INDIAN TARIFF BOARD

Evidence

recorded during enquiry regarding

GRANT OF ADDITIONAL PROTECTION TO THE

COTTON TEXTILE INDUSTRY



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Personnel of the Board.

President . . . Dr. J. Matthai.

Mr. G. T. Boag, C.I.E., I.C.S.

सन्धमेव जयते

No. 341-T. (161).

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

Simla, the 25th July, 1932.

RESOLUTION.

TARIFFS.

The Government of India have received an application from the Indian Cotton Textile Industry requesting that the Governor General in Council, in exercise of his powers under section 3 (5) of the Indian Tariff Act, 1894, should increase the duty leviable on cotton piecegoods not of British manufacture under item 158 in Part VII of the Import Tariff on the ground that such articles are being imported into British India at a price likely to render ineffective the protection intended to be afforded by such duty to similar articles manufactured in India.

2. The Government of India have decided that an immediate enquiry should be made by the Tariff Board with the following terms of reference:—

To report whether cotton piecegoods not of British manufacture are being imported into British India at such a price as is likely to render ineffective the protection intended to be afforded by the duty imposed on such articles under Part VII of the Second Schedule of the Indian Tariff Act, 1894, by the Cotton Textile Industry (Protection) Act, 1930, to similar articles manufactured in India; and, if so, to consider—

- (a) to what extent, if any, the duty on cotton piecegoods not of British manufacture should be increased and whether in respect of all cotton piecegoods not of British manufacture or in respect of cotton piecegoods, plain grey, only, or of cotton piecegoods, others, only;
- (b) whether the duty should be increased generally, or in respect of such articles when imported from or manufactured in any country or countries specified; and
- (c) for what period any additional protection found to be required should be given,

and to make recommendations.

3. Firms or persons interested, who desire that their views should be considered by the Tariff Board, should address their representations to the Secretary to the Board, Old Custom House, Bombay.

4. The Government of India hope that it will be possible for the Tariff Board to submit its report at a very early date.

ORDER.—Ordered that a copy of the above Resolution be communicated to all local Governments and Administrations, all Departments of the Government of India, the Director General of Commercial Intelligence and Statistics, the Contral Board of Revenue, the Indian Trade Commissioners, London and Hamburg, the Secretary, Tariff Board, the High Commissioner for India, London, His Majesty's Trade Commissioner in India, the Canadian Trade Commissioner in India, all Chambers of Commerce and Associations, the French Trade Commissioner in India, Burma and Ceylon and the Secretary, Imperial Council of Agricultural Research.

Ordered also that it be published in the Gazette of India.



Press Communique issued by the Tariff Board on the 25th July, 1932.

The Government of India have directed the Tariff Board to make an immediate inquiry under section 3 (5) of the Indian Tariff Act into the recent fall in prices of imported piecegoods and to make recommendations. Representations (with six spare copies) from those interested should reach the Secretary, Tariff Board, Old Custom House, Bombay, not later than next Sunday, July 31.



The Millowners' Association, Bombay.

Letter dated the 30th July, 1932.

In a press communiqué, dated the 25th July, 1932, the Government of India stated that they had received an application from the Indian Cotton Textile Industry requesting that the Governor General in Council, in exercise of his powers under section 3 (5) of the Indian Tariff Act, 1894, should increase the duty leviable on cotton piecegoods not of British manufacture under item 158 in Part VII of the Import Tariff Schedule, on the ground that such articles are being imported into British India at a price likely to render ineffective the protection intended to be afforded by such duty to similar articles manufactured in India. The communiqué then went on to state that the Government of India had decided that an immediate enquiry should be made by the Tariff Board, and specified the terms of reference. The communique of the Government of India had been immediately preceded by an application from the Chairman of my Association, stating in outline the grounds on which the Textile Industry was urging the Governor General in Council to take action under section 3 (5) of the Indian Tariff Act. I enclose a copy* of that application as also a copy† of a telegram addressed to the Government of India after the terms of reference to the Tariff Board became known.

2. Your Board has been asked to report whether foreign cotton piecegoods are being imported into India at such a price as to render ineffective the protection afforded by the Cotton Textile Industry Protection Act of 1930. That Act imposed a duty on piccegoods of 20 per cent. ad valorem and in the case of "plain greys" an alternative duty of 31 annual per pound. Subsequent surcharges levied for revenue purposes in March, 1931, and October, 1931, raised the duties on foreign cotton piecegoods to 314 per cent, and the specific duties on plain greys to 4:475 annas per lb. The duties on cotton yarn were also raised in the same period to 14 annus per lb., and on artificial silk piecegoods to 50 per cent, ad valorem. It is the contention of the Association, as set forth in their original representation to the Board, that the protection, afforded by the present scale of duties, has proved inadequate, and that mills have been unable to obtain a fair selling price for their manufactures. This is amply borne out, among other things, by the fact that the wholesale prices at which many lines of Japanese piecegoods have been sold in July, 1932, are considerably lower than the prices at which the same goods were being sold in January, 1930, even after allowing for the drop in the prices of cotton, and despite the fact that the import duty on piecegoods had in this period been raised from 11 per cent. to 314 per cent.; in the case of yarn, from 14 annus to 14 annus per lb.; and in the case of artificial silk piecegoods, from 15 to 50 per cent. ad valorem... The drop in the price of Broach cotton in the period stated was roughly equivalent to 2½ annas per lb., and this would have justified in the case of, say, "Bow and Arrow" Chhap Shirting, a reduction in price of about Ba. 12 year viscos had the of about Re. 1-8 per piece, had the import duty remained at the same figure. As a matter of fact, the drop was Rs. 2-13. In the case of "5151" Grey Shirting, the proper reduction should have been Re. 1-1 per piece; it was Re. 1-14 per piece instead. It has to be pointed out in this connection that the price at which Indian mills have got to sell their goods in order to compete against Japan is the c.i.f. price plus the duty, and for the last month or two this has been considerably below the wholesale market quotations referred to above. In the case of the "Bow and Arrow" Grey Shirting, the latest c.i.f. quotation in Bombay was Rs. 5-14 per piece for forward delivery. The duty payable on this quality amounts to Rs. 2-12 per piece,

^{*} Enclosure 1.

[†] Enclosure 2.

¹ Enclosure 3.

This means that Indian mills, in order to obtain business, would have to soll similar qualities at something less than Rs. 8-10 per piece, which is

much below their bare cost of production.

3. The contention that the protection afforded by the present duties has proved inadequate to ensure a fair selling price for the manufactures of Indian mills is partly borne out by the fact that in 1930 the losses made by the Industry in Bombay amounted to Rs. 237 lakhs. Complete figures for 1931 are not yet available, but a rough statement prepared from the Balance Sheets of 41 mills shows a loss of Rs. 53 lakhs during the year.

- 4. The position of the Industry has grown worse during the last few months owing to the abnormally low prices at which Japanese goods have been, and are being, sold, largely as a result of the depreciation which has taken place in the value of the Yen. These prices are in many instances 40 per cent. below the bare cost of production, exclusive of depreciation, profit and interest on working capital in the most efficiently managed Indian mills. The volume of imports has gone up also, and the June figures for Bombay, which are the latest available, indicate in a striking manner the impetus given to Japanese exports to India. In the case of yarn, Japan, sent to Bombay 1½ million pounds in June as compared with less than 800,000 lbs, during the previous month. The figures for cotton piecegoods show an increase of as much as 10 million yards in the course of one month, while the imports of artificial silk piecegoods reached the record figure of 7.7 million yards.
- 5. A close watch has been kept by the Association on the prices of Japanese piecegoods since the value of the Yen began to fall below the more or less normal parity of Rs. 140=Y. 100, which prevailed in February this year. Statement No. 4° gives a record of c.i.f. transactions recently effected in Bombay in various classes of goods. Those show that in almost all cases the price reduction has been more than equivalent to the drop in the exchange value of the Yen. Quotations received from the Southern India Chamber of Commerce show a similar condition of affairs in the Madras market.
- 6. Statement No. 5t shows the prices of Japanese goods for ready and forward deliveries in the Calcutta market.
- 7. Two more statements are attached (Statements Nos. 6 and 7‡) compiled from Japanese sources, which provide confirmation of the fact that the drop in the c.i.f. rupce price for Japanese lines of piecegoods has been in the region of 30 per cent. since the middle of February, 1932.
- S. As regards cotton yarns, the position is equally serious: Japanese quotations are in all cases very considerably below the cost of production in the best Indian mills (Statement 8§). In artificial silk goods, the quotations show that the wholesale market price, including 50 per cent. duty, is about half of what it was about lifteen months ago, when the duty was only 15
- per cent.

 9. On a consideration of all the facts stated in this, and in the general representation submitted to your Board, my Association contend that a case has been made out for an immediate increase in both the specific and advalurem duties on grey cotton piecegoods imported from Japan, and the advalurem duty on all other classes of Japanese cotton goods. As to the extent of the increase, my Association submit that it should be at least sufficient to offset the reduction in price that has taken place, particularly during the last few months. If the figures prove a reduction of 30 per cent in the rupes c.i.f. price, then the additional duty required will be roughly 50 per cent. A similar estimate of the additional protection required against Japan has been made in a letter received by the Chairman of my Association from

Enclosure 4.

⁺ Enclosure 5.

¹ Enclosures 6 and 7.

[§] Enclosure 8.

the Indian Chamber of Commerce, Calcutta, which has asked my Association to represent them in this enquiry.

- 10. As pointed out in the application made by the Chairman of my Association to the Government of India, the basis of the demand for an immediate addition to the import duties is the depreciation in the value of the Yen, and the abnormal drop which has taken place in the prices of Japanese goods. If, however, the Government of India find themselves unable to take executive action in the face of the Indo-Japanese Trade Convention, or for any other reason, it is submitted, increased duties should be levied against all foreign countries. The imports of piecegoods from foreign countries other than Japan constituted in 1931 less than 7 per cent, (including artificial silk piecegoods) of the total imports, and additional duties such as are suggested would not, under these circumstances, appreciably affect the interests of the consumer.
- 11. The protection which the Industry requires to meet the emergency which has arisen should not be for a period of less than six months. If, during that period, the value of the Yen in terms of the rupee appreciates, my Association submit that no change should be made in the rate of the special duty for the reason that Japan has already had the benefit of a depreciated exchange for several months during which she has sold her goods freely not only for ready delivery but for shipments as far ahead as November and December, and an appreciation of the Yon in the immediate future would not affect the position in the least. On the other hand, in view of the possibility of a further depreciation in the value of the Yen, it is essential that the Government of India should be in a position to increase the special duty by executive action without any further enquiry at every drop of, say, 10 per cent. in the exchange value of the Yen.
- 12. In conclusion, my Association regard it as most unfortunate that executive action is not possible in the case of yarn and artificial silk piecegoods. If, however, a case is made out, the Government of India should certainly be in a position to introduce legislation in the September Session of the Legislature increasing the duties on imports of those goods. In the annexures to this representation figures have been given showing that the situation with regard to yarn and artificial silk piecegoods is the same as that of cotton piecegoods, and if the Tariff Board are precluded from making any recommendations in respect of goods other than cotton piecegoods, it is submitted, they may at least indicate on the materials placed before them what the position is in respect of those types of goods.

Enclosure No. 1.

Copy of letter No. 1377/147, dated the 23rd July, 1932, from the Millowners'
Association, Bombay, to the Secretary to the Government of India,
Department of Commerce, Simla.

I wired you yesterday as under:-

- "Millowners' Association, Bombay, on behalf of Indian Textile Industry urge Governor General in Council after necessary enquiry to take early action under section 3 (5) of Tariff Act read with relevant item in Import Tariff Schedule and raise duties on imported foreign cotton piecegoods in view of abnormal competition rendering ineffective protection afforded by present duties. Letter setting forth grounds of application follows."
- 2. I beg to confirm the telegram, and to state as briefly as I can the grounds on which we are urging the Governor General in Council to take action under section 3 (5) of the Indian Tariff Act of 1894.
- 3. As Government are aware, the Yen has depreciated heavily during the last few months. From the peak attained immediately before Japan went off the gold standard, there has been a drop of 50 per cent, in the rupce value of the Yen. The drop from normal parity has been about 25 per cent. The indications are that this depreciation will continue for a

considerable time, and may even be accentuated. Coupled with the circumstance that Japanese industrialists bought enormous quantities of American cotton, and romitted large sums abroad to finance further purchases of raw materials before Japan went off the gold standard, and Japanese houses in India covered exchange some time ago to the tune of millions of pounds at favourable rates, the depreciation of the Yen constitutes a factor which is calculated to inflict serious injury to the Textile Industry of India.

- 4. At the conference which the representatives of my Association and other bodies had with the Honourable the Commerce Member and the Honourable the Finance Member, figures were given showing how the combination of these factors was being reflected in the prices at which Japanese goods have been marketed in India during the last few months. Briefly recapitulated, the figures show that since the Yen depreciated from its normal parity of about Rs. 137 per Yen 100 in February, 1932, to about Rs. 104 per Yen 100 at the end of June, c.i.f. prices of Japanese cloth and yarn have been reduced by 25 per cent. to 30 per cent. In the case of artificial silk piecegoods, the rates at which Japanese manufactures are being sold absolutely defy competition. When it is taken into consideration that the prices realized by Indian mills for their manufactures have been below the cost of production even in the most efficiently managed mills, it will be realized how the continuous drop in the price of Japanese imports, which had been taking place for a long time, and which has been precipitated by the depreciation of the Yen, is affecting the Industry. Even if the Yen were to appreciate in the immediate future, it would have no effect on the position of the local manufactures as heavy orders for Japanese goods have been booked at very low rates for the next few months. The figures for June show an alarming increase in the rate of imports into Bombay, and there is every reason to fear abnormal arrivals in the next few months. The figures for the other ports are not yet available, but they are likely to point to the same condition of things.
- 5. The results are reflected in the number of spindles and looms which have had to be stopped in Bombay within the last few weeks. The returns for 30th June show that there were over 550,000 spindles and over 8,500 fooms stopped on that date, taking into consideration both single and double shift working, as against only 30,000 spindles and 1,200 looms stopped on the 30th April. In spite of this reduced activity, stocks of cloth in the hands of mills have gone up by 45,000 bales over the figure of 29th February, and of yarn by 12,000 bales in the same period.
- 6. It is apparent that action is urgently called for if the Industry is to be saved from ruinous competition, aggravated at a time when its position is exceedingly weak. Unfortunately, in the absence of statutory provisions such as exist in most other countries, the Government of India can only take action in a limited field. Apart from the promulgation of an Ordinance, which I urged at the conference at Simla, and for which a precedent exists, it would appear that the only immediate action Government can take is under section 3 (5) of the Indian Tariff Act of 1894. That section can help the Industry only in respect of cotton piecegoods, and leaves unprotected yarn and artificial silk piecegoods where competition is equally This is a very unfortunate state of things, but if, as Government have indicated, there is no other provision in the law of the land enabling them to take immediate executive action, the only thing the Industry can do is to invoke the application of that section. I put forward that demand at the conference at Simla, and the representatives of other bodies present at that conference supported it. In due course, proposals will be submitted to Government by the various bodies concerned to enact legislation which will enable them to deal with such abnormal situations in the future more promptly and effectively than appears possible at present. If I may be permitted to stress the obvious, irreparable injury might be done to the interests of the country if, in cases of emergency, Government were to find themselves in the position of being unable to do anything without reference to the Legislature.

7. The basis of this application is the depreciation in the rupee value of the Yen and the abnormal drop which has taken place in the prices of Japanese goods. Should the Government of India, for some reason, find that it is not possible to take action against Japan alone, it is submitted, they should impose additional duties against the imports of cotton piecegoods from all foreign countries. The volume of such imports is barely 7 per cent. of the total, and their inclusion would not injure the interests of the consumer. My Association will, if called upon, deal with this and other considerations fully when the matter is before the Tariff Board.

Enclosure 2.

Copy of telegram addressed by the Chairman of the Association to the Secretary to the Government of India, Department of Commerce, Simla, dated the 28th July, 1932.

Greatly appreciate reference to Tariff Board. Would strongly urge desirability of widening terms of reference to include cotton yarn and artificial silk piecegoods so that if Tariff Board recommend Government can introduce Bill for temporarily raising duties during September Session.

Enclosure 3.

Statement showing the wholesale market prices of the principal Japanese goods in Bombay in January, 1930, and July, 1932.

	Trade Mark		Wholesale Price in Bombay.						
Description.	or Number.	Dimensions.	January, 1930.	July, 1932.					
	8	Ins. Yds. lbs.	Rs. A. P.	Rs. A. F.					
Pircegoods-	AL.		(Per	picce.)					
Grey Shirtings .	Bow & Arrow	44 48 10	12 7 0	9 10 0					
Do	No. 5151	44 38 7	920	7 4 0					
D o	No. 44000 .	44 38 6}	8 11 0	8 10 O					
Grey Dhoties (mill quality).	No. 600	44 10 0	(Per 2 10 0	pair.) 1 10 0 (Caloutta ezgodown quotation, 17-6-32.)					
Bleached Shirtings	No. 800 .	33 42 10 (approx.)	14 4 0	piece.) 10 12 0					
Artificial Silk Taffe-	Doranga .	27 25 0	0 8 6	yard.) 0 4 3					
tas. Do	Taffetas .	27 30 0	083	0 4 1					
Do	Do	44 30 0	0 14 0	079					
Yarn-			(Per	lb.)					
Grey yarns, 40s .	Five Stars .		1 1 9	0 11 6					

Enclosure 4.

Statement showing actual transactions effected in Bombay on c.i.f. terms.

	D	ate.				Price—c.i.f. Bombay in Yen.	Yon/Rupes selling rate in Bombay.	Price—c.i.f. Bombay converted into Rupees.
		a	rey Si	hirting	N	o. 3800—44° by	38 yards.	
1932.						Per piece.		
9th February	•	•	•	•		5·50	140.00	7.70
24th March		•		•	-	5.28	122:00	6.81
16th July	•	•	•	•	•	5.60	107:00	5.99
		G	trey Si	hirting	у—N	o. 1400—44" by	38 yards.	•
1932.				6		Per piece.		
9th February						3.60	140.00	5:04
24th March					do	* 3.85	122:00	4.70
16th July		-			1	3.80	107:00	4.06
		G	rey Si	hirting	,—N	o, 4544—44" by	15 yards.	1
1932.				1	ich:	Per piece.	ļ	1
9th February					स	3.75	140.00	5.25
lat June .						3-40	117:00	3.08
16th July		•				3.60	107:00	3.85
			Stripe	d Dri	u—1	l Vo. 505—26" by .	i 30 yards.	ı
1932.						Per picce.		
10th February						2.87	140.00	4.02
15th February						2.95	140.00	4-13
28th February						2.95	118:00	3.48
7th April					•	2.87	120.00	3:44
16th April			•			2.87	120.00	3.44
4th June.						2.64	118.00	3.12
6th June						2.62	119:00	3.12
2nd July						2.92	10::00	3.04

	D	stos.				Price—c.i.f. Bombay in Yen.	Yen/Rupee selling rate in Bombay.	Pricec.i.i Bombay converted into Rupecs.					
Printed Jeans—1st quality—26/27" by 30 yards.													
	19	932.				Per piece.							
28th February						••		5.00					
th March				•		••		4.50					
\$rdJune						••		4.375					
1th July								4.00					
	;	" 1932.	NOTE I	É	3	No. 20000—42° Per piece.							
15th February				. 4		3.82	140.00	5.35					
24th April					B.	3.95	118:00	4 66					
5th May				•	9,	3.77	123-00	4.63					
			•		di	3.75	117:00	4.39					
25th May					N.	3.72	117.00	4:35					
- •		•			119-11	The second second	117:00	4:32					
28th May				•	100	3.70	117.00	4.02					
25th May 28th May 30th May 4th June	•		•		सन	3·70 3·55	118.00	4:19					

Printed Chundries 42" by 27 yards. .

		_				Ex-godow i.e., incl duty	uding
	 	 		 		Per pi	ece.
		103	32.			Rs.	A. .
29th March					•	6	15
16th May		•			•	6	8
16th July						ឋ	0
20th July		•				. 5	13

All over style prints-26" by 401 yards.

The c.i.f. price has fallen in the last four or five months from Rs. 4-12 to Rs. 3-10 per piece.

"A & B" Artificial Silk Taffetas.

Dates		Price—c.i.f. Bombay in Yen.	Yen/Rupec selling rate in Bombuy.	Price- c.i.f. Bombay converted into Rupees.	Remarks.
				Per yard.	
1932.				As. P.	
18th February			EFF	4 0	h
25th February		- 63	HERE TO	4 0	
3rd Maroh		. 10/10		3 10	
10th March		👹		3 7	
17th March		1		3 6	
24th March		. 1	THEE	3 7	
31st March		- 47		3 7	
7th April .		Victor		3 6	
14th April			यमेव जयने	3 4	
21st April		1	4.14.444	3 4	
28th April				3 3	Forward c. i.
öth May .			·	2 11	Forward 0.1.
12th May		į		3 0	
25th May				3 0	
2nd June .				2 11	
17th June		1		2 10	
23rd June				2 8	
30th Juno				2 8	
7th July .		ľ		2 8	
14th July .				2 9	
21st July .		1		2 10	
28th July .	•		1	2 8	

Enclosure 5.

