	May.	June.	July.	August.
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
2-20 -	—	—	320	2,400	3,200	—	—	—
3-20 -	—	—	400	9,600	2,800	—	—	—
21 -	334,737-4	109,500	97,420	65,460	90,350	141,480	43,440	17,400
22 -	285,995	146,786-12	269,230	219,310	165,140	34,990	156,580	73,380
24 -	319,230	252,141-12	241,430	242,350	281,230	292,830	301,670	179,750
Total -	939,962-4	764,568-8	1,156,300	1,439,820	1,287,760	469,300	501,690	270,530

From these figures, excluding doubled twenties, the monthly totals of over 20s and not exceeding 24s are seen to be:—

TABLE VI.—TOTAL BOMBAY COUNTS 20s-24s, 1895.

Month.	—	Month.	—
	lbs.		lbs.
January - - - -	939,962	May - - - -	1,281,760
February - - - -	764,568	June - - - -	469,300
March - - - -	1,155,590	July - - - -	501,690
April - - - -	1,427,820	August - - - -	270,530

With regard to the last point, namely, whether local non-dutiable yarns have replaced imported yarns over 24s, the quantities of local non-dutiable yarns produced are shown in the following Table VII. :—

TABLE VII.—PRODUCTION OF NON-DUTIABLE YARNS IN BOMBAY PRESIDENCY, from 27th December to 30th September 1895.

Month.	—	Month.	—
	Lbs.		Lbs.
December and January - - - -	25,652,764	June - - - -	24,562,551
February - - - -	20,006,645	July - - - -	23,613,878
March - - - -	21,966,279	August - - - -	25,481,842
April - - - -	23,033,515	September - - - -	23,453,952
May - - - -	25,929,649		

For particulars showing separately the out-turn in Bombay Town and in the Presidency, see Appendix VI. From these figures it will be observed that neither in Bombay Town nor in the Presidency has there been a steady rise in the production of non-dutiable yarns. Moreover, it would seem in the highest degree unlikely that yarn of 20s or below could, on account of a 5 per cent. tax, displace yarn over 24s. If one could be used for the other on a slight inducement (5 per cent. on 24s yarn is 3 pies a lb.), obviously the difference in prices would have brought about the change without waiting for the passing of the duties on cotton goods.* It may, therefore, I think, be said, in so far as can at present be judged—

* See Appendix IV., where prices are quoted and the subject further dealt with.

- (1) that in bundled yarns there is no competition below 24s ;
- (2) that imported yarns over 24s have not shown a strong tendency to decrease since the duties were imposed ;
- (3) that local yarns over 20s have not shown a tendency to increase and replace imported yarns over 24s ;
- (4) that local yarns under 20s could not replace other yarns, whether local or imported, of over 24s count ;

and that, in so far as these conclusions are correct, the imposition of the duties has not injuriously affected the importation of bundled yarns to the benefit of local manufactures.

6. The case of imported cloth is more complicated, inasmuch as only a portion of the value of local cloth is affected by the duties, whereas cloth on import pays a tax on its whole value. The Manchester case on this point has been mainly represented as a protest against the resulting difference of taxation, the case being summed up in a statement showing the items on which the Lancashire producer is taxed and on which the Indian producer pays nothing. These items are as follows :—

TABLE VIII.—SUMMARY OF MANCHESTER'S CASE AGAINST EXCISE DUTIES ON CLOTH.

No.	Competition.	Tax of 5 per cent. paid by
1	On the weight of weft	Both.
2	On stores, i.e., oil, tallow, brushes, sizing, bands	Do.
3	Weavers' wages	England.
4	Wages of winders, wrappers, tapers, loomers, office management	Do.
5	Rent, rates, taxes, insurance	Do.
6	Agents' charges, packing, freight	Do.
7	Carriage	Do.
8	Coal	Do.
9	Flour for sizing	Do.
10	Strapping for belting	Do.
11	Interest on loan money	Do.
12	Gas	Do.
13	Depreciation of machinery and plant	Do.

