

THE OTTAWA AGREEMENT

A STUDY IN

IMPERIAL PREFERENCE.

BY

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PREFACE

For a full generation India has consistently refused to participate in any scheme of general Imperial Preference. During nearly the same space of time the foreign trade of India left to itself has moved away more and more from the U. K. and the Empire.

The ratification of the Ottawa Agreement would mean a revision of our fiscal attitude and a deliberate twist to the course of our foreign trade. Surely this is justification enough for the publication of the present study.

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CONTENTS

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	PAGES
PART I.—GENERAL	1—8
PART II.—EXPORTS	9—48
PART III.—IMPORTS	49—64
PART IV.—EXPORTS AND IMPORTS	65—69
PART V.—CONCLUSION	70—73
APPENDIX	i—iii

APPENDIX

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

On August 20, 1932 the Indian and the British Delegates entered into a trade agreement on behalf of their respective Governments. By this agreement, subject to the approval of the British Parliament, the United Kingdom undertakes :—

(A) To continue to give free entry to all Indian goods within the scope of the 10 per cent duty imposed by the Import Duties Act of 1932. In addition, higher British duties imposed or to be imposed, on foreign goods will give India enhanced preference. The principal commodities of Indian export affected are :—

Indian Cotton manufactures, Coir manufactures, Indian Carpets and Rugs, Jute manufactures, Tanned Hides and Skins, Non-essential vegetable oils, Sandalwood oil, Oil cake and Meal, Rice, Ground-nut, Coffee, Tobacco, Tea, Spices, Castor seed, Bran, Pollards, Rice meal and dust, Teak and other Hard-woods, Pig lead, Magnesite, Indian Granite and Magnesium chloride.

(B) To retain the existing preferences on Barley, Peas, Beans, other Pulses and Millets, Manures, Goat-skins, and Asbestos.

(C) To impose a 10 per cent duty on foreign linseed.

(D) To admit into the United Kingdom, free of duty, from all sources, the following goods, *viz.* Shellac, Raw Jute, Myrobalams, Broken Rice, Mica and Indian hemp.

(E) To co-operate in any particular scheme agreed to by the United Kingdom cotton industry and the Indian growers for promoting a greater use of Indian cotton by Lancashire.

By the same agreement, subject to the approval of the Indian Legislature, India undertakes :—

(A) To give a 7½ per cent preference on Motor Vehicles (other than Motor Cycles) imported from the U. K.

(B) To extend a 10 per cent Preference to the following main classes of imports from Britain :—

Building and Engineering Materials, Chemicals, Drugs and Medicines, Earthenware and Porcelain, Furniture, and Cabinetware, Hardware, Instruments, Apparatus and Appliances (Electrical, Musical, Photographic, Scientific, Surgical, Wireless and Miscellaneous), Leather Manufactures, Aluminium, Copper, Lead, German Silver, Zinc, Brass, and similar alloys and manufactures thereof, Paint and Painter's materials, Paper and Stationery, Rubber tyres and other manufactures of rubber, Vehicles, not mechanically propelled and Cycles.

These preferences may be given, either by an increase of duties on foreign goods or by a reduction of duties on the United Kingdom goods, or by a combination of both methods.

The preference on the manufactures is subject to certain exceptions. It does not also extend to commodities to which protective duties are applicable, to those which are free of duty at present, or to those on which, on grounds of national policy, a specially low rate of duty has been imposed.

(C) To extend a 10 per cent preference to the following :—

Articles in the class of machinery, which pay the ordinary revenue rate of 25 per cent *ad valorem*, articles of Apparel, Haberdashery and Millinery, which are dutiable at 25 per cent *ad valorem*, Woollen manufactures with specified exceptions, Asbestos Manufactures, Boots and shoes of Leather, Brushes, Metal Buttons, Cordage and Rope with certain exceptions, Cork manufactures, Cutlery, Glue, Leather cloth and artificial leather, Smokers' requisites, Toilet soap, Toilet requisites, Toys and Requisites for Games, Umbrellas and Fittings, Filled Cartridges and Cartridge cases, Oil cloth and Floor cloth, Engine and Boiler packing, Perfumed spirit, Ale and Beer, Cocoa and Chocolate, Confectionery, Tinned or Canned Fish, Canned or Bottled Provisions with certain exceptions, Condensed and preserved Milk, Fish oil, Synthetic essential oil, Natural essential oil, with specified exceptions, Mineral Lubricating oils other than

batching oils, Paint solutions, and Vegetable non-essential oils with specified exceptions.

(D) To extend, after consideration of the Report of the Tariff Board on cotton Textile Industry, a 10 per cent preference to goods made of Cotton, Silk and Artificial silk with specified exceptions.

The Agreement is to continue in force, until six months after notice of denunciation has been given by either party.

The main agreement is supplemented by a subsequent agreement regarding iron and steel. By this supplementary agreement, the United Kingdom undertakes to continue after the 15th November the free entry to all classes of Indian goods covered by the Import Duties Act.

The Government of India undertakes, subject to the approval of the Indian Legislature :—

(A) To adjust, on the basis of present selling prices, the duties on galvanised sheet in the Indian Tariff as follows :—

Rs. 30 per ton on sheet made in the U. K. from Indian Sheet bar,

Rs. 53 per ton on sheet made in the U. K from the other sheet bar, and

Rs. 83 per ton on sheet not made in the U. K.

(B) To impose, promptly and without an enquiry by the Tariff Board, an additional duty, in the event of further reduction in the price of sheet imported into India and not made in the U. K.

Each Government remains at liberty to take appropriate measures to prevent sales at unfair prices by the manufacturers in the other country, or to check an unnecessary increase in prices against the consumer by a combination of manufacturers in both countries.

These arrangements will remain in force until the end of March 1934, when action will be taken by the Government of India following a Tariff enquiry in India into the Iron and Steel industry.