Statement showing ex-godown quotations in Calcutta market.

(Beady and Forward.)

				Ī					Sautam-	Octo-	Novem-	
Date.	Unit.	Re	ady	٠	May.	June.	July.	August.	Septem- ber.	ber.	ber.	Dec- ember.
		R.	4.	_ -		Rs. a. p.	Rs. s. p.	Ru. a. p.	Rs. s. p.	Rs. a. p.	Rs. s. p.	Rs.a.p.
1932,	1	ı	•)re	y Shirting	78—M ang: 	o Mark—	14" by 38- 	·38] yarde I	I	ı	ı
March .	Piece.	В	9	0				4.	1			\
20th May] "	8	8	o								
22nd June	.,			1		7 12 0	7 12 0	7 9 0	7 9 0	7 70	7 70	
22nd July	.,	7	8	0	••		••	7 60	7 60			6 14 0
	•	•		a	rev Shirt	ina—Ran	(Chan-e	4" bu 38-	381 yards.			
1932,	ì	ı		j		- Col	1967		}	1	I	1
March .	Piece.	10	0	0		AU.		100				
20th May		9	15	0		PASS!		100				
22nd June			٠.	1		9 2 0	9 2 0	8 12 0	8 12 0			
22nd July	"	8	7	0		1000		8 4 0	8 4 0			7 15 0
			0	en:	. Shirtim	.—Hazes t	rade mark	-44" bu	38-38) ya	rds.		
1932.	l	l	٠	ì	2/11/11/19	45.4	* L-1	200	1	 	1	1
March .	Piece.	Ø	10 (د		100		7777]			
22nd June		1		1		9 2 0	9 2 0	8 12 0	8 12 0	٠	••	
22nd July	"		••			2153	मेव ज	7 14 6	7 14 6			
				Ble	ached No	ineook—1	Yo. 4848—	-42" by 20) warde.			
1932.	l	i					1]		ı	ł
March .	Piece.	4	0 (, [4 0 0]]
22nd June	,,,			1	••	3 13 6	3 13 6					
22nd July	"	3	10 (9	••		•••	3 2 0	3 Z 0	••		
•	•				В	leached T	ω 4 1.—32°	bu 40 var	da.			
1932.		1		į			1	}	1	l	1	l
March .	Piece.	10	8 (ا د								
22nd July	,,	8	8	• \	•-	'		7 12 0	7 12 0			
			:	Pr	nted Chi	nêzChan	d Tara br	and—31°	by 30 yers	ia.		
1932.	ì	ı		1		})	 	J	ì
March .	Piece.	7	6	0				٠.				
May .		6	12	0		••	•••	••	[]			
22nd June	,,	}	••	- }	••	5 15 0	5 15 0	5 12 0	5 12 0	5 8 0	5 8 0	
22nd July		6	4	0	••			5 O O	5 00			
		<u>-</u>								`		

Date.	Unit.	Ready.	Мау.	June.	July.	August.	Septem- ber.	Octo- ber.	Novem- ber.	Dec- ember
		Rs. a. p.	Rs. a. p.	Ra. a. p.	Rs. a. p.	Ra, a, p,	Hs. a. p.	Rs. a. p.	Rs. a. p.	Re.a.p
			Bleach	ed Shirtin	g No. 222	34" by	41 yards.			
1932.				1	1] •		1	1
March . 22nd July	Piece.	9 0 0		,		••				
22nd July	"	7 12 0				6 90	6 4 6	••		٠٠.
			A7l	Silk Bro	ade-27"	by 30 yar	de.			
1932.	١.,	1 1		1 1	1 1) 1		1	1
March . 22nd July	¥d.	0 5 3	**			••		••		
22nd July	,,	0 4 73]		0 4 8	0 4 3	••		
			Japa	nese Dhoti	rs—Quali	ity No. 25:	2.			
1932. 16th Feb.	Pair	1 12 8		mil	300	0"				
16th Mar.	11	1 12 3				143			۱	
15th April	,,	1 10 0		(C)	114	2007			٠	
20th April	,,	1 10 0		633		63	 			
27th May		1 9 60		1000		99			}	
27th May		1 8 61	l	0.7	100	IT .			l	١

Enclosure 6.

(From D. B. K. Weekly market reports-The Yen quotations are ex-Kobe.

D	,tos.			Unit quoted for.	Rate in Yen.	Rupee/Yen cross rute Bombay.	Rate in Yer converted into Rs.
				Osaka Samp	in for 20s yarn		
February 27th	, 1 9 3	2 .	-	Per bale of	156.90	128	201
May 21st	,,	•	•	11	124.80	117	146
June 11th	**		- [,,	113.60	117	133
June 25th	,,		. l	,,	115.20	108	125
		Whi	le Shi	rting—Elephar	nt Brand No. 3	50—111 lbs.	
February 27th	ı, 193	32	•	Per piece.	5-50	128	7:04
May 21st	,,	•	•	,,	4 ·70	117	. 5.50
June 11th	••		-	,,	4.20	117	5.26
June 25th	**		•		4.20	108	4.86

Dat	ies.			Unit quoted for.	Rate in Yen.	Rupee/Yen cross rate Bombay.	Rate in Yen converted into Rs.
		k	Stripe	d Twills—" K	aika 505"-26"	by 30 yards.	·
February 27th	, 1932		-		3.15	128	4.03
May 21st	1,		•	,,	2.75	117	3.22
June Ilth				, ,,	2.60	117	3.04
June 25th	,,			,,	2.80	108	3.02
			Pri	nted Jeans — 3	0/40—28" by 3	0 yards.	•
February 27th	, 193	2.	•	Per piece.	3.25	128	4.16
May 21st	11			,,	2.90	117	3.39
June 11th	,,			11	2.75	117	3.21
June 25th	"		•	-	2.80	108	3:02
				Cotton Creps-	-Standard No.	100.	
February 27th	ı, 193	2.		Per piece.	1.68	128	2.16
May 21st	,,			21	1.40	117	1.64
June 11th	"		•	. 14	1.32	117	1.28
June 25th	"	•	•		1:40	108	1.51
				Art. silk broo	ades—27" by 30) yarde.	•
February 27th	ı , 19 3	2.	•	Per yard.	0.175	128	0.224
May 21st	,,			,	0.155	117	0.18)
June 11th	,,			,,	0-140	117	0.164
June 25th	••			,,	0.120	108	0.183

Enclosure 7.

Prices of Japanese Piecegoods—Indo-Japanese Bulletin quotations. (The quotations are ex-Osaka.)

	Dates.		Unit quoted for.	Rate in Yen	Rupee/Yen cross rate Bombay.	Rate in Yen converted into Ra.
	1090	1	44" Grey Shirting	Bow and Ar	row murk.	
February	19 32 .		Per piece	5.55	140.00	7.77
,,	25		. "	6 ∙75	130.00	7.48

3	Dates.			Unit quoted	Rate in Yon ex-Osaka.	Rupee/Yen cross rate Bombay.	Rate in Yen converted into Rs.
	010	44"	Gre	y Shirting—B	ow and Arrow	mark-contd.	
March 1	932.			Per piece .	5.95	125'00	7:43
,, 15		-	•	,,	6.10	119.00	7:25
" 2 0				,, .	6.00	120.00	7.20
,, 24				,, .	5.20	118.20	6.16
,, 31		•		., .	5.20	120.00	6:24
Appril⊦6 .			•	,, .	8.10	120-00	6 12
,, 14		•	•	,, .	8.10	120.00	6.12
,, 25				- 5	5.10	117:00	5 •97.
May 4 .			•		4'90	122:00	5.98
. 27	•	•	-	11	4.80	117:00	5.62
June 10 .			•	. 6		117.00	••
., 17 .				n 11	4.95	115.00	5.69
., 23 .		•	•	12	5.05	108.00	5.35
	932.			Grey Sheeting	—Dragon C. 1	nark.	n'
February 18		•		Per piece .	5.05	140:00	Rs a p. 7 1 1
,,, 25	•			• सव	5'30	130-00	6 14 3
March 1				33 1	5.40	125.00	6 12 0
,, 15				,, ,	5 -50	119.00	689
" 20			. }	,, •	5-40	120.00	6 7 8
,, 24			-	,, .	5.40	118-50	6 6 5
,, 31	•			,, ,	5:25	120.00	6 4 10
Aphil 6		•		n e	5-10	120.00	6 1 11
,, 14				,, .	4.85	120.00	5 ¹ 13. 1
,, 25				**	4.85	117:00	5 10 11
May 4 .				,, .	4.40	122:00	5 5 11
" 27 .				,, .	4:30	117.00	5 0 6
Jurie 10 .	•			,,	4·10	117.00	4 12 9
., 17 .				,,	4.25	115-00	4 14 2
,, 23 .			j	,, .	4.40	108.00	4 10 7

	Dates.	Unit quoted for.	Rate in Yen ex-Osaka.	Rupee/Yen oross rate Bombay.	Rate in Yen converted into Rs.
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Grey Shirting-44"-Peach Chap.

	19	32.							Rs. a. p.
February	18			•	Per piece		4:35	140.00	6 1 5
**	25				"		4.60	130.00	<i>5</i> 15 8
March 1		•	•	•	,,	-	4.80	125.00	· 8 0 0
,, 15			•		"		4.95	119.00	5 1 4 3
" 20		•	•	-	"	17	4.85	120.00	5 13 1
., 24				•	4	36	4.60	118-50	5 7 3
,, 31							4.40	120.00	5 4 6
April 6					🛞		4.40	120.00	5 4 6
., 14				.			4.40	120-00	5 4 6
,, 25						4	4.40	117.00	5 2 4
May 4 .				.	11/15		4.25	122.00	5 4 11
" 27 .		•	•			Š	4.25	117.00	4 15 7
June 10 .			•		2	R	4.05	117.00	4 11 10
, 17 .					"		4.25	115.00	4 14 2
" 23 .			•	$\cdot $	**	-	4.20	106.00	4 7 3

Grey Shirting-Soldier Chap.

1932.	1	1			Rs. a	l .	p.
February 18 .	 Per piece		5.85	140:00	8	2	9
,, 25 .	 ,,		6-20	130.00	8	1	0
March 1 .	 .,	•	6.20	125.00	8	2	0
., 15 .	 	•	6.65	119-00	7 1	4	7
,, 20 .	 ,,		6:55	120.00	7, 1	3	9
,, 24 .	 ,,	•	6· 4 0	118.50	. 7	9	4
,, 31 .	 ,,		6.50	120-00	, 7	7	0
	 <u> </u>			<u>'</u>			

D	atos.			Unit quoted for. Rate in Yen ex-Osaka.		Rupce/Yen cross rate Bombay,	Rate in Yen converted into Re.		
	000		o	rey Shirting					
April 6	932.		•	Per piece .	6.10	120.00	Rs. a. p 7 5 1		
., 14				,, .	6.00	12000	7 3 2		
" 25				,, •	6.00	117:00	7 0 4		
May 4	•			,,	5.55	122.00	6 12 4		
., 27				., .	5.40	117.00	6 5 1		
June 10	•			,, .	5.00	117-00	5 13		
,, 17				,, .	5.25	115.00	601		
,, 23					6.25	106.00	5 9 (
			,	41" Gray Shi	rting—' K iku l	Bijin' Chap.			
19: February 1	32. 8 .		. 1	Per piece .	4.85	140.00	6.71		
,, 2	5.			684	5.10	130.00	5.6		
March 1				1/1	5'25	125.00	6:5		
,, 15				1	5.40	119-00	6:4:		
,, 20					5.30	120.00	6:3		
,, 24				(Constitution)	4.75	118-50	5.6		
,, 81				,, सव	व जयके नह	120.00	5.70		
April 6				,,	4.80	120.00	5.6		
,, 14				,,	4'70	120.00	5.6		
,, 25				,,	4.70	117:00	b·5		
May 4] ,,	4.40	122.00	5.3		
,, 27				1,	4.35	117.00	5.0		
June 10				,,	4.25	117:00	4.8		
,, 17				, ,	4:40	115.00	5.0		
, 23				,,	4-50	106.00	4.7		
				•	•	•	f		
	32.	Œ	re y ,		seshoc Chap—		7,		
February 1		•	•	Per pair	1.02	140.00	1.4		
	5.	•	•	,,	1.10	130.00	1.4		
March 1	•	•	-	.,	. I·15	125.00	1.4		

	Dates.		Unit quoted for.		Rate in Yen	Rupee/Yen cross rate, Bombay.	Rate in Yen converted into Rs.		
	41	1932.	Grey	Dhot	ies Horsesh	oe (hap-44" by 1	0 yards—contd	l.
March	15		٠.		Per pair		1.15	119-00	1:37
"	20				,,,		1-15	120.00	1.38
,,	24				,,		1.07	118· 5 0	1.27
,,	31				,,		1.07	120.00	1.28
April	6				,,		1.05	120:00	1.26
,,	14			•	,,		1.05	120.00	1.26
29	25				,,		1.02	1174)0	1.22
May	4				,,,		1.05	122.00	1.28
,, 2	27	•			5	ski	1.03	117:00	1.20
June :	10				(E)		1.03	117:00	1.20
,,	17			•	, £		1:05	115-00	1.21
31	23			-	6	PP.	1-05	106-00	1-11

Enclosure 8.

C.i.f. quotations for Japanese Yarns—Bombay.

(Rates in annas per pound for counts specified.)

D	ate.	 	20s Boat.	328.	40s.	2/42s.	
19	32.						
30th March		. [7.00	8:40	9.80	11.20	
13th April			7 to 7·25	8.00	9.60	11.00	
27th April			6.75 to 7.00	7-60	8.00	10.20	
2nd June			6.50 to 6.75			9:30	
7th June			8.00			9.00	
23rd June			5.80	, 6.72	7-46	••	
20th July*			6.00	7-40	8.00	9.40	
22nd July		,	6.00	6.80	7.60	8.80	

^{*} The mill reporting the prices given on 20th July stated that their last sale of 20s was on 7th July at 7½ annas and 32s on 9th July at 9 annas. In 40s no sales had been possible for 3 months, but their nominal quotation was 11½ annas which was their actual cost price. In 2/42s no sales had been made for 4 months, but their nominal quotation was 13½ as per lb. which was their bare cost.

The Ahmedabad Millowners' Association.

Letter dated the 1st August, 1933.

With reference to the Press Communique issued by the Government of India, dated 25th July, and the subsequent Press Note issued by your Board, my Committee beg to state as under.

In our main representation to your Board my Committee has already shown the various causes that have rendered the existing import duties on cotton cloth and yarn partially ineffective. But during the last 4 months the position has considerably worsened, owing to the fall in the Exchange value of the Yen.

During the year 1930, the Rupee-Yen Exchange had reached the stable level at Rs. 135 equal to 100 Yens. The 20 per cent. duties which were imposed by the Cotton Textile Industry Protection Act, 1930, were considered sufficient with price comparisons calculated on this basis. But after December, 1931, the Yen has been falling precipitately, and to-day it stands at 104, i.e., nearly 30 per cent. below its normal level. With this fall in the rate of Exchange, it is but natural that the Rupee equivalent of Japanese cloth prices should fall to a considerable degree. My Committee submit that there has been such a fall.

A strong evidence of this fact is found in the recent uptake of Japanese goods in the Indian market. We append the figures below:—

Imports of Japanese cloth into India.

March, 1932		T.57	1 11	MŁ.		30.344,226 yards.
April, 1932						47,411,324 ,,

Imports of Japanese cloth of all description into Bombay.

March,	1932	•		10,359,311	12 months ending Dec- ember, 1931
					emper, 1901
April,	,,			17,230,460	
May,	,,			15,173,896	
June,	,,	•	•	28,197,473	6 months ending 30th June 1932 97 965 894

Even the figures of imports of Japanese cloth for the last 6 months of the current year show a marked rise over similar figures of the last year. Considering that total imports of the last year were 118 million yards, the figure of 97 million yards, for the first 6 months of this year is remarkably high.

My Committee contend that these figures read in conjunction with the fall in the value of Yen amply prove that the duties have not been of any avail against the imports from Japan, and that whatever effectiveness they had has been completely nullified by the depreciation of the Yen. This is not surprising in view of the fact that the duties continue to remain the same, while the price comparisons on which they were based have changed materially to the advantage of Japan. Unless this change is compensated by an at least equal change in the rate of the duties, the amount of protection granted by the Cotton Textilo Protection Act, 1930, can never be preserved and my Committee submit that this change should be made. For the same reason these duties should be directed against all countries whose Exchange is observed to be depreciating.

These increased imports from Japan are reflected in all the varieties of Japanese cloth as can be seen from the following figures:—

Imports of different	varieties o	t Jai	panese cotton	niece-	aoods into	Rombau.
Importa of weller are		,, ,, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		Picco	800100	Don Coug.

10	1932		Plain groy.	White bleached.	Printed.	Dyed.	Coloured Woven.	Cotton and Art. Silk.
March			3,176,962	1,020,170	1,193,354	155,150	194,571	4,596,201
April			7,076,426	1,828,055	2,402,281	395,801	336,299	5,184,423
May			4,032,600	2,075,9 56	3,089,188	632,494	376,715	4,955,4 96
June	•	٠	7,956,275	3,157,195	6,538,311	1,270,807	1,595,992	7,669,419

These figures show that in the last 4 months there has been a tremendous increase in all the classes but particularly so when goods other than "Plain Grey". This means that the import duties should include all these classes in their operation. Indeed, that would be the only logical arrangement as they are all effected by the common cause against which the duties would be directed, viz., the fall in the value of the Yen.

The duties should be in operation as long as the depreciation of the Yen continues, but at least for a period of 6 months. My Committee submit that even if the Yen appreciates during this period, that should in no way affect the level of the duties, because the harmful effects of the previous depreciation will not have worked themselves out till the end of such a period. If on the other hand, the Yen depreciates further, as it is likely to do, with every stage of reduction in its value the duty should be increased to an equal degree. My Committee hope that in such an eventuality the Government will increase the duties by executive action and lose no time in the cumbersome procedure adopted this time. The Government has ample powers to do so without any immediate reference to any other body. My Committee strongly suspect that on account of the time lost in the present case there has been a heavy dumping of Japanese goods during the last month and feel that no occasion for its repetition should be given in future.

We have so far abstained from making any reference to the imports of Japanese yarn and goods mixed with artificial silks, because unfortunately, these are not covered by the Government of India Act. 1894, under which a reference has been made to the Board; otherwise the case is not less serious in respect of these classes also, as shown by the following figures:—

Imports of Japanese yarns into British India.

Total for 5 months ending May, 1932 . . 5,124,868
Total for 12 months ending December, 1931 . 5,792,852

Therefore my Committee feel that even if the Government cannot take any action under the Act of 1894, it can have a legislative sanction in the September Session of the Assembly and impose equalisation duties on these classes also. The Board will materially help the Government in that decision, if it passes on to the Government, the data relating to these classes that it will get from various representations made to it.

Japanese Cotton Piecegoods and Yarn Importers' Association, Bombay.

Letter dated the 30th July, 1932.

Being directed by my Association, I have the honour to place before you the following representation with regard to the yen exchange. In this connection, I have also been authorised to forward to you for your reference the representation, which I herewith enclose, submitted to the Honourable the Finance and Commerce Members at Simla by the Japanese deputation on the 26th July, 1932.

Enclosure No. 1.

YEN-RUPBE EXCHANGE.

I. - No Manipulation by Japanese Government.

There is a very wrong impression prevailing in India that the present low rate of yen has been the result of financial manoeuvre on the part of Government of Japan. Such illusion becomes stronger as the people get inclined to believe that the Government have been manipulating exchange with a view to expand the export trade of the country. This is believe which is not founded on facts. Mr. Takahashi, the Finance Minister of Japan, has time and again declared in the Imperial Dict and in his official utterences that the Government is not manipulating the exchange at all and that the Government is always desiring to keep up the stability of yen.

How can Japan, with a large amount of foreign debt and without having any material resources for her industries, afford to adopt such a suicidal policy? Like other advanced nations, Japan is also eager to maintain the value and credit of her yen. The following facts will reveal the earnestness of the Japanese Government to keep up the stability of yen, which would be sufficient to set aside any doubt that one may have regarding Government attitude towards the exchange. There are both economic and political reasons for the low rate of the ven.

Among economic reasons may be mentioned the unfavourable balance of trade of Japan, flight of capital and increase of fiduciary issues of notes projected mainly to raise the price of commodities. Political cause may be ascribed to unsettled diplomatic situation with China and the uneasiness prevailing in the political sphere at home as the result of Manchurian affair.