(“Pioneer,” October 8th, 1895.)

Accepting these particulars as correct, and also accepting the Lancashire estimate that these items represent an additional tax of $1\frac{1}{2}$ per cent., Bombay cloth contributing only $3\frac{1}{2}$ per cent. on the whole value of the finished article, it must be admitted that existing import and excise rules could aid local cloth in its competition with Manchester produce. I give below particulars of imports of cloth goods since the Act came into force, with similar details of the dutiable weft produced at weaving mills in Bombay during the same period. Before considering these figures two points seem to require notice in as far as they bear on the question of competition between local and home-made cloth. In the first place, as long as warp and weft are both of dutiable counts and are assessed to duty, the remaining constituents of the value of the finished cloth will represent a very small item of the total value, and consequently the favourable margin for Bombay weavers will not be very great. The difficulty, and possible unfairness, arises in the fact that imported cloth ordinarily does not contain both warp and weft over 20s, and is taxed on the value of cloth so constituted. Whereas there are some indications that local cloth made in the same fashion can escape a considerable percentage of taxation by substituting non-dutiable warp for over 20s, and then, by raising the count of the weft, producing an

article which can replace the imported cloth of better warp. That this change has taken place to any large extent I am not prepared to show; nor have I so far been able to collect any evidence that such cloth has actually displaced imported cloth of the higher count warp. But I can instance a case in a Bombay mill (the Sunderdas Spinning and Weaving Mill) where the taxing of over 20s yarn has led to certain cloth formerly made of 28 weft and 22 warp being replaced by a cloth of 30s by 20s, a make which Mr. Engel, the First Inspector of Factories, informs me would, in his opinion, be equally serviceable for all purposes. Mr. Engel has further adduced similar instances from the Swadeshi Mill at Kurla, a large producer of cloth. It will be remembered that yarn from 25 to 32 is taxed at one tariff value. Hence a slight increase of weft of 30s replacing 28s and leading to the exemption *in toto* of the warp ought to constitute a strong cheapening element in manufacture. As a test of the extent to which such economies in warp may have proceeded, I have prepared the following figures, showing the dutiable yarn woven in four of the Bombay mills since the Act came into force, those mills being selected in which it seemed possible that such a change in the system of weaving had been adopted.

STATEMENT IX.—TOTAL YARN woven or otherwise manufactured in FOUR BOMBAY MILLS, January to August 1895.

Mill.	January.	February.	March.	April.	May.	June.	July.	August.	Total.
Sunderdas	lbs. ozs. 18,247 0	lbs. ozs. 9,616 6	lbs. ozs. 7,849 0	lbs. ozs. 16,567 0	lbs. 10,918	lbs. ozs. 12,568 0	lbs. ozs. 6,089 0	lbs. ozs. 8,812 0	lbs. ozs. 89,663 0
Murari Gooldas	61,435 12	44,876 8	47,693 0	51,514 0	57,012	58,636 0	50,550 8	50,609 8	429,224 4
Swadeshi	178,042 0	118,159 0	66,246 0	57,903 0	61,374	45,309 0	44,185 0	52,309 0	631,826 0
New Great Eastern	39,799 8	24,562 8	38,609 12	42,913 8	38,904	37,402 12	32,318 0	41,406 4	309,816 4
Total	297,523 4	197,214 0	159,296 12	166,197 8	163,208	159,811 12	158,148 8	153,136 12	1,448,529 8

The period for which statistics are available is not perhaps as great as would be desirable for a thoroughly satisfactory comparison. But in the case of the first and third mills, the Swadeshi and Sunderdas, there seems to me a marked tendency towards a falling-off in the production of dutiable yarn for weaving purposes.*

* See also two statements in Appendix I. (p.120), giving details of production of weft yarn at these two mills up to date.

7. The difficulties of efficiently controlling the levy of duty on yarn, which is concealed in cloth shortly after its "production" within the meaning of section 5 of the Cotton Duties Act, do not permit me to assert that that part of this decrease in weft yarns is not due to incomplete assessments, though for many reasons I am personally of opinion that, so far, the returns made to me have been remarkably accurate and complete. The argument, however, remains that there is a tendency to reduce the duty payable on yarns for weaving, and an advantage will therefore be gained over Lancashire cloths according to the extent to which such reduction proceeds, always assuming, under the technical opinion of Mr. Engel, that the cloth produced would continue to compete in an equal measure with the home product of a higher count warp.

Secondly, there would seem to exist, in the case of dutiable yarn woven into cloth, a great risk of evasion of duty. That returns have so far been satisfactory, I have already offered an opinion. That they will always continue so in this respect can scarcely be asserted with confidence. I am sanguine enough to hope that the risks of evasion can be sufficiently controlled by constant inspections. It is at the same time probable that misdescription of dutiable yarn in the weft book has a considerably greater chance of escaping detection than the bundling of yarn under a wrong count, and this fact offers possibilities of advantages to the Indian weaver which could never exist in the case of cloth taxed on importation. The point is one which will require very careful attention in future. Thus, where Lancashire claims to be handicapped by the duties on cotton cloth, I have indicated two directions in which I consider that possibilities of unfair competition exist, and I proceed now to give, for the brief period in which the duties have been levied, an abstract of the cloth goods imported at Bombay from the United Kingdom. It will be seen that there appears to have been a steady tendency of such imports to decrease since the beginning of the year. After the first three months the

* Vide Table in Appendix V. totals run very much lower than before, and have fallen to a point which has not been touched for many years.*

STATEMENT X.—CLOTH GOODS IMPORTED from the UNITED KINGDOM since January 1895.

Month.	Grey Goods.	White Goods.	Coloured.	Total.
January - - - - -	39,277,000	17,300,000	10,400,000	66,977,000
February - - - - -	24,982,000	14,600,000	7,900,000	47,482,000
March - - - - -	38,300,000	20,500,000	16,900,000	75,700,000
April - - - - -	17,000,000	9,300,000	7,900,000	34,200,000
May - - - - -	18,800,000	12,300,000	8,500,000	39,600,000
June - - - - -	16,100,000	9,600,000	8,600,000	34,300,000
July - - - - -	10,900,000	6,300,000	7,600,000	24,800,000
August - - - - -	14,100,000	5,200,000	10,300,000	29,600,000

I consider that, even allowing for the slack months of the monsoon, a marked falling off of imports is shown in the above figures. This is especially noticeable when these figures are compared with corresponding months of previous years (*vide* Appendix V.). The period is no doubt over-short for conclusions to be formed. In fact, these remarks can only fully deal with tendencies so far manifested. In this sense it would appear:—

- (1.) That the taxing of English made cloth and Indian weft yarn offers an advantage to the Indian cloth of the duty on certain items of cost of production shown above;
- (2.) That Indian weaving mills are disposed to increase this advantage by substituting non-dutiable yarn for over 20s yarn formerly used in their cloth;
- (3.) That there is an opening for additional profit to the Indian mills in the difficulty likely to arise in correctly assessing weft used for cloth.

In other words, there seems to be signs of competition between Indian cloth with yarn of 20s and English cloth with yarn above 20s. The result would be injurious to the import trade in English cloth, though statements of imports do not clearly show this yet.*

* The falling off in imports might be—very likely is—only temporary and due to such causes as over-imports and dear cotton.

8. It may possibly be of value to note that there appear to be two methods of removing the competition between woven yarn of 20s and woven yarn of a dutiable count. The Bombay Mill-owners' Association suggest the exemption from import duty of yarn under 20s. This would look as if they recognised a prospect of competition in the manner described above. If yarn not exceeding 20s were freed from duty on import, it would presumably be open to English manufacturers to alter the constituent elements of their cloth as the local weavers seem inclined to do, and then to claim exemption for part of such cloth on import. The taxation of such imports would be a most arduous undertaking which could not have very satisfactory results. The drawback system for local cloth requires the return of duty on yarn over 20s in cloth exported. The difficulties are found to be numerous though not insuperable.