The Government of Japan have already taken action by promulgating and bringing into effect from 1st July the Law for the prevention of the Flight of Capital to Foreign Countries. By this Law, the Government is empowered to control the movement of Capital to and from foreign countries by prohibiting and limiting purchases and sales of foreign currencies and foreign exchange bills, remittances to foreign countries, deposits and loans in foreign currencies and other securities and certificates of liabilities and all transactions intending to give credit alroad. The rigid provisions of the law will greatly restrict exchange speculations and in a short time stability will be regained.

It is true that Government have authorised extension of fiduciary note issue, but it needs to be remembered that the increase of such issue was projected with the sole intention to raise the commodity price to give relief to the acute depressed condition of the agricultural section of the country. The extension of fiduciary issue has been looked upon with suspicion, but it must not be forgotten that all countries have, at one time or the other, had to resort to this measure when emergency demanded. In 1928 England had an occasion to increase her fiduciary note issue from £19,750,000 to £260,000,000. The action of Japan to increase her fiduciary note issue has been solely prompted, as explained above, by reasons which are purely domestic. The solution of the deplorable condition of the rural

community, verging on famine, is one of the biggest political and economic issue before the country, engaging attention of the best brains of Japan at present.

It may, however, be remembered, although the fiduciary issue has not been realised to any appreciable extent, the prices have been gaining a steady unward tendency already to the great relief of the farmers.

The political exigencies are steadily disappearing with the settlement of the Manchurian affairs and the confidence at home in the present Government under the leadership of the veteran and liberal statesman, Viscount Saito, the Premier. Thus, with all these economic and political disadvantages gradually eliminating, it will not be very long to establish normal conditions in Japan.

II .- What is the normal rate of yen in terms of Rupees?

Now that England and Japan both abandoned the Gold Standard, the contention that the normal rate of exchange between India and Japan, as viewed from the relative position of their respective currencies, should be 135-136, or same as the gold parity, cannot be substantiated, because this is an argument based upon imaginary state of affairs, entirely ignoring the causes underlying the abandonment of gold standard in both the countries with different circumstances. It is recognized by authorities in economics that the rate of exchange between countries with inconvertible currencies is determined by the following factors:—

- (1) The potential power of a country from economical standpoint.
- (2) The level of commodity prices of a country.
- (3) The balance of trade and international finance.

Thus it is quite clear that the normal rate of exchange between India and Japan with paper currencies does not necessarily correspond to the gold parity. Apart from the theoretical observation of the question, and assuming that a certain rate can be worked out as normal, the practical method to arrive at such a rate would be to find out an average of actual rates over a certain period in the past. In this connection we are of the opinion that the rate of the yen obtained from April, 1925, when England restored the Gold Standard, to June 1929, when the Hamaguchi Cabinet was formed in Japan with its declared policy of removing the embargo on gold, would serve to indicate the nearest position of the yen in its normality when it was left to find its own course. During the five years referred to as above the rate of you in terms of rupees ranged between 123 to 131 and the average was 126:31. Taking the depletion of the specie reserve as at present, the normal rate should be nearer to 120 than to 126. In view of the fact that the rate of the yen has been depressed rather excessively recently, it can be safely expected that the rate is likely to improve towards its normal level as soon as abnormal conditions disappear.

III .- Is depreciation of yen benefitting Japan?

It is said that increased import of piecegoods from Japan is due to the abnormal fall of value of yen and that this issue is being exploited as a propaganda against Japan. But the real issue is quite different from what it is so skilfully misrepresented by the interested parties.

It is true that the increased import of piecegoods coincided with the fall of yen and this might have been believed to have helped export from Japan to a degree. But the depreciation of yen exchange is not the real factor to stimulate exports from Japan as would be evidenced from the facts below.

Most of the contracts have been done in the months of February, March and April, the period when exchange stood between 120 and 130. But since then the volume of business has considerably fallen off, notwithstanding the fact that the exchange has subsequently depreciated to 105.

We must not overlook the important aspect of the prices of commodities in India. Index numbers of the prices of commodities on gold basis in Indian have been registered on an upward grade, compared with Japan and England. It is inevitable, therefore, that the goods from different countries would begin to flow to that country where prices are higher. Thus, it is not Japan alone which has indicated an increase of export to India, but United Kingdom had its full share of benefits in exporting her goods to India owing to higher prices prevailing here.

One cannot say whether Japan is benefitting horself by the fall of yea, judging from one aspect of things only. Balance of trade between Japan and India is always unfavourable to Japan. Hence Japan pays more for her imports from India than she receives from her exports to India. It is misleading to say that Japan is benefitting through depreciated curroncy. Japan has no material resources and no raw products in her country to depend upon for her manufacturing industries. She is in a very great measure dependent upon imports of such commodities from foreign countries and, with her depreciated currency, she will require to pay more for her purchases from foreign countries. Thus Japan is paying more for her imports of cotton from India and other parts of the world which directly increase the cost of production of cotton manufacture. Thus it is a hollow talk to speak of Japan receiving any benefit consequent upon fall of yen.

IV .- Increased imports from Japan considered as temporary.

The fact that there has been an increase in import of Japanese cotton piecegoods and yarn since January, 1982, can be accounted for by the following causes:—

- (a) The stock of imported goods in India has been extremely reduced on account of restriction of purchases from foreign countries since two years due to Swadeshi and Boycott movement.
- (b) There has been a strong fear among the dealers in India of the probability of a world was due to the Sino-Japanese conflict, thereby causing the famine of cotton goods. This gave rise to considerable speculative purchases of cotton goods among the Indian dealers.
- (c) A very bullish sentiment prevailed in American cotton which stimulated the buying operation of Indian importers.
- (d) On account of abnormal short crop of Indian cotton, the price of American cotton has been in lower parity than that of Indian cotton.
- (e) Owing to suspension of shipments to China, some of the manufacturers in Japan diverted their production to Indian Market.

It must, however, be mentioned here that the increase of import from United Kingdom had been much larger than that of Japan for the period in question.

Comparison of imports of cutton piecegoods from January to May excluding artificial silk goods.

			1931.	1937.	Percentage of increase.
			Vds.	\mathbf{Yds} .	
United	Kingdor	١.	145,541,465	202,028,779	38
Japan	_ · .		143,011,043	167,719,847	17,
Others		-	15,788,741	20,870,240	32
	Total		304,311,249	390,618,866	25

The following figures have been obtained from actual business done by the three leading Japanese importers in Bombay who are carrying majority n 2

of such imports and their largest business was booked during February with the average exchange rate contracted at 135.9. Since then business had been considerably decreased.

Monthly business booked and average exchange rate contracted each month.
(Unit: packages.)

Months.					Yагн.	Grey.	Fancy.	Total.	Average Exchange rate con- tracted.
	19	332.							}
January					1.666	1,202	924	3,792	143,680
Februar	y .				5,480	7,042	2,215	14,737	135,979
March					2,525	1,656	2,148	0,329	121,904
April				-	2,295	1,509	2,079	5,883	120,320
May					1,120	1,580	2,234	4,934	119,520
June				.	800	1,842	910	3,552	114,333

The so-called heavy arrival of Japanese goods during May and June can therefore be considered to have been contracted and booked during February, March and April for arrivals in May and June. Hence it is obvious that they are not the goods contracted during May and June when exchange rate had been depreciating.

Considering abovementioned various factors it is clear that the import of Japanese piecegoods is only a temporary phenomenon and the import will gradually decrease in future.

These contentions may further be ellucidated by the following facts:-

- (1) Depreciation of exchange rate would cause the rise of commodity price in Japan, especially those of imported goods such as raw cotton, machinery, and many other mill supplies and stores.
- (2) Decline of exchange rate might have been caused by the flight of capital but the Government of Japan had promptly enacted laws to check such flight since 1st July.
- (3) Settlement of Shanghai affairs is causing the revival of demand for Japanese goods in China which would naturally prevent further increase of exports to India.

V .- - Alleged Japanese dumping is quite prejudicial.

Taking the temporary increase of import figure since January it has been alleged that Japan is dumping her goods ignoring the cost of production, thereby suppressing the Indian market, but such conceptions are entirely wrong.

The increase of imports is due to the business booked attributable to the causes of a temporary nature as previously stated, and they have never been booked ignoring the cost of production. Japanese mills are still continuing the curtailment of production by which they are endeavouring their best to adjust the supply and demand. It has so happened that the unusual short crop in India and bumper crop of America might have caused Japanese mills to enjoy a certain advantage on the cost of production in using American cotton compared with India mills.

It is not the fact that Japan purchased 2 million bales of American cotton before the gold embargo. She bought only 650,000 bales since 1st August upto 12th December, 1931 and further about 1,150,000 bales thereafter upto the end of June. But it is entirely unreasonable to link these figures to the dumping.

Further it can be stated that Japanese mills are trying utmost to raise efficiency by the most rationalised and scientific management, by which they can meet with the demand at moderate price at any time.

The following facts which had been collected from the members of my Association show that prices realised in Home Market are generally lower than those for export:—

Date.	Export business booked.	Mills selling price for domestic consumption on similar quality.	
	(a) " Momo" Grey Shirting-14" x 38 yds. × 8 lbs-	Yeu.	
May 18th	Yen 4:30, November shipment	4-20	
,, 31st .	, 4:15	4.10	
June 18th	,, 4:05 ,, ,, ,, ,.	4-05	
	(b) "Hanabotei" Dhoty44" × 10 yds. × 1 lb.		
End of May .	Yen 1'05 October/November shipment .	1.00	
Middle of June .	" 1·025 " " " " " " " " "	0.88	

Since the enactment of protective tariff in 1930, India raised duty twice in succession thereby the import of cotton piecegoods from United Kingdom and Japan obviously decreased and production of Indian mills has been increasing. Only this year, we have seen some increase of Imports into India, owing to abnormal and temporary causes.

Enclosure No. 2.

Memorandum submitted to the How'ble the Finance and Commerce Members by the Japanese Deputation at Simla on 26th July, 1932.

We have to thank you the Honourable Members for your kindness in giving us the opportunity for this meeting.

It has come to our knowledge that certain commercial bodies in this country are asking the Government for an additional duty on Japanese cotton goods alleging that they are being dumped into the Indian Market taking advantage of the depreciation of exchange.

As representatives of Japanese exporters and importers in this country, we should like to make it clear that we are trading on the principle of "Live and let live" and are desirous of having a fair share of the import business in India, in view of the fact that Japan's imports from this country amount, say, in 1930-31 to Rs. 239 millions as against Rs. 145 millions exports to India. While we do not seek any special favour, we do earnestly fair field.

Accordingly, we feel it our duty to remove any misunderstanding concerning the method of our business, which might have been created by misrepresentations of interested parties, and we hereby beg to explain the real circumstances underlying the recent increase in the imports of Japanese goods into this country. We firmly believe that the said increase was attributable to factors altogether abnormal and temporary.

To elucidate the real state of affairs in this connection, it would be useful to review in brief the situation in Japan, financial, economic and political, from the tirm Japan restored the Gold Standard in January, 1930 up to the time of Japan's going off the Gold Standard.

At the time Japan restored the Gold Standard the general expectation was to see a recovery in trade, domestic and foreign, on a sound basis. But these expectations were not realised, since the strict policy of rigid economy pursued by the Government resulted in the reduction of general purchasing power and a consequent slump in industry. These combined with the world wide depression aggravated the difficulty of living in the rural districts, thereby giving rise to popular demands for a change in the Govpriment policy, and a measure for raising the prices of agricultural products was an urgent necessity.

On the 19th September, 1931, the conflict of Japanese troops on guard over the South Manchurian Railway and certain Chinese soldiers had severe repercussions on the Japanese Market indicating a troubled future in her relations with China, who has a predilection for anti-foreign movements on any filmsy pretext.

Then the announcement of the suspension by the British Government of the gold standard came as a bolt from the blue, a panicky feeling prevailing in financial circles in Japan in anticipation of the dislocation of world trade.

Many countries followed suit, either by suspending the gold standard or controlling the exchange to safeguard their monetary position. It was at this stage that speculation was current as to the inevitability of Japan's going off the gold standard and tremendous amount of yen was sold abroad. It is therefore quite understandable that shrewd merchants might have made some speculative purchases of cotton in the meantime, as reported in the press. सन्द्राग्रेव जग

It is, however, a well known fact that the Japanese Government fought a bitter flight to maintain the Gold Standard, but the drain of gold from the country was so heavy that the currency system was threatened by depletion of specie reserves.

These circumstances, as we understand them, compelled the Cabinet then in power to resign and the embargo on gold was declared by the succeeding cabinet upon its formation on 13th December, 1931,

These epoch making events took place by force of circumstances, without

permitting arbitrary control by the Government.

In the meantime the boycott movement in China became so widespread military action in Shanghai to protect the lives and properties of her nationals in China.

The Japanese attitude was then the target of severe foreign criticism and strong pressure was brought to bear upon her by the League of Nations, due to lack of knowledge of the real situation. There were with talks of world War as a consequence of Sino-Japanese disputes. Such was the position at the beginning of this year.

Now we propose to examine the business conditions in the cotton trade in Japan and India for the last six months-

(1) From the beginning of the year there has been a strong belief among the cotton dealers in India of the probability of a

cotton goods famine based upon rumours of a World War as mentioned above. All dealers were simply crazy to take in stocks of yarn, and piecegoods both of Indian production and foreign.

- (2) A very bullish sentiment also provailed in American cotton and its price registered high record of 7 cents per pound both in February and March which undoubtedly stimulated the buying operation of Indian Importers.
- (3) It so happened that the arrival in Bombay of the new crop of Indian cotton was extremely small and the price firmed up to a record level in February, Broach Cotton being quoted at 238-0-0 on 19th February, this year. Naturally the Japanese cotton goods proved comparatively cheaper because of the use of the American cotton, the price of which was lower in parity.
- (4) Imports of foreign goods had been restricted to an unnatural extent chiefly owing to political uneasiness and the consuming centres in India were almost bare of stocks requiring immediate replenishment at the first opportunity.
- (5) In spite of such circumstances all warranting increased demands from India, the Japanese market remained rather easy, owing to the difficulty of export to China, and it was quite natural that a considerable business for export to India was put through during the month of February, when the rate of Rupee-Yen exchange ranged at 137-128. Thereafter the business has continued to some extent, but when the rate of exchange fell to the level of 105, the volume of business fell off very much.

It may be noted here that the fall of the yen below 120 was chiefly due to the Far Eastern trouble. The sharp fall in the quotation of Japanese Bonds in foreign markets caused the flight of capital for investment purposes. This tendency has been intensified by the rumour that the Japanese administration would take such steps as to check the flight of capital, as also to institute an inflation policy in order to relieve the rural depression. The Japanese Government accordingly passed a law (the middle of June 1932) for the prevention of the flight of capital abroad. Prior to the enforcement of the said law, from the 1st of July, 1932, the selling of yen in anticipation of an inflation policy and the probable effect of this law, coupled with speculative imports, caused a further fall in exchange to the level of 100.

These powers will enable the Government to check speculation in yen and thus prevent further depreciation and it is generally expected that the rate will eventually improve owing to the fact that the causes of the depreciation of yen as stated before have ceased to operate.

It may be added that owing to the adoption of an inflation policy and a low rate of exchange, prices of commodities in the home market are expected to rise gradually as a matter of cause.

Then up to February, when the major portion of business in question was put through the fall of the yen had nothing to do with the increase of exports to India. After that, the lower rate of exchange brought about by the abnormal causes stated above, combined with the aforesaid market conditions, acted to help Japan's export trade, which we believe is only temporary.

From the above it will be readily apparent that the condition of the market and the rate of exchange was entirely attributable to abnormal causes.

At the same time, it will be seen that no attempt was made by the Japanese Government to deliberately lower the exchange or to subsidiso the export trade, as alleged by certain parties.

As is shown from the figures below, there was also a great increase in the imports of British goods and other foreign goods in January/April, this

year. This fact would prove that the increase is not confined to Japanese goods only.

Comparison of imports of piecegoods from January to April, 1931-32.

	1931	1982	Percentage of incresse,
	(January to April) Cotton Piecegoods.	(Jauuary to April) Cotton Piccogoods.	
	(Yds.)	(Yda·)	
United Kingdom	117,448,768	157,718,311	34.2
Japan	142,265,887	166,413,194	9.9
Other Countries	15,682,637	17,587,586	12·1
•			
Total	275,397,392	331,719,091	20-4

In connection with the charge of dumping in a general sense, we wish to invite your attention to the fact that Japanese spinners have followed a definite programme of curtailment of production by 25 5 per cent. from January to October, 1931 and by 81-4 per cent. thereafter. This is an evidence that they are anxious to adjust the supply and demand with a view to maintaining prices on a reasonable basis. No attempt has been made to exploit the foreign market by means of sacrifice sales or dumping. The following extracts from the reports of the Tariff Board and Mr. Hardy will be of some interest:—

"It will be seen that the difference between the two quotations is very small indeed and that, except in two of the last three months, the quotations for the export cloth are higher than for the cloth used for home consumption. Such evidence as is available on this point, therefore, goes to show that it does not appear to be the case that mills in Japan can as a rule obtain higher prices in the home market than they can for exports and that a charge of dumping in the usual sense of the word cannot be substantiated." (Report of the Indian Tariff Board—1927, Volume 1, page 68.)

"I have compared the prices quoted in Table XXIX of the Tariff Board's Report with the prices shown in the Special Record for cloths of similar specifications. The comparison shows that prices in August, 1929 and in October, 1926 were practically identical and, as the prices of raw cotton in the first eight months of 1929 were not higher than in the first nine months of 1926, it does not appear that Japanese prices have altered greatly in the past three years except in tune with fluctuation in the price of raw cotton. The severity of competition cannot therefore have changed greatly if it be measured by the margin by which imported goods are underselling Indian products. There has been an appreciable fail in the prices both of imported and of local goods between August and the present time (November) owing to the declining price of raw cotton." (Report on the Import Tariff on Cotton Piecegoods, 1929, by G. S. Hardy, page 69.)

The fact that the category of cotton goods imported from Japan has undergone a great change as a result of the very high tariff which is prohibitive to some kinds of goods would show that the continuance of imports of Japanese goods was only possible by reason of attractive prices for goods suitable to the consuming public.

In the representation submitted to the Tariff Board by the millowners of Bombay, a laboured attempt is made to show that Japanese spinners were salling their goods at low prices by using 2,000,000 bales American

cotton which they allege to have been bought before the embargo on gold. This is not correct: the following is the actual state of affairs:—

From the beginning of the season to the date just before Japan went off gold, i.e., the 1st of August, 1931 to 12th December, 1931, the Japanese Spinners' purchase of American cotton amounted to 650,000 bales only. The total shipment from America for the season up to the end of June this year was 2,300,000 bales. Of these 200,000 bales, represent purchases by Chinese Mills which had been temporarily directed to Japan owing to the unsettled condition in Shanghai some time ago. Also 300,000 bales represent consignments sent to Japan by merchants. The actual purchase by the Japanese Spinners therefore comes to 1,800,000 bales, of which only 650,000 bales were purchased prior to the embargo on gold. It may be mentioned here that these 650,000 bales merely served to cover the regular consumption and had already been exhausted. As compared to last year, the total purchase of American cotton is in excess by 800,000 bales. But this is counteracted by a smaller purchase of Indian cotton. The total purchase of Indian cotton to date is 600,000 bales, being less by 1,000,000 bales as compared to the figures of last year. 1,000,000 bales Indian cotton in weight is equivalent to 800,000 bales of American cotton. Thus the total purchase of cotton, American and Indian, remains practically the same as last year.

Regarding the charge of "Cotton and Exchange operation" mentioned in the telegram from the millowners of Bombay to the Hon'ble Commerce Member, as published in the press, suffice it to say that there is no foundation in the connection that Japanese spinners had remitted funds for purchase of cotton before the embargo, as it is an established usage in the trade in Japan that all purchases are made on the basis of the yen, the exchange being taken care of by the cotton merchants upon closing the business.

In the same telegram, it is stated that the yen is just half what it was six months ago. It is altogether absurd to compare the rates when exchange six months ago when Japan was on Gold Standard, and India was linked to sterling divorced from Gold, with the recent rates when both countries are off gold.

Some say that the normal parity of the yen to the rupee is 135-136, which was quite correct before the abandonment of the Gold Standard, but this cannot be taken as basis of the comparison now, because both currencies are subject to fluctuation through various causes other than the parity.

The 1931-32 crop of Indian cotton was the smallest on record since the last 10 years, which, combined with the general tendency for larger consumption of cheaper cotton during the last few years, accounts for the abnormally higher parity in price of Indian cotton this year. Such disparity, however, would disappear when the normal crop of Indian cotton is realised, and the handicap on the Indian industry in this respect, is only temporary.

We may add that it is an actual fact that in Japan only those mills are working, the proprietors of which have spared no efforts to rationalize the enterprise, to cut down the cost of production to a minimum and to entirely eliminate waste. We think this is one of the circumstances that enable them to market their goods at moderate prices.

Regarding the imports of other goods from Japan, such as artificial silk goods, hoseiry, etc., in so far as the exchange and the rising tendency of prices in the home market are concerned, the above remarks apply with equal force.

Consul General for Germany.

Telegram dated the 29th July, 1932.

I herewith beg to point out that if it should be decided upon to increase generally the duty on cotton piecegoods not of British manufacture in view of

situation created by imports of cotten piecogoods from countries with depreciated currencies the import of cotton piecogoods from Germany would be seriously endangered if not ruined.

Consul General, Netherlands.

Telegram duted the 29th July, 1932.

Reference Resolution of 25th July would place on record textile piecegoods from Netherlands definitely are not imported at price likely to render ineffective protection Indian manufacture. On the contrary Notherland being on Gold Standard works as highly prohibitive measure against Netherlands products. Therefore urgently request leave Netherlands out of scope present enquiry also refer my letter 19th May, 1932.

The Anglo-French Textile Co., Ld., Madras.

Letter dated the 26th July, 1932.

We see from Reuters telegrams dated Simla, July 25th that a reference has been made to the Tariff Board in connection with proposals to increase the rate of import duty on cutton piecegoods not of British manufacture and the Board have been asked to report whether duty should be increased generally or in respect of such articles when imported from or manufactured in any country or countries specified. The Mills owned by this Company, are situate at Pondicherry in French India. In view of the fact that the Mills not only use exclusively Indian cotton and employ Indian labour but pay tax in British India we would urge that they should be exempted from any increase in the rate of duties that the Tariff Board may recommend to the Government of India. We should be very pleased to furnish the Tariff Board with any further information in connection with our Mill in Pondicherry or the quantity of cloth that they have imported into British India during the past few years.

Delhi Piecegoods Association, Delhi.

(1) Letter dated the 26th July, 1932.

With reference to the press communique issued yesterday by the Government of India, Department of Commerce, instituting a Tariff Board enquiry on the question of increasing the import duty on cotton piecegoods not of British manufacture and the terms of reference for the said enquiry, I am directed to forward herewith a copy of a letter which my Association has sent to the Secretary, Government of India, Department of Commerce, suggesting that an import duty of 100 per cent. be immediately levied on Japanese piecegoods, and in addition a suitable anti-dumping legislation specially directed against Japan be also put into operation.

I am further directed to point out that my Committee is strongly against the raising of duty on piecegoods imported from any other country than Japan. The foreign piecegoods trade of other countries has also been severely hit by Japanese competition and any enhancement of duty on the goods imported from those countries will be instrumental in precipitating a very serious crisis, resulting in the collapse of the whole trade, and in consequence there will be great discontent in the country, and also the number of unemployed will be substantially increased, since many firms dealing in piecegoods will be compelled to stop their business and retire into oblivion. The prosperity of a country as much depends on its trade as on its industry and hence it would simply be suicidal to sacrifice its chief trade in order to protect its industry.

Under the circumstances my Committee very strongly urges that no fresh or additional duty be levied on any other goods than of Japanese origin.

Enclosure.

Copy of letter dated the 18th July, 1932, from the Hony. Secretary, Delhi Piecegoods Association, Delhi, to the Secretary, Department of Commerce, Government of India.

It is a well known fact that piecegoods trade, both foreign and Indian, all over the country has been in a very precarious condition for the last few years. Various causes have contributed to bring about such a state of affairs, and the latest but not the least of these is competition from Japan. Japan with her artificially depreciated currency and cheap labour has succeeded in flooding the Indian markets with goods at prices far cheaper than either the Indian mills or any foreign country could think of charging for similar goods. We feel confident that unless a substantial import duty is levied on Japanese goods hesides taking other effective measures it will not be possible to check that country from pursuing such a course. In fact the recent enhancement of import duty has not succeeded in doing so; on the other hand since then Japanese goods have been coming into the Indian markets in increasing quantities. Owing to the unsteady level of prices of Japanese goods the merchants are gradually losing confidence in the future and feel diffident to enter into any future commitments for fear that the next day Japanese goods might be dumped at still cheaper rates. In the beginning stages the Japanese operations were confined only to grey goods of lower counts. But they have gradually extended their activities to other lines so much so that they have practically touched all the important articles.

Such being the situation, my Committee feels that, nuless some prompt and effective steps are taken to prevent the onrush on Japanese goods into the Indian markets the piecegoods trade will continue to remain gloomy, uncertain and unprofitable.

Under the circumstances my Committee suggests that an import duty of 100 per cent, be immediately levied on Japanese piecegoods and in addition a suitable anti-dumping legislation specially directed against Japan also be put into operation.

My Committee is aware that the Tariff Board is now enquiring into the question of affording protection to the Indian Cotton Textile industry but strongly urges that immediate action on the lines of the above suggestions be taken without waiting for the result of the Tariff Board enquiry, as the piecegoods trade can no longer sustain the Japanese attacks.

(2) Letter dated the 30th July, 1932, from Delhi Piecegoods Association.

In continuation of my letter No. 318 of the 26th instant I may be permitted to point out that the duty on piecegoods imported from any other country than Japan should not be raised, because such goods are not coming in competition so severely with those manufactured by the Indian mills and because the exchange of none of these countries has depreciated. On the other hand the export trade of all these continental countries, such as Italy, Germany, Switzerland, Austria, etc., has been hit very hard by Great Britain's decision to divorce the pound sterling from gold, because in consequence of this action their currencies have considerably appreciated and their prices have become very high. It is a fact that for some months after Great Britain's decision to go off the gold standard, the continental trade of piecegoods almost remained at a standstill. It is only very recently that the wheel of trade has again been set at motion, though the speed is still very limited and the volume of trade very much restricted.

If, however, in consideration of prevailing circumstances and the existing agreements the Government of India experience any difficulty in discriminating between Japanese and other non-British goods, we might suggest that additional duty proposed by this Association be imposed on piecegoods not of British manufacture coming from countries with a depreciated currency.

It appears from the Press Communiqué issued by the Government of India that only cotton piecegoods not of British manufacture have been entrusted to you for enquiry, and that the Government of India can only increase duty on this commodity by using their executive authority. But it is desirable to point out that there are other articles as well, not made of cotton but of other materials such as artificial silk, import of which has very adversely affected the cotton goods of various descriptions. For instance, Japanese artificial silk brocades (Domas or Taffetta) is being imported at such low prices that it has successfully replaced various kinds of dyed and fancy cotton goods. It has done incalculable harm to the Indian made cotton goods and also to the import of foreign cotton goods of similar descriptions.

In view of this it is very essential that cent per cent duty be imposed on this article as well. If this is not possible by executive action then a suitable bill be recommended to be put before the next session of the legislature. At present 50 per cent. duty is being charged on this class of goods, but the effect of the latest rise in duty from 20 to 50 per cent. is that the import of these goods has been very much increased and the retail price has gone down by about 35 to 40 per cent.

This one instance alone goes to prove that Japan is actually dumping her goods in the Indian markets and that some effective steps must immediately be taken to check this.

Indian Chamber of Commerce. Calcutta.

Telegram dated the 26th July, 1932.

Reference your Communiqué Committee Indian Chamber Commerce Calcutta urge immediate action consequent on depreciation in yen-rupee exchange which has led to large increase in imports of piecegoods from Japan to the detriment of indigenous industry which is unable to compete in price with Japanese piecegoods. Committee suggest prompt imposition of additional duties on imports of all kinds of cloth from Japan to fully counterbalance the disadvantage of Indian industry due to fall in value of yen. If action against Japan only cannot be taken additional duty may be imposed against all countries. Our case will also be represented by Bombay Millowners' Association. Will be glad to supply any information you may want.

The Indian Merchants' Chamber, Bombay.

Letter dated the 28th July, 1932, to the Secretary to the Government of India, Department of Commerce, Simla.

The Committee of this Chamber have seen the Press Communique issued by the Government of India, announcing that the Tariff Board are asked to conduct an urgent enquiry with regard to the recent fall in the price of goods imported from Japan occasioned by the depreciation of the Yen in terms of the Rupee. When the Committee of this Chamber addressed a telegram to the Government of India on the 29th June, 1932, they urged the necessity for immediate interim action in the nature of special heavy tariffs to counter the position created by the depreciation of the Yen. So far as my Committee have been able to see, all the commercial bodies

had stressed the importance of taking urgent action, as delay meant the dumping of more and more of Japanese goods on the market.

Section 3, sub-section V of the Indian Tariff Act, 1894, gives power to the Government of India to take immediate action, but, unfortunately, Government, instead of doing this, have referred this matter to the Tariff Board for an immediate report. Government could have taken action themselves, as soon as they had received communications from practically all the commercial bodies, after discussing the question with the deputation which waited on them. It would have saved the delay which has been occasioned by their waiting so long and also by the reference to the Tariff Board.

The reference to the Tariff Board specifies the terms of reference, which are among others

- "to report whether cotton piecegoods not of British manufacture are being imported into British India at such a price as is likely to render ineffective the protection intended to be afforded by the duty imposed on such articles under Part VII of the second schedule of the Indian Tariff Act, 1894, by the Cotton Textile Industry (Protection) Act, 1930, to similar articles manufactured in India and if so to consider:
 - (a) to extent, if any, the duty on cotton piecegoods not of British manufacture should be increased and whether in respect of all cotton piecegoods not of British manufacture or in respect of plain grey only or others only;

My Committee see no reason why these instructions should have reference to goods coming from all countries, excepting Great Britain when the only country against whom complaints have been made at present is Japan. It is the currency of Japan which has depreciated in terms of the Rupee and it is the goods imported from Japan which are dumped more and more here as a result of the depreciation and which come into very strong competition with the articles manufactured in this country. It was to get protection as against all these goods coming from Japan that so many commercial bodies addressed the Government of India. These terms of reference lend colour to the view that it may be intended to introduce a form of Imperial Preference. My Committee have, as the Government are aware, in common with other Indian commercial bodies, opposed Imperial Preference, in any shape or form whatsoever; and it is because of this that they request Government to be pleased to make it clear that the reference of this enquiry to the Tariff Board is concerned only with the competition of Japanese goods with indigenous goods as a result of the depreciation of the Yen.

Memo. No. 1044, dated the 28th July, 1932, from the Indian Merchants' Chamber, Bombay.

Copy forwarded, with compliments, for information to the Secretary, Indian Tariff Board.

Indian Importers Association, Calcutta.

Letter dated the 29th July, 1932.

In response to the requisition of your Board for laying down the views of the various organisations in India regarding the present position of the Japanese Trade in India. I am directed by the representative body of the Importers of Foreigns Piecegoods in Calcutta to put before the Board the following kind consideration:—

Since the start of the foreign goods Boycott propaganda by the political agitation in India the Importers are having had gradually decaying existence and a good number of recognised Import Houses have already died out

failing to shoulder the loss in this habitual heavy commitments. The few who are still in existence have had to face manifold difficulties in pulling on this trade in midst of all round adverse circumstances. The very direct object in view of the Boycott campaign was to flourish the Indian Mill concerns which in their turn were expected to foster the economic condition of the country by arranging cheap production. The Government have on the other hand accelerated the object by imposing abnormally heavy Import Duties on foreign Piecegoods on those from Japan are 31 per cent .- and thus granted the Millowners a fully protected field to work on. But most unjustifiably the Millowners were mislaid by a spirit of self agrandisement and absurd invaluable opportunity the ulterior object of the production has been lost sight of. Still now that foreign competitors are still gaining ground through this admirable business policy and skilful manufacturing capacity and thereby rendering the exploitation of public money by Indian Mills impracticable they are now crying for further protection, and if the attitudo of the authorities be still hospitable to this sort of exploitation by the Indian Mills and they decide to raise the Tariff wall still higher it will mean granting the Mills full charter to deprive the millions of poor Indians of this hard earned money, and putting a death blow to the general Piecegoods and yarn trade in India.

Apart from the above considerations there is another side of the question as it is almost an admitted fact that Japan, who has been for a long time past the biggest buyers of Indian cottons will cease making further purchases as soon as further impositions will be inacted on her goods and thereby the entire cotton agriculture of India will be left to the mercy of the Mills for fixing up the rate of cotton from time to time.

I am therefore directed to request the Board to take into consideration the above facts before they entertain the appoal of the Millowners for further enhancement of Import duty on Piecegoods.

The Bombay Shareholders' Association, Bombay.

Letter dated the 30th July, 1992.

- I am directed to communicate to you the following views of my Committee:
- 1. It is a matter of public knowledge that Japanese Piecegoods and Yarn, both Cotton and Artificial Silk, are now being sold at abnormally low prices and even have been continuously declining with marked tendency to still further declines in the near future just as fresh imports pour into India.
- 2. It is apparent that even the prices of goods held and ordered out in the beginning of the present year at much higher prices have already declined in varying degrees according to the nature of goods from about 15 to 35 per cent.; and it is a matter of common knowledge that goods ordered out for forward shipments of Piecegoods and Yarn both of Cotton and Artificial Silk are of appreciably much lower price, and as the time of arrival of such low priced goods ordered out approaches, the market price here must inevitably decline, as it has kept declining since the beginning of this year to levels as much low again as the decline that has already taken place.
- 3. From the beginning of the current year the Yen Rupee Exchange has declined from Rs. 142 to Rs. 102 Yens—a fluctuation of almost 28 per cent., and if Market Reports received from important Japanese Export Houses are any indications, the public sentiment in Japan is for still further serious depreciation of the Exchange and that is sought to be gradually brought about by inflation of Currency and by other methods.
- 4. We need hardly submit that the above mentioned abnormal and sharp continuous decline in price of Japanese Piecegoods and Yurn has had a very marked and adverse effect on the sale of Piecegoods and Yarn manufactured

in India; and such a serious situation is fast developing that if appropriate and adequate steps are not taken promptly, most of the Indian Mills must soon stop producing, as their products do not and would not find sale even at cost price and would only be saleable at rates ruinous to them.

- 5. We assume that it is now deemed imperative by the Indian Government to grant additional protection to the Indian Textile Industry and it is left to the Tariff Board to recommend the nature and extent of such protection.
- 6. We submit that in the present abnormal circumstances additional duties should be levied for a period of at least six months to cover the 28 per cent. depreciation of the Yen already referred to, and that in the event of a further depreciation of the Yen during this six months' period, the Covernment should be empowered to raise the duties, by executive order, by a corresponding amount. If the Yen appreciates in value during the next six months, we maintain that the rate of duty should remain unaltered, for the reason that Japan, by the time the Board reports, will already have had two months benefit from their depreciated Exchange during which it has not been possible to take any preventive action, and large forward sales extending up to December, 1932 have already been effected at or about the present Exchange rate; and a rise in the value of the Yen would not therefore affect the Rupee price at which these goods are saleable in India.
- 7. Though this extra duty must be in addition to the existing duty prevalent in the Country, even then we have apprehensions that with the active assistance and support of their national Government Japanese Manufacturers and Shippors may be able to circumvent the further additional duty and continue the dumping of their goods in the Indian Market.

Marwari Chamber of Commerce, Calcutta,

Letter dated the 30th July, 1932.

I am directed by the Committee of the Marwari Chamber of Commerce to address you with reference to the applications put forward by the Millowners' Associations of Bombay and Ahmedabad, requesting the Government to take immediate action to impose additional duties on cotton manufactures imported from Japan. The request, it is reported, has been supported by various Chambers of Commerce. My Committee consider that those bodies not being directly connected with Japanese business have only superficial knowledge of same, and as such could not examine all sides of the question fully and justly.

- 2. My Chamber have already communicated their protost against the proposal of the Millowners' Associations, by wire as well as by letter, to the Privato Secretary to His Excellency the Viceroy as per copies enclosed and have placed before your Board their considered opinion on the subject in their replies to the questionnaire relating to the Tariff Board enquiry. My Chamber consider it expedient to further put forward their views before the Board, so that all points of the issue may be thoroughly considered.
- In the opinion of my Chamber, whose members are interested in the import of foreign cloth including those from Japan, as well as in the sale of Indian mill products, the demand of the Millowners' Associations for further protection is not only unreasonable but unworthy. They have been given ample protection in the past, first by abolition of Cotton Excise Duty and then by the imposition of heavy Customs Duties on the importation of foreign cloth, particularly Japanese, in which case the present rate is, perhaps, the highest in the world, and it is a wonder that they should once again come forward with another pertinent application for further protection. The protection afforded to them in the past, has been in the opinion of my Chamber, only taken advantage of and grossly misused by the Millowners. In 1900, when the average price for raw cotton was 219, they

eould sell Grey Shirtings at an average price of As. 6-10 per lb., and in 1915 when they had the extraordinary advantage of the war-boon, they could sell at As. 8-3 per lb., the average price for raw cotton being Rs. 205 and after paying an Excise Duty prevailing at the time. It is really remarkable why now, when they have not the handicap of an Excise Duty and on the other hand have the advantage of the heavy Tariff wall against foreign imports, when the price of raw cotton is far below the figure quoted above they cannot sell their goods at a price less than As. 11-6 per lb. The fact is that the Millowners have always played upon the sentiment of the people in favour of indigenous goods as created by the boycott movement, have taken the full advantage of the same, have been asking the Government for one protection after another, knowing as they do, that the very high sounding term of protection to industry is competent enough to draw in their favour the growing public opinion and the established sympathy of a Government anxious to see the development of Indian Industries.

- 4. Yet, one fails to see how the much talked of import of Japanese goods is likely to render ineffective the protection intended to be afforded to the Indian Mills so as to evoke the application of section 3 (5) of the Indian Tariff Act, 1896. The average price of a representative quality of Japanese Grey Shirtings, Chonysantheamum and Lady, weighing 101 lbs., was Rs. 10-8 per piece until recently, or one Rupee per lb. After the depreciation of Yen in terms of Rupee, the price has come down to Rs. 8-9 or about 13 annas per lb. Is the difference of one anna and a half, or about a Rupee per piece of 101 lbs., considered insufficient protection by the Millowners? My Chamber do not see any ground to call it a competition at all, when the Millowners have such a big difference in price in their favour, and above all, have a persistent sentiment of the people to support them. Experience has shown that whenever the prices of imported cloth have been increased for some reasons or other, the Indian Millowners have been very prompt to sieze the opportunity to advance their prices for no other reasons but that Allegations are rather too numerous that Indian Mills are in the habit of profiteering in an advancing market with the goods already booked, by suspending delivery to the buyers without sufficient or any reason and by selling those goods at a higher price to others. If protection only encourages profiteering, it is wisdom to enquire whether such things should be tolerated and allowed to go on to the clear detriment of the poor public who are already suffering from an economic depression, and are faced with a purchasing power reduced to the minimum.
- 5. Such external protection, received so easily every time it is asked for, makes the recipient idle to look to his affairs with an eye for improvement and it only helps to promote internal mismanagement. From such mismanagement, it is a fact, that the Bombay and Ahmedabad Mills are the worst sufferers. The labour condition in Indian Mills is never thought to be enviable by the Japanese or any other foreign workers, the wages are certainly not higher than in any of the competing countries but lower, raw materials have not to be imported from far off countries incurring freights insurance and other charges, an accommodating market is always near at the hands of the Millowners, a sympathetic Government is ever ready to help them, and it is a matter of serious consideration, why with all these advantages, should they seek for protection so frequently, and who should be really benefited if such protection be given. Whether the interests of several crores of helpless consumers should be sacrificed to preserve those of a small group of cleaver people holding the privileged position of Managing Agents of a smaller number of ill-managed Indian Mill run by still more ill-paid labour; whether the interests of the so many millions of importers and dealers in piecegoods whose capital investment in business will far exceed the capital of the Indian Mills are to be so recklessly crushed to meet the demand of a few Millowners in the name of encouraging industry. whether the country be benefited, if the consumers have to pay higher price for their clothes in this present poor condition. If the commercial interest is wiped out to make room for an Industry, however important

it may be, if the merchants are made paupers by suffering heavy loss owing to the frequent and sudden changes in the Tariff rates, if the exports of the country correspondingly suffers in attempting reprisal with a country which can be pugnacious over a wider field of trade and can probably inflict more damage than she receives. My Chamber request your Board to consider these points carefully.