9. A second method of meeting the competition between English and Indian cloth would be the taxation of all yarn likely to be used in Indian cloth. I am informed by Mr. Engel that no cloth is ordinarily made of yarn below 16s count. This then would be the limit of exemption which it would be necessary to fix if all risk is to be removed of Indian cloth made of non-dutiable yarn (in part) competing to any large extent with English cloth assessed to duty. It would not be possible to discriminate between bundled yarn and weft yarn. Bundled yarn could be woven anywhere, though at present it is reserved for hand-weaving. The taxation of the bundled yarn would be an unfortunate necessity, inasmuch as I have shown above that yarn from 24s downwards does not seem to compete with imported yarns which are bundled.

R. E. ENTHOVEN,
First Assistant Collector of Customs,
Land Revenue, and Opium.

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
Total	22,400	17,290	17,290	7,600	18,010	17,690	1,600	9,574

(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	—
Total	16,13,816	4	8,62,150	4	1,11,454	—

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	10,56,000	9,89,000	9,46,000	11,38,000	13,96,000	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	7,60,11,000	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	4,01,26,000	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	3,24,63,000	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	3,84,142	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

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 native dyers use it is impossible to say, but in the two Bombay dyeworks this is not 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	d. 4½	d. 4¼	d. 4½	d. 3½	d. 4¾
Good Dhollera	d. 3¾	d. 3¾	d. 3½	d. 3¾	d. 3¾
Difference	d. ¾	d. ¾	d. ¾	d. ¾	d. 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 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.
	<i>d.</i>	<i>d.</i>
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)	Bales. 9,146	Bales. 10,809	Bales. 15,264	Bales. 9,467	Bales. 11,492	Bales. 11,961	Bales. 9,452	Bales. 8,884	Bales. 8,225
Ralli Brothers' portion of above	3,408	3,826	7,074	4,975	6,419	6,094	5,695	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 16×14 , 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 $6\frac{1}{4}$ 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 jacconet will not take the place of the mull, nor the shirting of the jacconet. 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	"	$6\frac{7}{8}d.$	"	$7\frac{7}{8}d.$	"

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 bimetallists, 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

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	35.82	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	80,849
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	165,309	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.

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.

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.

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*.

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.

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.

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.

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.

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.

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
	$12\frac{1}{2}$	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
	$12\frac{0}{4}$	12^0	12^0	5 4 9	3·27	3·86
	$12\frac{1}{2}$	12^{10}	12^9	5 8 0	3·36	3·82
	$12\frac{1}{2}$	13^4	13^6	5 14 0	3·53	3·76
	$10\frac{1}{4}$	11^8		6 0 6	3·71	3·85
	$10\frac{1}{4}$	11^8		5 4 6	3·25	3·85
	$11\frac{1}{2}$	11^8		5 5 9	3·13	3·65
	11^0	11^{10}		5 7 9	3·25	3·70
	11^4	11^9	11^4	4 10 3	3·24	4·36
	11^8	11^8	11^{11}	4 13 3	3·17	4·10
	12^{13}	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
Chudder 24—32	—	2^1		1 2 0	duty 2625 as. per lb. ·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-loom, and the remaining one-third from power-loom, 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-looms 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.

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.

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.

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 3½ per cent. excise on every description of Indian woven cloth, while the duty on all imported cotton fabrics is reduced to 3½ 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 3½	-	-	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:—

	Rs.
Total value of cloth produced in Indian mills -	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.); Edwiu 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.

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.

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.

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.

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.”

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.

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, 16×14 , $8\frac{1}{2}$ lbs.

	Pence.
Weight of yarn, $5\frac{1}{8}$ lbs. at $6d.$	33
Charges incurred in its manufacture, as shown in list (page 16), and on which no excise duty is charged	17
	50
Cost of freight, &c.	3
	53
	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, }
JAMES FLETCHER, } The Federation of Master Cotton Spinners' Associations.

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

J. EDGE, }
W. H. WILKINSON, }

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.