- 6. While my Committee yield to none in their desire to see the Indian industries thriving and prosperous, they think that in these days the old theory of bringing a nation to the knees by imposing a Tariff on its goods no longer finds believers in the serious circles, because invariably the country so punished retorts with a higher Tariff on the goods from that country. Japan is actually the best consumer that India has and it is incredible that to serangle one's best customer is a good way to promote business.
- 7. As regards the allegation of dumping my chamber is of the opinion that the charge is quite groundless. If dumping means selling of goods for less than they cost for, it does not hold to reason, only because no body can afford to do that. Selling at a cheap rate is not necessarily evidence of dumping. Practically every thing is sold at a cheaper rate every where, not because the manufacturers or producers want to sell cheap, but because they must do so if they want to sell at all. The natural conditions and the present circumstances bring about the low prices and the producers, proceeding intelligently, still make a profit. From a par of Exchange of about 137 rupees, the rate has dropped to 102, i.e., 35 points, and all these hue and cry for protection have come forward, but not a word was heard to protect the Indian merchants, when the Exchange went as high as 210. It is well known that the time proved strenuous to all, and fatul to many importers and the loss suffered by them was alarming. Was the Government called for to intervene in exercise of their power under section 3 (5) of the Indian Tariff Act to smooth the situation by lowering the import duty to counteract the abnormal Exchange which was more than 70 points above the par of 137. They had not unfortunately the clea of protecting an industry which should require no protection, and had to suffer all the loss ungrudgingly—the loss inflicted by the Government action of sudden change in the Exchange policy.
- 8. The following figures will help to disillusion those who charge Japan for dumping goods in India. This year the bulk of the Japanese business has been booked in April last and a comparative statement of the prices of American cotton, Indian cotton, the prevailing Exchange rate, and of the prices ruling in Japan and India at the time and at present will provide an interesting study:—

		I	Ap r il.	June.		
		Highest.	Lowest.	Highest.	Lowest.	
American Cutton		6-40	5.60	5-80	5-05	
Bombay Cotton		193	182	164	152	
T. T. on Japan		120	117	119	102	
Chrys. and Lady Shirting	<u> </u>	Y4.60	¥4·50	¥5·10	Y4.90	
Chrys. and Lady Shirt (Calcutta Market)	ing R	s. 9-12	Rs. 9-12	Rs. 8-8	Rs. 8-4	

It will be evident from above that as the cotton prices went down Japan reduced her prices, but when the Exchange depreciated, and Yen depreciated in terms of gold more than the Rupee, Japan raised her prices, though the raw cotton was lower still. It does not certainly speak of any intention for dumping. If Japan remained on gold Standard, she could have bought raw cotton at a price incredibly low. It is interesting to know what our Indian Mills were doing at the time and what concession in price they could offer to the public when they had the advantage of such unprecedented circum-

stances, and when the raw cotton dropped down from 193 in April to 152 in June, in the opinion of my Chamber it is ridiculous to ask for any protection in view of the above fact. Moreover it should be remembered that while Japanese piecegoods that are generally imported are of over 30 counts, Bombay and Ahmedabad goods are of lower counts and practically there is no competition. It appears from the resolution and press communiqué issued by the Government of India, that Tariff Board's enquiry will not be confined to imports from Japan alone, but will embrace a wider field and will thus include imports of Blankets (made of cotton waste) from Germany, Holland and Belgium and cotton rugs from Italy. A heavy import duty has already been imposed upon these foreign goods with the result that the import of these goods has heavily declined. In fact the existing trade in foreign blankets and rugs is not worth the name. Besides, while the price of these foreign goods comes out As. 9 per lb. ex-godown, including duty, that of the indigenous goods is As. 6 per lb., the difference being only As. 3 per lb. My Committee trust they have only drawn the Tariff Board's attention to this fact to show that there is hardly any justification for the enhancement of the duty on these goods.

9. In the opinion of my Chamber no case has been made by the Millowners Associations to qualify further protection to them and no cause has been established to justify application of emergency power under the Tariff Act that the present Tariff being very high should be lowered for the benefit of the Indian consumers, rather than increased for the advantage of a particular section who are already profiteering recklessly enough. That a higher Tariff affecting the goods already contracted will not only be unreasonable but purnicious in view of the fact that the loss thus sustained by the struggling importers and dealers will be, as they pay, lust straw on the camel's back.

Enclosure No. 1.

Copy of letter dated the 12th July, 1933, to the Private Secretary to His Excellency the Vicercy, Calcutta.

(Similar copy is forwarded to the Secretary to the Government of India, Finance Department, Simla.)

I am directed by the committee of the Marwari Chamber of Commerce to address you with reference to the proposal put forward by the Millowners Association of Bombay and Ahmedabad for the immediate imposition of a heavy additional duty on cotton piecegoods from Japan in view of the fall of the Yen. My chamber have already wired their protest against the proposal to the Private Secretary to His Excellency the Viceroy reading as follows:—

"Marwari Chamber of Commerce is alarmed to hear rumour of increased import duty to counteract low exchange which however is a passing factor and not stabilized. In view that Japan buys more from India than sell to her the fluctuation in the exchange makes little difference, besides, Japan prices being increased more than proportionately business become impossible dumping being out of question. Any increase in duty will totally dislocate market as most business booked at higher exchange and the present depression already unwholesome. Serious loss suffered by merchants will aggravate situation and act diversely on finance. Pray save merchants and masses by lowering present duty which already highest. Any change made should be for contracts not yet concluded. Gokuldas Mohata, Honorary Secretary, dated the 9th July, 1932."

The telegram speaks for itself and it is unnecessary to dilate upon its contents at any length. Briefly I may be permitted to state that although my committee yield to none in their desire to see the indigenous textile industry of India which is the most important national industry of the

country, thrive and prosper they feel that the imposition of protective duty every now and then against foreign imports is not the best means of increasing the prosperity of the indigenous textile industry. The interests of the textile industry of Bombay are inseparably bound up with the general economic interests of the country and my committee do not believe that anything calculated to injure the latter can in any way promote the former.

My committee fear that two Associations referred to above have not considered the question from this point of view. Their request for imposing a fresh duty on Japanese piecegoods is bound to prove detrimental to the general economic interest of the country. It is well known that Japan is a large buyer of raw materials, particularly, cotton, produced in India and for the protection of the textile industry of Bombay a heavy additional duty is imposed so as to make the import of Japanese piecegoods impossible by raising the cost of the consumers too high, Japan will necessarily have to reduce her purchase of the Indian cotton to the minimum and probably also to take retaliatery measures against India's export trade with her. What any such action on the part of Japan will mean to India, particularly in these days of unprecedented economic depression can be better imagined than described.

Government is also well aware that abnormal fall in the commodity pieces has brought about money famine in the country and if the cost of Japanese piecegoods is raised prohibitarily high, as requested by Bombay, it will tell heavily upon the scanty resources of the people of the country, trade will necessarily be dislocated, merchants who have already placed orders and have booked exchange at high rates and are already placed confronted with loss, will be put to ruinous loss, imports will heavily decline and the revenue of the Government will be very adversely affected.

The fall of the yen seems to my committee to be only a passing phase and Bombay's demand seems to be premature. It will be time to consider the question when, if ever, the chances of present rate of Exchange changing for the better appears to be remote.

My committee consider it a matter of deep regret that in spite of many and natural advantages which Bombay possesses to compete successfully in the piecegoods trade with foreign countries, she should still find it necessary to approach Government for protection whenever a rival raises its head or untoward circumstances arise, or fail to overcome her difficulties by her own effort. My committee submit that the protection of an industry does not mean the sacrifice of the interest of either the trade of the people or the country and Bombay has not been able to make out a strong case for fresh protection.

My committee are therefore definitely of the opinion that in the best-interest of trade and of the country as a whole, Bombay's request should be refused.

If, however. Government think differently and the imposition of an additional duty is decided upon, my committee would urge with all the carnestness at their command that the new duty should not have retrospective effects. The new duty should not be leviable on goods already contracted for. Similar action was taken by Government last year in respect of duty on imported wheat and it saved merchants from ruin. The committee hope that in the present case too the precedent should be followed.

Enclosure No. 2.

1. That this joint meeting of the members of the Marwari Chamber of Commerce and Indian Importers of Calcutta have carefully considered the demand of the cotton Millowners of Bombay for imposing an additional duty on all imports of piecegoods from Japan to circumvent Japanese competition which it is feared will become more severe than hitherto in consequence of the collapse of the Exchange value of the Yen, and the meeting is definitely of the opinion that in view of the fact that by raising the

price of piecegoods the increased duty will very injuriously affect the interests of the poor Indian consumers whose purchasing power has been hard hit by the unprecedented fall in the price of India's agricultural products and further that it will have a ruinous effect upon the trade of the country in foreign piecegoods which has been passing through an extremely severe state of depression for years past, Bombay's demand cannot but be characterised as wholly unreasonable and unworthy of consideration, particularly at this critical time.

- 2. That this meeting considers it a matter for surprise that while after paying double sea freight, insurance, heavy import duty and other charges and without getting any direct help from their Government, the Japanese manufacturers can sell their piecegoods in Indian market produced from Indian cotton at cheaper rates than the Bombay manufacturers and that the latter who have not to labour under any such severe handicap should find it necessary so frequently to ask for protection against Japanese competition. In the opinion of this meeting such frequent request for protection gives no cause for surprise but the system of management and direction of the textile industry of Bombay is defective and disentitles the manufacturers to further protection.
- 3. That for reasons stated in Resolutions 1 and 2 and having regard to the fact that the imposition of an extra duty on all Japanese piecegoods to arrive will mean loss of crores of Rupees to the importers and merchants who have already placed orders with the manufacturers at the old rates of Exchange, this meeting strongly oppose Bombay's demand and places on record its considered view that should the imposition of a fresh duty be found to be absolutely necessary for the protection of the indigenous textile industry of India against the competition of Japan, the new duty should be made leviable only on goods that may be contracted for in future and not on goods for which contracts have already been concluded between the importers and manufacturers.

Gujrat Cotton Traders & Factory Owners Association, Broach.

Letter dated the 30th July, 1933.

I have the honour to submit the following representation and six copies of the same on behalf of my Association in connection with the inquiry which the Government of India have directed the Tariff Board to make in respect of the Emergency Duties on cloth imports as asked for by the Millowners Associations of Bombay and Ahmedabad.

The time for preparing our representation has been extremely short and the views which I proceed to express on behalf of my Association have been necessarily expressed very summarily. If however any details and explanations are required by the Tariff Board my Association will be glad to depute one of the members of our managing committee to wait on the Tariff Board at the time and place convenient to the Board.

At the outset I have to point out that the demand for the immediate imposition of the proposed duties emnates from the millowners of Bombay and Ahmedabad only, i.e., about 350 gentlemen. The interest however which should appeal primarily to the Government and to the Tariff Board must be those of three hundred fifty millions of the Indian consumers. Unless and until a clear case that the proposed protective duties are immediately required to stave off an immediate and impending danger to the Indian consumers should not be taxed indirectly as demanded by millowners in order to swell the pockets of 350 gentlemen.

Secondly we who produce and export our Indian raw cotton feel greatly perturbed at the agitation set up by the millowners. For our inquiry tends to show that if the proposed duties are imposed on Japanese goods

unfairly and unjustly Japan is sure to retaliate and penalise the Indian cotton producer by imposing countervailing import duties on raw Indian Cotton and in such an event cultivators would be doubly penalised. He will have to pay to the Indian Millowners more for his cloth and the Millowners will be in a position to compel him to accept less for his raw cotton. Surely no benign Government can contemplate such a prospect of penalising the Indian cotton cultivators and cloth consumers with just satisfaction. It must be remembered that Japan takes more goods than India imports Japanese goods.

Thirdly, from the inquiries, albeit hurried, which we have been able to make concerning the present question we venture to submit that the case put forward by the Millowners is grossly exaggerated. The Millowners said that if the duties of Japanese cloth are not immediately imposed, the cotton industry of India will be ruined. However, if trado statistics are looked at it would appear that United Kingdom has been importing far more piecegoods into India than Japanese has been doing. The Bombay Millowners evidently do not propose that heavy tariff duties should be imposed on British goods also. Again, if the case of the Millowners is correct the Mills of Ahmedabad and Bombay should have been closed long ago. As a matter of fact the Ahmedahad Mills have along been paying substantial dividends and the number of the new mills in Ahmedabad is increasing. It is also noteworthy that ever since the complaints of the Bombay millpwners began, the duties have been increased successively three times without apparently bringing any relief to the millowners of Bombay, and the conclusion will fairly be made that so long as Ahmedahad mills exists and increases the Bombay millowners have no chance. In fact this is substantially the views of the Tariff Board themselves as is found in their observations made in 1927.

"We can not but regard the increasing competition of the up-country mills as one of the most important factors which have contributed to the present depression in Bombay. Just read the absurd exaggerated case made by the millowners of Bombay in their representation and consider it in the light of the above observations of the Tariff Board." And I submit further comment will be issued superfluous. The main reason of some of the Bombay mills not having been able to show profit and give dividends to their shareholders is, we submit, to be found in the statements contain in the representation of the Shareholders Association already submitted to the Board.

Again the millowners accuse the Japanese Exporters having conspired with the Japanese Government to dump the Japanese goods into India by purposely lowering the rate of exchange. Similar state of affairs prevails in England before England went off the gold standard but no sane person has dared to accuse the British Government and the British exporters with a similar conspiracy. The fall of the yen can easily be shown to be due abnormal world condition over which nobody can have possible control.

I must also point out that in the proof of the alleged conspiracy the millowners have to rely on absolutely nothing else than their own imaginations. It is also noteworthy that if the alleged conspiracy for dumping has really taken place it has been singularly unsuccessful as will appear from the following statistics given by millowners themselves—

Imports of cotton piecegoals (excluding Artificial Silk Goods) from January to May.

			1931.	1932.	Percentage of • Increase.
United	King	dom	145,511,465	202,028,779	38
Japan	-		143,011,013	167,719,847	17
Others	•		15,788,741	20,870,240	32
			304,341,249	390,618,866	25

There is absolutely no case for any hurry and panicky action by Government on such summary and perforce superficial inquiry such as is proposed more especially as a regular enquiry into the whole question of protection to the textile industry will commence in the near future.

The Southern India Textile Association, Coimbatore.

Letter dated the Sist July, 1932.

On behalf of my committee, I invite your kind attention to the serious situation of the indigenous articles by the "Dumping of Japanese goods" into this country, particularly on the textile line owing to the fall in the exchange value of yen and cotton operations in Japan. Even with the present tariff on yarn, piecegoods, countries outside India are able to compete successfully with Indian products. Particularly Japan's position is still very strong in plain grays and they are making phenomenal headway at the expense of cotton piecegoods even with the new surcharge of 312 per cent. or 4.38 annas per lb. Coupled with this fall in exchange value of Yen, Japan has been dumping its piecegoods into India, with the result that the indigenous textile Industry and hand-loom weaving are paralysed.

I am, therefore, to emphasise on behalf of my committee, that heavy cont. per cent. increase import duties on cotton piecegoods, gray and artificial goods imported from any country into India should be levied to render effective protection to the Indian textile industry, and to counteract the undue dumping of goods into India.

Further, Government should also discontinue their policy of linking the rupee with the sterling which causes heavy loss to the cultivators, manufacturers, and traders and places Indian manufacturers at great disadvantage as compared with foreign manufacturers especially of countries like Japan.

Bengal National Chamber of Commerce, Calcutta.

Telegram dated the 1st August, 1932.

Committee Bengal National Chamber of Commerce invite reference to press communique regarding Cotton Tariff, dated the 25th July. Bengal Mills greatly hit by latest fall of dhuti, sari prices from Japan presumably due to accumulation of cotton stocks purchased at cheap rate before abandonment of gold standard by Japan and subsequent alarming depreciation of Yon. While recognising that continuous increase of tariff reacts adversely on the mass of consumers, Committee suggest to meet the present emergency an additional temporary ad ralorem duty on plain grey cotton pietogoods on basis of difference between prices quoted for forward contracts of imports from Japan and costs of local manufactures quality for quality. Committee recommend additional duty for a reasonably short period till the exhaustion of accumulated cotton stocks in Japan yielding a differential advantage. Committee urge full enquiry on this point as well as consideration of future trend of comparative rupee, Yen and Dollar exchanges to estimate Japan's advantage regarding purchase of cotton from America and sale of piecegoods in India in future.

Bengal Chamber of Commerce, Calcutta.

Letter No. 2450-1932, dated the 2nd August, 1932.

I am directed by the Piccogoods Sub-communities of the Chamber to refer to the press communique issued by the Tariff Board on the 25h July, 1932, intimating that the Government of India had directed the Tariff Board to

make immediate enquiry under section 3 (5) of the Indian Tariff Act into the recent fall in the prices of imported piecegoods and to make recommendations.

2. This question has recently been under discussion by the Piecegoods Sub-committee, and in view of the terms of the above communique they have instructed me to forward to the Tariff Board their views on the recent fall in the prices of imported piecegoods and to say that in their opinion the position demands urgent attention; for at present Japanese piecegoods are being offered at prices which are out of parity with world commodity values. In this connection the Sub-committee would invite the Tariff Board to consider the following range of the forward prices in Calcutta for certain Japanese standard piecegoods over a period which covers the time since Japanese currency departed from the gold standard:—

Grey Dhooties-" Horseshoe" mark.

Date.						For	Forward quotation.			
							Rs. a. 1	P.		
10th October, 1931							1 12	0		
20th December, 1931							1 11	0		
8th February, 1932							1 13	0		
12th March, 1932 .	-	Figure	S)				1 10	0		
30th May, 1932	Se E		95.	à.			18	3		
29th July, 1932 .		120		(a)			19	6		

This shows a decline of say 13 per cent. between October, 1931 and June, 1932. The higher quotation at the end of July is the result of the reaction in the market on account of the confidence felt by it that the Government of India will take action in the direction of a higher duty against Japanese goods.

White Nainsooks-" 4848" mark.

Date.					Forward quotation.				on.
	USE:		200	7		Rs.	A.	P.	
10th October, 1931	-					4	2	0	
20th December, 1931		149	에시티			4	0	0	
29th April, 1932 .						3	11	U	
28th June, 1932 .						3	4	0	
	_								

This shows a decline of say 20 per cent.

Chrysanthemum and Lady (Ranee) Shirtings.

Rs. 10-6 to Rs. 9-12 -- January / March, 1932.

Rs. 9-12 to Rs. 9-4-April/June, 1932.

Rs. 9-4 to Rs. 8-12-July/September, 1932.

Rs. 8-12 to Rs. 8-4-August/November, 1932.

Rs. 8-4 to Rs. 8-September / December, 1932.

Peach " Am " Shirtings.

The Peach Shirtings were sold at 12 annus to 14 annus less than the "Raneo" Shirtings and they follow throughout the same range of prices in the same proportion.

This shows a decline of say 20 per cent.

Japanese Printed Sarries.

Sold at-

As. 5-December, 1931/January, 1932.

As. 4-6-May/June, 1932.

As. 4-3-June/July, 1932.

As. 4-13-July/August, 1932.

As. 3-101-July/August, 1932.

As. 3-9—September/October, 1932.

This shows a decline of 25 per cent.

Star and Crescent Prints per piece.

Rs. 6-8 to Rs. 6-February/April, 1932.

Rs. 6 to Rs. 5-8-May/July, 1932.

Rs. 5-8 to Rs. 5-August/October, 1932.

This shows a decline of 16 per cent.

The Sub-committee are unable to quote figures for forward sales for mulls from last November because at that time the Japanese were only able to sell ready, not forward, and it was not until the early months of this year that the yen depreciation had lowered prices to such a level as would induce buyers to operate forward. Nainsooks on the other hand, being fairly well established before then, were being bought forward in November and it is therefore possible to give the comparative figures for them.

3. Consideration is now invited to the comparative figures for certain Lancashire staple goods during the same period:—

Grey Dhooties-44" × 10 yds., 1" colour.

November, 1931—Rs. 2-7-9 per pair. February, 1932—Rs. 2-7-9 per pair. To-day—Rs. 2-5-3 per pair.

Medium White Mull-41" x 20 yds.

November, 1931—Rs. 3-15 per piece. February, 1932—Rs. 4-1 per piece. To-day—Rs. 3-14 per piece.

Medium White Mull-44" x 20 uds.

November, 1931—Rs. 4-4-3 per piece. February, 1932—Rs. 4-5 per piece. To-day—Rs. 4-3 per piece.

Printed Sarries.

November, 1931—As. 5-2½ por yard. February, 1932—As. 5-3½ per yard. To-day—As. 5-3 per yard.

The fall in these prices is, it may be explained, consistent with the decrease in production costs during the period.

4. A comparison of the figures given in paragraphs 2 and 3 above will show that the decrease in the price of Lancashire goods is much smaller than the fall in the price of Japanese goods, particularly when the exceptional and easily understood rise in the price of Japanese grey dhooties at the end of July is discounted. It is the opinion of the Sub-committee that the reduction in Japanese goods prices is due to a large extent to exchange depreciation. In support of this view the Sub-committee would submit that cases have frequently occurred in the Calcutta market where Japanese firms have sold goods for a given delivery at a certain rate and subsequently sold for the same delivery at a much lower rate.

5. In conclusion I am to state that the Piecegoods Sub-committee are strongly of the opinion that Japanese exchange depreciation must be regarded as unfair competition and for this reason the Sub-committee would support any measure to neutralise the advantage to Japan which the depreciation of the yen provides.

Mr. N. B. Parulekar, Bombay.

Letter dated the 26th July, 1982.

I would submit for your consideration that ordinarily it would be a bad policy for the Indian public to support every time the Indian Textile Manufacturers in their demand for a prohibitive duty even on coarser cloth imported from foreign countries. But looking to the peculiar condition through which India is passing at present and taking into consideration the ever increasing unemployment in textile workers, I would suggest that your Board should recommend the imposition of additional duty on Japanese goods on one condition, namely, the Millowners, in return, should agree to absorb all the unemployed mill workers. The Millowners should be asked, as a preliminary, to start immediately a list of unemployed mill workers and an undertaking should be taken from the Millowners that they would absorb those unemployed men within one month from the date the additional duty comes into force. Otherwise the money paid in the shape of additional duty would be wasted in vain. It would be some consolation for a person to see that his money is going to help his unemployed brother.

Messrs. Tulsi Ram Lachhman Dass, Amritsar.

Letter dated the 26th July, 1932.

With reference to your notification, that persons and firms interested in cotton trade or manufacture should submit their views on the question of raising tariffs on cotton piecegoods, other than those manufactured in British Isles, we beg to submit our views and proposals below to which we solicit your kind attention.

Hitherto, when the question of raising tariffs has arisen, it is the wishes of manufacturers which have been listened to and the view point of merchants and consumers has been mostly, if not entirely, overlooked. We request that in the present case the interests of merchants and consumers should also be taken into considerations.

As pointed out, so ably by Sir A. Chatterjee at Ottawa, India being a poor country, the raising of tariff wall to a very high height, might tend to hit the consumers very much.

As regards merchants, they have entered into a certain contracts for goods to arrive and if duty is raised enormously, it is bound to tell in heavy losses, thus aggravating already had conditions of trade in this country. In raising the tariff wall, we submit that this point should be taken into account.

The menace from Japan is being talked of all round, and the menace is of real character too. But when it is remembered that when last time duty was raised to 31½ per cent. it was hoped that the demon of this competition will be laid to rest. These hopes have not been realised, owing chiefly to the fact that the country against which tariff wall is being erected, improved in this time, methods of manufacture, and by cutting what Mr. Baldwin once said much of "dead wood" in industry and introducing modern machinery and methods of rationalisation, cheapened its cost of production. The Indian manufacturer preferred to rest on its cars, and has not utilised the occasion in strengthening his position.

Bearing the above facts we beg to submit following suggestions:-

(1) When custom duty is raised, it should exclude from its operations, contracts by Indian firms placed before the date of Government's present

notification, whereby they have referred the question to you, viz., 25th of July, 1932.

(2) The above exemption is only for Indian merchants and not for Japanese firms having branches in India who might have placed heavy contracts in their account.

Explanation.—The above suggestions if approved will save Indian merchants from needless loss and save the country from Japanese offices offering cheap stock goods.

- (3) Custom duty on cotton goods, other than those of British manufacture should be raised in case of those countries only who have gone off gold standard, viz., Japan, Holland, etc.
 - (4) Custom duty should be raised as under: -
 - (a) 50 per cent. increase on present rates on grey goods—48 per cent. minimum 51 annas per 1b.
 - (b) 40 per cent, on bleached and dyed goods instead of present 312 per cent.
 - (c) No increase in printed goods.

Explanation.—Indian mills are mostly interested in grey cloth and hence rise to about 50 per cent. In blenched and dyed goods, Japanese cloth does not compete much with Indian production, but with Lancashire only, and it is unfair to force consumer to buy dear Lancashire stuff. In printed styles, Indian mills are not at all interested,* and so no further duty is necessary in the interests of Indian manufacturers. In the interests of British manufacturers only it would be unsafe and unkind to punish consumers.

- (5) The aforesaid protection should extend to a period of two years provided millowners enter into undernoted agreement with Government.
- (6) A committee of experts in cotton piecegoods trade and manufacture should be appointed to examine the internal defects and suggest improvement of textile industry in India with terms of reference such as follows: The millowners should enter into agreement to abide by its recommendations which may receive sanction of the Government of India. This committee should examine the working of textile industry, and suggest means of its improvement, in various ways, such as forcible closing of concerns whose machinery is obsolete, and which are overburdened with heavy debt charges, introducing new methods of manufacture, prohibit internal competition by the present prevalent practice of imitating numbers and trade marks, to introduce safeguards for numbers and trade marks such as that prevail in Lancashire, to reduce management cost, to devise means for amalgamating small concerns and to suggest division of styles to various areas of manufacture, and above all to limit profis for the period of protection to a reasonable extent, and also suggest more humane and generous treatment of labour in industry.

The above are my humble submissions, and in making them I have tried to look to interests of manufacturers, merchants, consumers and labour—all of whom combine to run the entire machinery of trade and business in this line. In the prosperity of all lies prosperity of the country. If allowed an opportunity I would be willing to augment and amplify my suggestions in an oral evidence.

I await your kind reply, as to when I can meet the Tariff Board for oral examination and romain.

Messrs. Pari Shakrabhai Lallubhai, Ahmedabad.

Letter dated the 27th July, 1932.

If your honour may find following few lines correct and useful kindly send the same to the Tariff Board and oblige.

^{*} There is no calico printing mill in India.

Regarding Japanese cloth duty.

The Japanese firms import cloth in India from Japan paying above 33 per cent. duty at present. The Japanese firms buy cotton from India, exporting to their own country paying exporting duties, manufacturing cloth from the same, imports in India selling at lower rates than those manufacturing in India.

As suggestion the cloth which Japan sells at lower rates here in India in competition with Indian mills and it is to be astonished how could they sell always if they loosing always in such sales. If in any case the Government may increase the duty on Japanese cloth, then it will be in disadvantage to the poorer people and farmers in India as because being duties higher Japan may not buy cotton from India and so the cotton lying at the godowns of farmers they have to reduce the rates for to sell. Now though the Indian mills may buy at lower rates the cotton, will not sell the cloth at lower rates only because they want to make more profit nothing thinking of the poorer people or their own country brothers. And as the Japanese cloth rates will increase owing to duty, the Japanese have to sell off their goods at higher rates and at the same time the Indian mills will bring their cloth rate at the grade of Japan and so it is only to the disadvantage to the poor in this country.

Though the Indian mills are manufacturing from Indian cotton with Indian labour and when are not prepared to sell their goods at lower rates than those of the Japan although they are giving sizing to the cloth from 100 per cent. to 150 per cent. Now it seems that the managing agents for their own commission and benefit they make the mills working day and night and going to give not more than 6 per cent, interest to the sharcholders even though they have good margin of profit.

The managing agents are possible to reduce the rates and can compete the rates with Japanese if they make self sacrifice in their salaries and commission. If the Government may increase the price (duties) it is only burden to the poor as the cloth rates will go higher and it may decrease the power of buying to the poor. As to my suggestion it is not proper to increase duties,

Please note that I have not Japanese cloth businesss but only Indian cloth and cotton business.

Messrs. Udoychand Panualal, Calcutta.

Letter dated the 27th July, 1932.

With due respect and humble submission we have the honour to inform you that we are one of the biggest Indian importers of Grey Dhooties and Grey Shirtings and other cotton piecegoods in Calcutta market.

With reference to the claim of the Bombay Mills for further protection above the 312 per cent. which they enjoy now over non-British goods and 25 per cent. over British goods, we beg to submit the following for favour of consideration by your Board.

You are well aware that owing to the political movement throughout this country, our business has been hampered to a great extent and we had suffered much loss from time to time for the political agitations made against importation of foreign goods.

In September last, when Duty on cotton piecegoods was raised, we had to suffer a great loss on account of such enhancement. But on the belief as declared by the authorities, that no further Duty was to be imposed for 18 months to come and on account of fall in yen value we entered into a good number of contracts for shipments upto December next and if the import Duty is further increased it will bring a total ruin on us.

We may mention here that owing to the increment of Duty in September last, Grey Dhooties have been imported in less quantity than the previous year.

On principle we are not opposed to a protective policy, so long it promotes the economic welfare of the country. But ut the same time we are strongly opposed to granting protection to weak and inefficient industries whose chief object is to get benefit of such opportunities and sell of their products at a comparatively higher price, thus rendering a heavy burden on the consumers.

The imposition of further Duty on fine yarns will greatly tell upon the poor weaving classes who earn their livelihood by weaving cloth with line yarns which is a considerable business especially in this province.

The allegation of the Indian Millowners that they are losing at present owing to the dumping policy of Japan is not true. Every day we find that their goods are being sold in fair quantities and they are getting good profit.

If the Duty is increased, it is sure the importation of foreign made cotton piecegoods will heavily fall down. Consequently Custom Revenue will be much decreased. Moreover it will bring a ruin to the importers who have made forward contracts upto December next.

Under the circumstances we beg to request you to be good enough to put up your considerate opinion before the Board and save the unfortunate importers who have been undergoing lots of troubles from sometime past.

Finally we beg to submit that if it is at all necessary to give protection to the Indian Millowners no further Duty on piecegooods may be imposed before the next official year.

This will at least save the poor importers who were quite unaware of such a thing when they entered into business for forward shipment, specially on the belief that no such calamity will happen in face of declared opinion of the authorities.

Messrs. Madhavdas Gobindram, Karachi.

Letter dated the 28th July, 1932.

On account of the agitation of the Bombay and Ahmedabad Millowners, the matters have been entrusted to the Tariff Board for enquiry and the report on the same as to how far the Japan textiles and other countries textiles affect our Indian industry.

The agitation so raised is not based on any sound grounds or principles but it is only carried out under the selfish motives.

The Japan textiles have not affected the Indian industry inasmuch as it has affected the Manchester mills. Any protection coming forward in the shape of increased duty will not be safeguarding the Indian industry but it will be purely and solely safeguarding the Manchester mills.

If you really want to protect our Indian Textile Industry the only best course left is to devaluise the "Rupee", i.e., bring the Rupee to the squivalent of Sh. 1-4 sterling.

For your information we lay down some few facts and figures.

1tem First—Grey Goods.—Originally the great bulk of the Grey goods used to come from Manchester but since 8 to 10 years, Japan came with so low prices that Manchaster could not stand the competition. With increased Duty Japan too failed to compete with Indian Mills in Grey goods with the result that only about 1,000 packages of these goods are imported to Karachi on an average per month, 75 per cent. of which are exported to Afghanistan and Kashmir State under Bond, consequently the Indian Mills are not affected in any way. It is not a fact that the Japan Mills have sold these goods at dumping prices, for example Asahai Grey goods (Chand-Tura) the chief export to Karachi, was sold at Rs. 8-10 per Pc. last year in the month of September and this year the lowest it has touched

is Rs. 8-12 per Pc. This is a sufficient proof that they have not sold at dumping price.

Item 2—White Shirtings.—This line has been touched by Japan only recently, i.e., since last 3 years. The average import of this article is about 600 packages per month. The same percentage of the import of Manchester goods has been decreased in the White Shirting whereas there has been absolutely no effect on Indian Mills. If any Duty is raised it will be only to back the Manchester goods and not the Indian. The prices have been maintained to the level of the last year. This also proves that they have not sold the goods on dumping prices.

Item 3-White Nainsukh and Mulls.—In this line also Japan has come in since last 3 years. Our Indian Mills are not greatly interested in this item but it is an underied fact that Manchester has been hard hit in as much as that the import of Nainsukhs from Manchester has been decreased to a very great extent. The prices have been maintained to the level of last year. This supports our statement that the goods have not been sold at dumping prices.

Item 4—Artificial Silks.—This article is out of question. More or less it can be safely called as monopoly of Japan. Any amount of Duty will not help Indian Mills in any way because with 50 per cent. Duty they have been selling at As. 4 per yard. If you even put cent per cent. Duty it is not going to help India as our Indian Mills are not able to sell at less than As. 8 per yard.

Item 5.—Velveteens, printed and plain.—Our Indian Industry is not interested in this. Japan has only captured the trade of Continent on account of their cheapness therefore any increase in Duty does not help India.

Item 6—The Prints.—Our Indian Mills are not interested in this line too. Our Indian Mills never tried to compete Italy and Manchaster in this line. Japan has come lately in this line, i.e., since last 2 years. It has not affected the Indian Mills but only taken its share from Italy and Manchester owing to its cheapness.

Item 7—Cheup Cotton Flannels.—This too is not the Industry of our India. The chief imports of this line was from England and Italy. Alike the above Japan has taken its share in this line too owing to its cheapness.

Item 8.—Stripped and printed Checks Shirtings.—This is the Industry of Ahmedabad and Rombay Mills, which has been really affected by Japan coming in with low prices, therefore any Duty put on these goods will be really beneficial to Indian Industry.

Now in conclusion we have to greatly impress upon your minds that there is absolutely no such immediate emergency to increase any Duty on Japan goods. India is very poor and masses are in favour of cheap prices to cover themselves with cheap cloth. They really can not afford to pay any higher prices and any increase in Duty will be an indirect injustice to the poor masses of India. Instead we would suggest that some constructive schemes and methods be chalked out to increase the mass production and to decrease the manufacturing cost of Indian Mills by curtailing the overhead charges and heavy profits and compete Japan itself.

If at all no heed is paid to the cry of poor masses of India and the Board finds it necessary to increase the duty it shall take care of the following requests made hereunder:—

- 1. A very clear undertaking may be taken from the Millowners in India, that they will not increase their prices for their products because of the increased duty but they will regulate their prices on the basis of prices of cotton. All the benefit of increased Duty should be attributed to poor masses by mass production with low cost.
- 2. The Finance Member had declared that there will be no increase in duty in year 1932. On such assurances the merchants had made the engagements for forward deliveries and in such cases it will be essential

to protect the interests of the merchants by exempting the contracts already entered into before 25th July, 1932 as was preceded in case of Australian wheat which is well known to you. If this too can not be done then July! August shipments should be exempted from the increased duty as in other case there will be financial slaughter of the merchants. There is already world depression and the poor merchants of poor India will be done away with.

Once again I will take this opportunity to warn you all that the only wise step will be to decrease the value of the Rupee which will automatically improve the condition of trade and solve the problem by itself which you can understand better. My brothers and the Government little realise that if at all any duty is increased on Japan goods, Japan will also retaliste. It will stop to buy cotton from India whereas Indian mills are not in a position to consume the whole crop of cotton and thus it will greatly weaken the financial position of our cultivators whose position is already as good as bankrupt. Further stringency will surely disable our cultivators to pay land revenue to the Government which means again a new and further trouble for India. To cut short and sweat I most humbly request that before taking any steps all sides should be weighed properly and all the best interests of India.

My honest opinion will still be the same, i.e., duty should not be raised.

The value of the Rupee should be decreased.

The Millowners profits should be curtailed and the manufacturing cost by Mass-Production should be decreased.

Messrs. Rajmal Roshanlal, Calcutta.

Letter dated the 28th July, 1932.

With reference to the press communique issued by the Beard on 25th July we are sending herewith our opinion on the question of anti-dumping duty against Japanese piecegoods which we hope will meet your kind consideration.

Enclosure.

For the last 4 months millowners businessmen as well as various chambers of commerce have been requesting the Government for a special duty on the import of Japanese textile goods to counterbalance dumping and price-cutting brought about by Japan with the help of a shrowd industrial, financial and exchange policy. Recently the matter having been referred by the Government to the Tariff Board, the latter body has issued a communique to the public inviting the opinion of those interested. Accordingly we are herewith expressing our opinion on the vital points involved.

On England's going off gold standard, the Indian rupee was linked to 1s. 6d. sterling and consequently the Japanese exchange rose by steps from 137 to 205. Japan bought raw materials at the favourable exchange rate in enormous quantities and afterwards went off gold standard. Japanese mills bought enormously large quantities of raw cotton from America and India with the help of Industrial Bank.

Japan with gold standard was able to buy raw cotton cheaply and Japan off the gold standard now can sell finished products very cheaply. To the advantage of Japaneso mills yen has depreciated much below its normal rate of parity. By buying Indian cotton with the gold standard Japan on an average gained a 20 per cent. advantage and now by selling at the present depreciated exchange rate an extra advantage of about 20 per cent. Is gained (as compared with normal rate of parity between the two countries). In this way Japan is in a position to reduce the prices of her textile exports to India by about 40 per cent. Japan also bought enormous quantities of American cotton cheaply.

In the last 3 months Japan has become a severe menace to our textile industry by launching merciless price-cutting. Prices of some cotton goods have come down by about 25 per cent. Crepes have lost 27 per cent. in three months. Twills and Jeans are about 20 per cent. cheaper. Grey heavy goods have again become profitable to import from Japan. Dhooties and yarn are also considerably cheaper than Swadeshi. Grey and white shirtings are also cheaper. In printed goods as well, superior printing combined with cheaper prices is retarding the growth of our printing industry. By examining market quotations of these and other imported and Swadeshi goods we reach the conclusion that Japan has become too hard a competitor for India.

Last year whon customs duties were raised prices were expected to rise simultaneously, but on the contrary imports from Japan after 2 months of the imposition of extra customs duties became cheaper by about 10 per cent, than before. In this way Japan has always met the customs duties by price-cutting and at present she has by her exchange manipulations made the protection offered by the tariffs in force, totally ineffective and the Swadeshi goods are exposed to the merciless competition of Japanese goods.

In this way we are of opinion that an auti-dumping duty is imperatively necessary, in the interests of our textile industry. But there are a few objections and precautions to be taken into account for the immediate use of the measures.

Last year the prices having not risen equal to the fresh import duty, a considerable burden was put on the financial resources of dealers, merchants and importers of Japanese textiles. Truly speaking there was no rise but on the other hand price came down due to no demand in the market and to low price quotations from Japan and consequently very heavy losses were paid—which fact will be proved by fall in the income-tax yield in due course of time. At present time if such a duty is levied, an enormous burden will fall on the dealers and merchants whose resources have been already depleted they will be involved in the imminent ruin. At this juncture there is every fear of financial and economic crisis if such a measure is resorted to immediately, because enormously large quantities of goods have been contracted forward—which will be evident from customs yield, which in this slack part of the year, has, proportionately to the period past, exceeded budget estimates.

Japan's low prices have been a boon to the consuming masses and they will be considerably effected by the rise of prices. Also such special measures against a particular country may bring serious reprisals. Japan is the greatest customer of our raw cotton and the cessation of her custom must mean a serious situation for the poor cultivators. No doubt, in the long run India may be able to utilise her own raw materials fully but for the present such a measure by way of reprisal ought to be apprehended sufficiently, yet undue importance should not be attached to the same as Japan cannot safely to her own trade and industry launch on such a revolutionary measure.

Again our own mills have also sought the aid of the Government for protection and it ought to be given in the best interests of the country. But to pain our millowners have lost the incentive to improve and cheapen production. They are too ready to imitate and glut the market. Originality finds no place in mill products. They are too sorry for inefficient labour but they are satisfied with the organisation and expensive old methods of production. No doubt, Industrial Bank is a necessity for existence of our mills to help them to improve and introduce most up-to-date scientific methods of production. Also the millowners are less responsive to the voice and complaints of cloth merchants and dealers who are the persons in position to stimulate the use of Swadeshi.

Though tariff barriers on Japanese competition are a necessity, they being used immediately will be too dangerous—as the financial crisis certain if such duties are immediately resorted to will react on the market and shake

the public confidence which is already too small. In our opinion for some time importers must be kept in wait of a fresh anti-dumping duty in order to discourage further import contracts and also to enable the dealers to clear off excessive stocks. This will lessen the dangers to a great extent.

Customs duties on cotton goods are necessary and ought to be levied after the period which Tariff Board thinks fit. Artificial silk cloth should not be touched as it does not compete with no artificial silk cloth produced by mills. Handloom weaving industry of artificial silk sloth may be stimulated by free import of artificial silk yarn.

In our opinion the period of life of the anti-dumping duty should not be fixed but be left to the discretion of the Government who may remove it, on recommendation from Tariff Board whenever necessary.

By the way we may also deal with the points raised by the Japanese deputation to the Government of India. It is no matter for India whether the Government of Japan deliberately manipulated the exchanges to subsidise their export trade or not but to us the apparent depreciation of exchange is sufficient to warn to take precautionary measures against dumping. As pointed out by the deputation, the temporary handicap of Indian industry will cortainly disappear when stocks of raw cotton in Japan are exhausted but for the intervening time special measures of protection are necessary.

Messrs Haji Jamal Noormohamed, Bombay.

Letter dated the 28th July, 1932.

As a result of the several requests for increment in Custom's Duty, it is published in the "Bombay Samachar" issue of the 26th instant that applications of the interested parties will be gladly entered into stating the opinions on the subject.

We here do not desire to discuss on the point of Customs Duty whether it should be increased or not, but only we wish to draw your Board's kind attention on the fact that as a result of the last speech of His Excellency the Vicoroy on the subject of Duty, Importers of Japanese Piccegoods and Yarn have entered into large Contracts for shipments till during November, 1932.

We, therefore, beg carnestly to request your Board to declare its intention if the Duty is to be increased at least before three months and thus give protection as similarly asked by, to the Importers of Japanese Piecegoods and Yarn.

The Indian Yarn Trading Co., Ltd., Calcutta.

Letter dated the 28th July, 1932.

With reference to the advortisement appeared in the paper asking the different opinions with regard to the enhancement of the Customs Duty—in reply to which we give below our suggestion which we earnestly hope will be very favourably considered with.

That the heavy Duty must be impossed on all sorts of Japanese Piece-goods and Yarns of all kinds, as otherwise there is no possibility of improving Country made goods which are loosing their ground gradually on account of not being able to compete with them in price and hence they are not getting any chance of flourishing in the market. Therefore it is our earnest desire that the Board will move very strongly in order to increase the heavy

Duty on the goods as stated above and will thereby give the field of improving Indian industries.

J. J. Patel, Esq., Bombay.

Letter dated the 29th July 1932.

The accompanying representation is forwarded to you this day for favour of placing it before the Tariff Board.

Enclosure.

Imports of Japanese Piecegoods in India—Foreign Exchange in relation to prices.

The Bombay Millowners' Association invited the attention of the Government of India to the recent fall in the prices of cotton manufactures imported from Japan occasioned by the depreciation of the yen in terms of the rupee, with a request that Government may be pleased to take immediate action to counteract the evil effects of the depreciated yen on home made piecogoods. The Government of India, after giving due consideration to similar representations received from Chambers of Commerce and other commercial associations, appointed the Tariff Board to enquire into the complaint and report whether cotton piecegoods not of British manufacture are being imported into British India at such a price as is likely to render ineffective the protection intended to be afforded by the duty imposed on such articles under Part VII of the Second Schedule of the Indian Tariff Act, 1894, by the Cotton Textile Industry (Protection) Act, 1980, to similar articles manufactured in India.

- 2. Government cannot exercise the powers vested in them under section 3 (5) of the Indian Tariff Act, for the imposition of emergency duty if it is sufficiently shown that cotton piecegoods imported from Japan are sold in India at a price that would leave margin of duty giving adequate protection to the indigenous industry. The figures, published in "The Times of India" of the 21st July last by the Hon'ble Mr. H. M. Mehta are utilised here. He says that Japan has to pay annas 5 for a lb. of clean cotton to spin 20s warp and 30s waft and annas 5/6 towards the expenses of spinning and weaving cotton into cloth. The cost value of cloth per lb. comes to annas 10 which Japan incurs after balancing shipment charges of raw cotton and manufactured cloth from and to India against size gain. The selling rate of cloth in the local markets being the same as annas 10 per lb. of cloth, it could be said that this price is sufficiently low to neutralise the beneficial effects of 44 per cent. duty on imported goods.
- 3. That the indigenous textile industry is not deprived of the protection is evident from the consideration of the exchange rates in relation to prices. The exchange in the months of January to May last was 100 yen to 120 rupees but has since then declined from 120 to 104 by 13.3 per cent. The price of imported cloth must correspondingly react. It may, however, be assumed that it has been stationary at annas 10 per lb., the equivalence of which in yen was 0.52 in January last and is 0.62 this day. Japan realises 0.1 yen more to-day. The duty of 44 per cent. on annas 10 is annas 4.4 which Japan places against gain of annas 1.6, on the depreciated yen, leaving annas 2.8 as excess duty in favour of the industry.
- 4. The question next in view is whether insufficiency of duty as a sequel to the depreciation of the yen would render the protection ineffective. It is obvious that the present duty and the rate of exchange being in force, Japan cannot manufacture nor import cloth at competitive rates. In this

sense, the protection	afforded a	at present t	to the i	ndustry	is adequate	and
effective as may be se	en from	the figures	below:-	-		

Month.	Exchange.	Yield on sale of cloth at 10 annas per 1b.	Duty.	Net yield.	Effective duty.	
	Ra.	Yon.	Yen.	Yon.	Per cent.	
December 1931	200	0.31	0.13	0.18	42	
January to May 1932.	120	0.25	0.53	0.29	44	
July 1932	104	0.62	0.27	0.32	43	

- 5. Although the yen-rupee exchange depreciated from 200 to 104 by 48 per cent, since December last, the effective duty has been the same for purposes of section 3 (5) of the Indian Tariff Act. The exchange since January this year being declined from 120 to 104, the yield per 1b, goes higher from 0.52 yen to 0.62 yen by 0.1 yen and the net yield after paying duty, to 0.45 yen, reducing duty from 43.5 per cent. to 27.4 per cent. Similarly, when the exchange moved down from 200 to 120, Japan's yield in January inst was greater by 0.21 yen diminishing the duty from 44 per cent. to only 4 per cent. The industry then suffered from the effective protection being lowered. The industry in matters of the protection is better situated now than seven months before.
- 6. It has been fairly established from the foregoing figures that at the present rate of exchange, Japan realises 0.45 yen after paying duty while she had to spend 0.62 yen towards the cost of a lb. of cloth, incurring thereby a loss. But she has to transfer a large supply of surplus stocks to this country in liquidation of her foreign debts. The cotton manufactures that find their way in the local markets, were manufactured on the basis of 174 exchange or on the cost value of 0.35 yen per lb. Consignments of these stocks help Japan to restore equilibrium in the position of payment without the evil consequences of trade loss.
- 7. Discrepancy in the commodity prices is in some measure due to giving the rupee a higher value than its gold equivalence, which is 13.6d. At the lower rate, the home industry could sell cloth cheaper by annas 2 per lb, when the yen-rupee would be 18.8d./13.6d. or 138. But owing to higher sterling value, it is 18.8d./18.1d. or 104. Par of exchange of the yen was 24.58d. when it was on the gold basis. The normal parity of the yen-rupee was then 24.58d./18d. or 136.5. This parity must now be established by trade conventions if equitable trade relations between the two countries were to endure.
- 8. It has been reported in the press that Japan imported cotton manufactures 86 per cent. more in June than in the previous month, as the direct effect of the depreciation of the yen. The position of payment in Japan is in jeopardy and unless this is restored, heavy flow of goods from thore must continue to replace gold on which embargo has been placed. The economic position of the textile industry all over the world is in bad plight, and no amount of protection would help an uneconomic concern to work on profitable basis. Government have often been urged to reduce the incidence of taxation and help to restore the purchasing capacity of the masses. Economic re-construction cannot be inaugurated by building the tariff walls higher and higher crippling the slender resources of the consumers who are not organised to give their effective voice in the fiscal policy of this country.

Protection by a further instalment would, indeed, react in turn on the industry and the productivity of Government revenue.

N.B.—" Home made industry" means the Indian Textile industry, and "Home made goods", the cloth from Indian mills.

Mr. S. H. Batlivala, Bombay.

Letter doted the 30th July 1932.

I beg to submit to the Tariff Board my views in connection with the emergency enquiry ordered by the Government in the matter of dumping of Japanese Cotton Textiles.

Enclosure.

EMERGENCY DUTIES UPON IMPORTS OF JAPANESE PIECEGOODS.

Any emergent enquiry for a specific purpose instituted by the Tariff Board would fail to fructify without a comprehensive survey of Indian and Japanese textile conditions. Because of the existence of over 30 per cent. tariff there should be no whittling down in the scale of a fresh levy necessitated by the drastic fall in the rupee value of the yen. An attempt is, therefore, made in this communication to show that the current rates of Customs duties are nothing more than equalisation fees to meet the higher manufacturing expenses of Indian mills and do not act as indirect bounties to our national industry. In the second place it will be necessary to show that, apart from present abnormal circumstances, even a higher ratio will have to be recommended in the ordinary course of investigation by the Tariff Board now in sessions. Thirdly, facts and figures will be given in support of the statement that the gravity of the present critical situation justifies the imposition of thumping duties upon Japanese imports. Our rivals have already driven a coach and four through the Indian markets and should not be permitted to encroach any further upon our national preserves.

Working Costs.

Japanese millowners are, as a rule, secretive over the publication of details of working charges. The Indian figures are well known and, exclusive of the item of depreciation, are estimated at about 51 annas per pound in the case of our very few best concerns and from 71 to 81 annas in the case of a great majority of Indian mills for the manufacture of grey standard cloth from 20s warp cotton. At this grave juncture let us defer the question of the inefficiency of the Indian mill industry. Because of disastrous effects upon national economics and governmental finances let us concentrate upon its preservation. For obvious reasons the working costs of "The Big Five" who control over half the spindle and loom power of Japan and dominate the industry as a whole cannot be over 4 annas per pound. There are fewer over-heads, lower interest charges owing to better financial stability, no agency commissions and working allowances payable as standing charges, and none of the 10 per cent. disability imposed on Indian mills for importation of machinery, spare parts and stores. Our rivals possess a more suitable weaving atmosphere and a superior technical equipment of higher producing ability and lower manufacturing cost. The wage bill of a Japanese mill is no higher than that of an Indian mill owing to a progressive decrease in the personnel, particularly through the installation of automatic machines, although the daily per head average is only Rs. 1-2 in India as against the equivalent of Rs. 1-12 in Japan. Regular attendance and intensive application on the part of their operatives are secured by the Japanese mills by the provision of board and lodging facilities and various other kinds of amenities.

Hours of Work.

Japan scores the most in reduction of working charges by the operation of her mills for over 17 hours a day with a double shift. Some of the huge Japanese combines have some sort of direct or indirect financial interests in Japanese owned mills in China operated for nearly 24 hours daily under superior economic environments and yet lower working expenses. All these factors are helpful in developing Japan's competitive power against Indian mills working uneconomically in small units for only 10 hours daily which are likely to be reduced to 9 only in the net distant future.

Mr. Arne Pearse-an impartial authority on cotton textiles-calculates that in case of Indian mills the saving in working charges through double shifts and longer hours of work varies from 3rd of an anna per pound for cloth produced from 20s cotton mixing to over 1 anna for outturn from 32s mixing. This figure has, therefore, got to be deducted from the already low working cost of Japanese mills. If therefore the manufacturing expenses of an efficient mill in India is 51 annas per pound of cloth, those of Japanese mills which in a majority of instances are operated under efficient combines cannot be more than 5 annas for a single shift and 4 annas for a double shift and longer working hours. It is true that for coarse variety of cloth Japan has to pay homeward freight on cotton and outward freight on the finished article. But as the competitive area is being transferred to finer makes of cloth this disadvantage to Japan is being minimised, as Indian mills have to pay comparatively more transport charges on foreign cotton imported by them, in view of substantial relates allowed by Japanese shipping companies to Japanese millowners. Moreover, ocean transport is as a rule, notoriously cheap, and in those Indian markets in the interior where mills are few and far between Japan's competitive ability is hardly impaired.

We, therefore, arrive at the conclusion that the manufacturing charges of a majority of Japanese concerns at about 4 annas per pound are 3½ to 4 annas lower than the average of the majority of Indian concerns at about 7½ annas to 8½ annas per pound. In other words, the present scale of duties at 3½ per cent. ad valorem or at the flat rate of about 4½ annas per pound is merely protective and not in the least stimulative to the India textile industry.

Japan's Invisible Gain.

Out of longer working hours of Japanese mills arises an invisible but substantial protection for their output. This is utilised by our Far Eastern competitors for purposes of dumping goods in the Indian markets at cut throat prices. In his book on "The Cotton Industry in India" Mr. Pearse calculates that in addition to the saving in manufacturing charges a mill employing double shift of operatives can, in order to secure a reasonable return of, say, 8 per cent. on its capital, afford to sell its goods about one anna cheaper per pound. The reason is obvious. The capital remains constant, while the output is doubled. Hence half the ratio of profits per pound suffices to bring about the same results. In India 9 million spindles produce annually about 18 lakhs of yarn bales as against 7 million spindles and about 25 lakh bales in Japan.

With three or four financially powerful organisations supplying the mills with cheaply bought cotton from the field and contracting for the purchase of their output against these supplies Japan scores a further advantage in the campaign of undercutting of prices. It is also proved from the balance sheets of half a dozen huge Japanese combines that these can earn 20 to 25

per cent. on their capital, while under identical conditions the smaller mills next doors do not show profits of more than 5 to 7 per cent. Hence the mill magnates who control the destinies of the Japanese industry possess enormous latent powers for sacrificing a substantial part of their earnings in the price war which is waged by them in the Indian piecegoods markets. Hence the current Indian tariff against Japanese cloth is a wash out, and the Tariff Board must impose an additional scale of duties to thwart Japan's competition.

Benefit of Depreciated Yen.

We now turn the normal to the abnormal. In terms of the Indian currency the yen has in the last ten months depreciated considerably. It took nearly Rs. 200 to buy 100 yens, while, to-day, 100 yens can be had for a fraction over 100 rupees. The normal rate is about 100 yens for about 135 rupees. Between October to December of last year when the Japanese currency had appreciated considerably over the rupee which was off the gold standard Japan made enormous purchases of cotton especially in America for which she paid less by at least 25 per cent, than what the Indian mills had to pay, if both transactions were to be reduced to their rupee equivalent. The natural business-like presumption is that although deliveries to Japanese purchasers of cotton were spread over a long period, the exchange against these commitments was secured at the time of making purchases. It is immaterial whether a certain quantity was on account of private Japanese traders or was diverted to Japanese controlled mills in China many of which are in some sort of direct or indirect liaison with the Japanese mill industry.

Japan subsequently abandoned the gold standard and her exchange should have been stationary round about Rs. 135 for 100 yens. But owing to adverse economic factors the yen collapsed to 100 for about 100 rupees. Thus it has happened that goods manufactured out of her enormous purchases of cotton made in the closing months of 1931 when exchange was about Rs. 200 to 100 vens would, if sold in India then, have fetched only 50 yens and are now realising nearly 100 yens. While the Japanese mills have received more yens for the sale of their goods in India, the rupee receipts of Indian mills from the sale of their cloth has remained unchanged. Heavy dumping at considerably lower prices by Japanese interests is, therefore, inevitable.

Facts and Figures.

The following table will clarify matters. The basis taken is one bale of cotton of about 400 pounds weight out of which one bale of grey cloth of about similar weight is manufactured. The percentage of loss in cotton is usually made up by about 12 to 15 per cent. size added to the weight of cloth. The manufacturing charges are estimated at 8 annas per pound for India and 4 annas for Japan. These charges are in the case of Japanese mills reduced to the yen basis at the normal yen-rupee exchange of 100/135, because exchange fluctuations do not affect internal manufacturing expenses like wages, fuel, interest on loans, etc. The item for cotton which is imported by Japan, no matter whether from America or India, is also taken on the ven basis according to variations in the exchange. Column A represents the cost sheet of an average Indian mill. Column B that of an average Japanese mill. The B Column is the crux of the whole problem as it stands to-day. In this column the cotton value in yen is fixed on the basis of 100 to 180 rupees, because the bulk of this year's supply of cotton was secured early in the season when the exchange was 100 years to 200 rupees and the balance represented the utilisation of last year's carry over from supplies which were laid in at the normal rate of 100 years to 135 rupees. The conversion into rupees of the total cost and sale rate of manufactured goods in Column B is made at the exchange ratio of 100 years to 100 rupees,

which is the present rate at which dumping is progressing until the huge supplies of cotton are exhausted.

	A.	В.
	Rs.	Yens.
Cotton (1 bale of 400 lbs.)	100	55
Manufacturing Charges (on 400 lbs.)	200	74
Freight, etc		6
Total Cost	300	135
		Rs.
Reduced to Rupees	300	135
Add Import Duty at average 4 annus per lb.	•••	100
•		
Grant Total	300	235
Cloth Sale Rate (average of 10% annas grey		
cloth on 400 lbs.)	270	270

The conclusion is obvious. Looking at the grand total one can visualise that Japanese textiles have a distinct advantage of 25 per cent., even after payment of heavy duties. Even with the granting of additional 25 per cent, protection to Indian mills dumping will not absolutely cease because Japan thriving on its monopoly of cotton textiles in her home market can afford to surrender part of its profits by further undercutting of prices in the Indian market. The question of the protection of Indian consumers does not arise, when under present abnormal circumstances Japan has been able to dump her goods in our markets almost at the price of cotton. The competitive ability of Japanese manufacturers will not be appreciably impaired by the imposition of an additional 25 per cent. emergency tariff. Unless a higher scale is recommended by the Tariff Board, the Indian textile industry will have to continue to fight with its back to the wall.

Retaliatory measures threatened by Japan have little significance from the Indian economic standpoint. This country has a practical monopoly for the supply of a large variety of short staple cotton to the spinners of the world. The balance of trade is in favour of India, because Japan vitally needs our raw material. Our agriculturists are, therefore, in the invulnerable position of always receiving a fair economic price in the markets of the world

It is only fair to the Indian textile industry that adequate safeguards should be provided for its security and progress. Until efficiency makes considerable headway it would be manifestly unfair to the poverty stricken consumers of India to grant a charter of monopoly to the Indian millowners.

A. H. Manek, Esq., Bombay.

Letter dated the 30th July, 1932.

With regard to the Government of India's Communiqué for a Summary Enquiry by your Board, I propose to submit the following pleas for consideration:—

(1) The Hon'ble Mr. H. M. Mehta states as per cutting enclosed that Japan practically sells Cotton Greys at the price of raw cotton, which is true to a great extent. At any rate, according to the statistics by the Ahmedabad and Bombay Millowners' Association there is very keen competition and under-cutting of prices. If that fact is established, I submit, it amounts to "Dumping" as judged by the standards of other civilised

countries which have adopted like our Government the policy of discriminating protection. The following countries would consider the present Imports at her sale-prices by Japan towards India as constituting "Dumping" in the usual significance of the expression:—

- (a) The United States defines it as "Offering for sale in quantity at a very low price or practically regardless of the price".
- (b) In the Union of South Africa and Australia, "Dumping" is held to exist when the Imports of dumped goods is likely to result in injury to an Industry within the territory concerned.
- (c) Great Britain has the safe-guarding of Industries Act, with a Special Committee for considering the emergency of Import Duties (see Annexure A).
- (d) But Japan's own Laws themselves would without any doubt consider her importations into India at her prices as nothing short of "Dumping", if the position was reversed by India exporting the same goods at the same prices from India into Japan, and this is borne out by Article V of the Japanese Tariff Law which defines both what "Dumping" is and what remedies should be immediately applied and the necessary machinery ready at hand to enforce such remedies which are defined, and which reads as follows:—
 - (i) that important industries are to be considered as "threatened by the importation of unreasonably cheap articles",
- (ii) or by the sale of imported articles at unreasonably low prices,
- (iii) the remedy to be applied is the imposition of extra duties in addition to the ordinary duties of their Tariff which however are not to exceed the sale-prices of their representative important Industries, or in other words, catra duties to be levied are to be equalised to the level of their representative industries' sale-prices, or in other and simpler words, the sale-prices of their industries must not be competed for by lower-priced imported goods. Further comments are needless as lower-priced imported goods constitute "Dumping", and the
- (iv) Anti-Dumping Committee has the power, on application by Japanese industries, to investigate whether the prices are cheaper and if so, the operation of extra duties come into force at once, if the Committee so decides, and the cheap imported goods pay the extra duties.

What Japan would do under her own Laws, we are also entitled to do against her in India. That Japanese Imports constitute Dumping needs no further elaboration nor proof.

Rayon or Artificial Silk Goods.—At the price of As. 2-9 per yard they compete not only with Dyed, Coloured-woven goods, and Fancies, but also to a large extent with Grey and Bleached goods because the duties they pay is far too small, as the duty-paid costs are more or less equal or too near the sale-price of our principal staple lines enumerated above.

(2) The Protection Rendered Ineffective.—Judging the effect of the Japanese competition in the same manner as the Japanese do in their own country against foreign imports there, there can be no doubt that, as is in fact the case in India, protection has been rendered ineffective as the low prices show. My Import Friends in India have actually imported Rayon Fabrics at 9d., c.i.f. Bombay from Germany and Italy, and Japanese Rayon Fabrics have made a clean sweep of them. With a slight difference in price, my belief and fears are that without check, these Rayon Fabrics are bound to curtail materially even the sales of Indian Manufactures in White goods also so far as women's goods are concerned, as they cannot resist the blandishments of the silky appearance, the feel and the floss and shine as women's natural instinct leads them to the vanity natural to them of adorning themselves to their bost, and in the case of these goods very

stringent and effective deterrents are, in my opinion, not only necessary, but most urgent.

- (3) The Remedies suggested are therefore such as could equalise the prices of Japanese goods (as the Japanese themselves do in their own country against foreign imports there) with the prices of sale of our representative mills of India or of Bombay and Ahmedabad which are the largest manufacturers. But the difficulty of an effective deterrent to offset the tactics against our protective duties does not lie, in my opinion, in merely increasing Import duties against Japan for all Cotton Piecegoods and Yarn, but in devising means to effectively counteracting the constant lowering of c.i.f. prices of Japanese Imports by reinforcing such Import Duties by simultaneously having, in addition, some means of automatically increasing the assessment value to the same extent as the Japanese Rupec-Yen exchange falls below the normal level of Rs. 150 to Yens 100. The fluctuations in the Rupee-Yen exchange are very rapid, steep and frequent. Even a fortnightly fixing of a rate for assessment of Customs duty basis will not function effectively and may cause constant changes, which is not conducive to smooth working at the Custom House. Any duty, however high we may conceive in fairness to giving adequate protection to our Cotton Industries, may be obviated to a greater or smaller extent by Japan keeping reducing their c.i.f. costs. Therefore the procedure most smoothly and easily workable that commends itself to me by my long experience of the Textile trade appears to be to have something akin to the Japanese method, viz., to equalise as far as is feasible by the only method, viz., of fixing "Tariff values" of Cotton goods of general use competing with us, in the beginning revisable every quarter as they do in Iraq, and later on as experience warrants it for 4 months or at most for 6 months, but in no case for longer periods than 6 months. This may appear at first sight to be difficult of accomplishment, but initial difficulties apart, the Tariff-valuations will conform gradually to workable limits and all complaints of hardships as encountered will be met and easily remedied. A simpler or royal method is neither conceivable nor practicable (see my remarks under the heading "Proposed Duties").
- (4) Indian Anti-Dumping Committee.—It is always the case that when Import Duties are high, attempts at evasion, or escaping with payment of duties at a lower assessment value, will be made, and however irksome it may appear in the beginning, I do not think there is any help but to have a fixed Tariff value assessment based on the average values of grades imported for normal trading, taking care to exclude from basing the average in any way on goods imported for purposes of "Dumping". There will be devised various ways of price-cutting and in the end it will be found that a compact and casy method will be one of Tariff valuations based on sale-costs of representative mills, which will take care of both "Protection" and of Government Revenues through Import Duties. Other methods might be tried, but we shall have eventually to fall back on "Tariff valuations".

The Committee, I suggest, should comprise of following members:

- (a) two representatives, one selected by each of the Bombay and the Ahmedahad Millowners' Association,
- (b) one from the Bombay Chamber of Commerce,
- (c) one from the Indian Merchants' Chamber and Bureau, Bombay Presidency being the principal manufacturing centre,
- (d) one appointed by the Bengal Chamber of Commerce, who is resident in Bombay, or they may appoint someone authorised to act on their behalf,
- (e) one elected by the Indian Associated Chambers of Commerce to represent all other Millowners of India or the Piecegoods trade of India
- (f) the Chief Collector of Customs, Bombay, to represent the Government, and who will be the President of the Committee.

- A Safeguarding of Industries Act or any other legislative enactment should also be placed on the Statute Book as early as practicable.
- (5) The Alternatives.—If for any reason the suggestions of a Tariff valuation are not adopted, the alternatives are:—-
 - (a) 50 per cent. Import Duty on Cotton goods plus an Exchange Compensation or equalising duty of 50 per cent. extra to be reduced as the Rupee-Yen exchange approaches the normal rate of Rs. 150 to Yens 100.
 - (b) 100 per cent. Import Duty on Rayon plus the same 50 per cent. Exchange Compensation Allowance, etc.
 - (c) 50 per cent. Import Duty on Cotton Piecegoods if sold at an inclusive Rupee c.i.f. price, the same to be increased in the absence of a composite Tariff valuation basis by the difference between such Rupee inclusive price and the sale-costs of representative Hombay Mills, in the same manner as Japan does under her Article V of her Tariff Law.
 - (d) 100 per cent. Import Duty on all other unspecified goods sold on Rupes c.i.f. prices, other than silk, or for mixtures.
- (6) Classification of Rayon for the operation of the Tariff Act of 1894 should be specially deemed as of "Cotton Piecegoods" irrespective of the special duty imposed on it. It is a vegetable product and a misnomer to call it even "Artificial Silk" which like Woollens is not an animal hair-product.
- (7) Scope and Effect of any Emergency Duty to be imposed should clearly state that it has a retrospective effect under clause 10 of Tariff Act, 1894, on all Contracts entered into prior to the date of enactment of such emergency measure, and to apply in case of all goods relating to such Contracts on their "arrival" in Indian Ports, and not on their "shipment" in fulfilment of any conditions stated in the Contracts, even if by terms of the Contract such "shipment" be deemed to constitute "arrival" or execution, the extra duty in all cases being applicable on the physical arrival of the relative goods in Indian Ports.

In cases of goods which arrived before the enactment of the Emergency Act, but not cleared, i.e., duty assessed, settled and fixed as to assessment value, and duty paid actually, whether bonded or cleared on "Provisional Passes", to be deemed to have "not arrived", and which would in consequence have to pay excess duty.

No goods, as is usual under the Sea Customs Act, to be deemed to have arrived, although the steamer bringing such goods may have entered Indian Harbours and been docked, until such vessels have actually been "Cleared inwards", and the Customs entries for consumption inwards have been lodged and registered in the usual way.

It is expected that for "Dumping" purposes steamers will race with all speed that they can command to escape the imposition of "Emergency Duties".

Let us hope that no avoidable delay will occur in checking "Dumping" by passing the required legislation.

ANNEXURE A.

Some Contemporary, etc., Authoritative Opinions on "Dumping".

Previous attempts at defining "Dumping" have failed from the point of view of their effectiveness for either preventing or curbing it; obviously therefore they cannot be sacrosanet.

When every nation tries hard to "Dump" as largely as possible, any ineffective methods or any excuses may prove diastrous, in killing our domestic industries. Contemporary views consider "Dumping" so seriously that it is worth our while to carefully weigh them and quickly adopt their methods if found more effective than those followed up to the present.

"Dumping" is conscienceless trading as regards the means employed where there is a necessity to clear excess stocks at any sacrifice to keep industries going, especially under the stress of depression. "Dire necessity ignores all sentiments and business morality." Extracts from private notes.

Webster defines "Dumping" as:—"To offer for sale in quantity at a very low price or practically regardless of the price."

The above is typically the American view. Therefore, where Import Duties are found to be insufficient, they are promptly increased in America without official red-tape causing unnecessary delay.

The Substance of Economics (Silverman, p. 244).

Arguments in favour of Protection and against Dumping.

That Protection means high wages: an industry which is not undercut by foreign rivals can pay its workers better wages."

"That I rotection is necessary to guard against 'Dumping'. A firm abroad that enjoys monopoly or other advantage may charge comparatively high prices in its own country, but in order to secure large scale production, may have to produce more than is absorbed by the home market. The surplus may be 'Dumped' in other countries at prices lower than those in the firm's own country."

"That unemployment is reduced. It is maintained that the diversion of demand to home-produced goods must necessarily reduce the percentage of unemployment."

That Japan is very quick in taking "undue" advantage of any Convention or any loop-hole is also evidenced by the Bombay Millowners' statement dated the 17th July, 1926.

"A shipper or a manufacturer of cotton in Shanghai is compelled to join the Indian Cotton Transport Association, if he wishes to ship goods to Slanghai at the lowest rate. A further remarkable feature of this arrangement is, that in spite of protest from British shippers, this so-called Indian Cotton Transport Association has laid it down that the 'Menkwa' or the agent of the Japan Cotton Spinners' Association in Bombay shall allocate the freight space allowed to British and Indian exporters even in the British ships of the Conference Lines. In the interests of future harmonious relations, which you state Japan is so anxious to foster, allocation of freight space for cotton exports from Indian ports to the International Port of Shanghai should be made either by an impartial authority appointed by the Government of India, or alternatively all shippers should be allowed freedom to make their own arrangements."

But Japan's selfish interpretation of Conventions, International arrangements regarding Labour, etc., is very scathingly commented upon by a writer in the "Kaiser-i-Hind" of 5th June, 1932, who is apparently a competent businessman with considerable experience of the Japanese and Chinese trades.

"Japan is compelled to buy cheap Indian cotton which she essentially requires for manufacturing coarse cloths. It is natural and quite probable that if to-morrow she finds it convenient to buy cheap cotton elsewhere, she would at once drop Indian cotton altogether, as she buys it of necessity and not as a favour to Indians. Notwithstanding this fact, as if she bought Indian cotton to favour us, she alone controls the exportation or steamer transport of raw cotton shipped to Shanghai and Japan. Poor India has been deprived of the freedom for transportation of her own cotton from her shores. Is this not humiliating? All control is in the hands of the Japanese controlled 'Indian Cotton Transport Association' which must be regarded as a subsidiary of the Japanese Cotton Industry. The shipping order or the permit to ship any quantity and by any steamer rests and is determined

hy the Bombay agent of the 'Menkwa' irrespective as to whether the steamers belong to the P. & O. or B. 1. or the French or Japanese Nationality. The anomaly is that the P. & O. and the B. I. S. N. Companies are paid subsidies from the Indian treasury, and yet these British Indian subsidized lines are allowed to work in this respect under the thumb or control of an entirely foreign country's industry, and the Government of India continues to suffer such an intolerable humiliation. If Indian people pay taxes from which such subsidies are paid, whether for mails or for any other purposes, then why should we not avail ourselves of such subsidies for the good of India instead of thus helping interests of the Industries of a foreign nation like Japan?"

Is there any wonder that this anomaly gives a handle to the bitterness of the Indian Nationalists against the Government of India?

The United States, Australia and Union of South Africa.—"In these countries, 'Dumping' is held to exist when the importation of 'Dumped' goods is likely to result in injury to an industry within the territory concerned."

This is certainly a correct view, otherwise "Protection" does not serve any purpose if you allow "Dumping" tactics to nullify it.

British Safeguarding of Industries Act.—Although criticisms are heard of the inadequacy of the above in protecting British Industries against unfair foreign competition, articles 2 and 4 quoted below generally are stated to be mainly instrumental in that they constitute a sufficient cause or consideration for the Investigating Committee to grant protection. Abnormal foreign importations (2), and if the competition seriously affects employment in the home industry (4), are rightly considered an amply sufficient reason in America, South Africa, Australia, etc., for granting Protection which ought to be an eye-opener to the Government of India in the present most critical situation.

If the Japanese Convention of 1905, instead of being a help as the "Raison d'être" of its acceptance by Government of India, has been a positive and continuous "Hindrance" to the Indian Textile Industry, then why not scrap it? It should have been scrapped in 1927 (see my remarks, page 159, Question 125, Volume IV, Report of 1927).

It is a heavy "Damocles Sword" hanging continuously by a slender thread on the neck of our Industry and on that of its labour. Japan's argument practically amounts to this, that so long as the Convention continues, she can undersell and undercut us in prices in our Home market, and that unless we impose duties that apply to all nations (so as to call forth a retaliation in our export trade in our produce), an impracticable procedure, she can ply ducks and drakes with our domestic industries. If her finances are low and if her budget is not balanced, all she has to do ner mances are low and it her budget is not balanced, all she has to do
is to impose a sort of "a special and generally applicable" duty, as an
excuse for continuing her depredations in India. She knows that no nation
can "dump" textile goods into Japan because of Japan's depreciated
exchange, or of her comparatively low costs of production through the acknowledged efficiency of her labour and management. Or, in other words, because she is comparatively more efficient at present than any other Textile industry in the world, other nations' textile industries must starve or perish. If, by chance, any other nation can compete with her through a greater depreciation of exchange, or through greater efficiency, the Exchange Compensation Act with 35 per cent. extra duty and article V of her Tariff Law are sufficiently elastic to so increase assessment values of such cheap importations into Japan as to equalise them to the sale values of her representative mills.

The Convention is thus made useful for her benefit exclusively and reduced to impotency so far as concerns the other contracting parties, if they choose to be so accommodative to her as the Government of India has been. To judge whether any particular importations from Japan into India constitute "dumping" or not owing to our lax interpretations of the Convention or

owing to the non-existence of a flexible "Safeguarding of Industries Act" like that in vogue in Australia, South Africa or the United States, is a herculean task, if not an impossible one. And as a snail is an express train compared with the speed with which the Government of India acts (4 years) for an inadequate protection of only 4 per cent, on cloth, Japan will move heaven and earth to have the Japanese Convention of 1905 retained as long as possible anyhow and under any excuses or subterfuges for further "dumping". Action for its repeal should be the watchword of the Millowners and indeed of all industrialists in India, and indeed through their safety of the Government of India also, if the latter do not want their present revenues from industries to be annihilated.

British Safeguarding Committee's 8 points for investigation:

(1) "Whether the Industry is of substantial importance by reason of the volume or nature of the goods produced."

Note.—If the nature of goods is of importance during war or if the volume is so large as to be a source of livelihood, that appears to British Government to be a sufficiently good reason for granting adequate protection.

- (2) "Whether the importation of competing foreign goods is abnormal."
- (3) "Whether the imported goods are being offered for sale here at prices below those at which similar goods can be profitably manufactured in Britain."
- (4) "Whether such competition is seriously affecting employment in the home industry."
- (5) "Whether such ! exceptional competition ' is rendered unfair by currency depreciation in a competing country; by subsidies, bounties, or other artificial advantages; or by inferior conditions of labour, such as lower wages, or longer hours anywhere abroad."

Note. -This applies to Japan in present circumstances in regard to her trade in Textiles with India.

- (6) "Whether the applicant industry is being carried on with reasonable efficiency and economy."
- (7) "Whether the imposition of a duty on goods of the class or description in question would exert a seriously adverse effect on any other industry, being an industry using goods of that class or description in industry."
- (8) Whether, baying regard to the above conditions, the applicant industry has in the opinion of the Committee established a claim to duty; and if so, what rate or rates of duty, in the opinion of the Committee, would be reasonably sufficient to countervail the unfair competition."

Legislation.—" The public good requires that production should expand as far as is consistent with the absorbing capacity of the market; at present the enlarged competitive spheres of industrial undertakings, compled with large scale production, have created conditions in which competition is a restrictive rather than a stimulative factor. The successive rises and falls of the trade cycle, due in part at least to competition, are a continued irritation to industry; the gains made in periods of unusual activity (booms) are seldom sufficient to atone for the losses sustained during depression. In view of industrial necessity, neither tradition nor prejudice should be allowed to uphold competition as a system in itself vacrosanct." Page 84, Gordon's "Problems of Trust and Monopoly Control".

The inevitable necessity of immediately scrapping the Japanese Convention of 1905 and an Emergency Ordinance to stop "Dumping" by exchange compensation decree is incessant and loudly calls for immediate action.

ANNEXURE B.

IMPERIAL PREFERENCE versus FREE TRADE.

Lord Inchcape was always in favour of Free Trade, probably because whilst Great Britain was a "Free Trader", when she had the lead of other countries in manufacturing, shipping, transport, etc., and when there was no serious or effective competition from other nations during the 50 years previous to the Great War, she and he both made their piles. He was known to be radically opposed to "Protection" and when the Merchandise Marks Act was considered in the House of Lords in 1926, he is reported to have caused a sensation there by his speech of which the following is an extract:—

Extract from Lord Inchcape's speech in 1926.

- (a) "We are not a self-contained country and never shall be unless our population diminishes by three-fourths of what it is at present. We live by what we manufacture and send abroad, and by the ships we build, and these are paid for by international trade. I am convinced that those who are behind this Bill have nothing but the interests of their country at heart; but I am equally convinced that if their policy succeeds, and leads to the people of these Islands purchasing and consuming only the products of this country and of the British Dominions, it will bring disaster to that worldwide trade and those exports which have been our sheet-anchor for nearly a century. Do you believe that the people of these Islands or even your Lordships will refuse to buy Danish butter or China Tea if they are cheaper than and as good as British butter or Indian Tea, or that they will refuse to buy oranges from the Levant if they are cheaper than and just as good as oranges from any of our Dominions? Would your Lordships or the people refuse to buy eggs laid on the Continent if they are as fresh as and cheaper than eggs which are laid by our own barn-door fowls? I do not believe it for a moment."
- (b) "The noble Viscount, Lord Peel, referred to the advertising of foreign goods. I remember that many years ago in India a Merchandise Marks Act became law, following a British Act. Everything had to be stamped with the country of origin. The consequence was that the goods that were coming into India from Germany were thereafter stamped 'Made in Germany'. These articles permeated all the bazars, they were bought by the millions, and when the millions came to replenish their stocks they had get accustomed to goods stamped 'Made in Germany' and would buy no others. It was the very best advertisement German goods ever had. The proposal of the Covernment in this Bill may sound all right to those who know little, or it may be nothing, of business or of political economy. To them it has an attraction. To me, if I may venture to say so, it has none."

The noble Lord was both right and wrong. The sentiment of "Buy British", or of Imperial Preference to the British Dominions, sounds right to rich people and to those that can afford to show patriotism, to a limited extent, so far as their personal wants are concerned, but to the poor people who have to make their "money wages" go as far as possible to supply all the necessaries of life and also to save a little, if not much, for a rainy day, sentiments of patriotism can prevail to a very limited extent only. Great Britain's life, as Mr. Thomas says, depends on her exports, the worth of which will be appraised on their intrinsic merits by hard-headed businessmen and they always offer a price for their purchases for a profitable re-sale to the masses in bulk lots, according as they are suitable or otherwise to their purchasing power or capacity to absorb them and for that purpose sentiments cannot and do not go far when pockets are touched.

The noble Lord was wrong in thinking that Great Britain would be able to hold her own as of yore against the competition of Continental countries and of Japan in the open and free markets of the world. If she persisted in her "Free-Trade" policy, she would be able to carry on a losing trade for some time and would ultimately sink to a third-rate nation.

International trade that Great Britain carried on in Lord Inchcape's time is quite different from what it now is. There is competition galore, fair and unfair, which recognizes no sentimental bounds or patriotic considerations. Persistence in a free-trade policy can result only in a one-sided trade, viz., more imports and little or no exports, which implies a drain of gold that not even the richest country in the world can stand for long. It has driven Great Britain off yold. It could have done worse, but Great Britain has done wisely in adopting "Protection". Imperial Preference is no substitute either for free trade or protection, for every one wants a fair return or "quid pro quo". Is not a fair adjustment possible with a sort of "equitable preference" to all our customers according to the merits of exchanging their commodities for ours on a fair basis, which is the true and real meaning of "Mercantilism"?

ANNEXURE C.

RAW COTTON, YARN AND CLOTH PRICES IN MANCHESTER.

Changes on Percentage Basis—1914 to 1926.

	American Cotton.	Arrerionn Yarn.	Cloth.	Egyptian Cotton.	Egyptian Yarn.	Average of all yarns and oloth.
June-July 1914 .	100	100	100	100	100	100
June 30, 1915 .	79	88	75	87	81	82
,, ,, 1916 .	133	131	101	137	133	125
,, ,, 1917 .	292	254	179	336	261	264
,, ,, 1918 .	349	513	349	339	391	388
,, ,, 1919	3 15	403	319	319	313	334
,, ,, 1920 .	406	559	487	735	603	558
,, ,, 1921	118	177	179	182	197	171
,, ,, 1922	199	210	179	232	185	201
,, ,, 1923	250	244	194	191	178	211
,, ,, 1924	262	264	214	278	215	247
,, ,, 1925 .	203	210	189	377	240	244
January 29, 1926	160	179	164	215	191	182
February 26 ,,	155	169	163	204	191	176
March 26 "	153	164	157	184	178	167
April 30 "	149	159	155	19)	172	165
May 27 ,,	155	164	156	201	172	170

		American Cotton.	American Yarn.	Cloth.	Egyptian Cotton.	Egyptian Yarn.	Average of all yarns and cloth.
J une 25, 192	6 .	144	156	151	192	172	163
July 2 ,,	,	139	154	150	189	172	161
., 9 ,	.	144	156	150	189	169	162
,, 16 ,		149	156	150	189	169	162
,, 23 ,	.	149	156	150	190	166	162
" 30 "	,	150	159	151	192	166	103
August 6 ,	.	146	159	151	186	166	162
,, 13 ,,	,	140	156	150	181	163	158

Explanation of the Percentage Basis.

In this table the price of raw cotton, yarn and cloth on July 31st, 1914, is taken as basis unit (100) in each case, and the price at the various dates given is calculated as a percentage of the basis figure. Thus, quotations are average of cotton, yarn and cloth on a common standard, and the fluctuations may be compared.

Messrs, Kishan Singh Man Singh, Amritsar,

Letter dated the 27th July, 1932.

It appears in the papers daily that to safeguard Mills and Indian Cotton industry, duty on the Japanese goods imported to India may be enhanced.

We are also very closely connected in Japanese business and wish to bring to your kind notice only a fact which in our opinion is solid and requires your keen attention.

That merchants in India at Bombay, Calcutta, Karachi and of up-country have their commitments of forward contracts mostly of June and July. If the duty is enhanced before the arrival of such shipment, in our opinion, most of the dealers would not be able to pay to the sellers, and would be compelled to close their shop and go to liquidation. Just to save Indian merchants, duty should be enhanced on or about 15th September, when such goods contracted for will reach them and the increasement of duty will give life to all petty dealers as the season would be in full bloom and prices would go up. Mostly after July no business has been largely done.



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