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MADRAS RECORD OFFICE

GOVERNMENT OF MADRAS

DEPARTMENT

G.O. No.

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Dated

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Not to be folded or roughly handled

*Proceedings of the Madras Government, Revenue Department,
9th December 1875.*

No. 129. Read the following letter from R. B. CHAPMAN, Esq., Secretary to the Government of India, Financial Department, to the Secretary to the Government of Madras, Revenue Department, dated Fort William, 24th November 1875, No. 2,600:—

I am directed by the Honorable the President in Council to request that you will lay before the Government of Madras the accompanying copy of a letter addressed to me by the Chairman of the Madras Chamber of Commerce communicating the protest of the Chamber against the imposition by the Government of India of an import duty of 5 per cent. on raw Cotton, not the produce of Continental Asia or Ceylon.

2. I am to request that, with the permission of the Honorable the Governor in Council, you will communicate to the Chamber a copy herewith sent of a letter, No. 4,034, dated 14th October, addressed by order of the Governor-General in Council to the Chief Secretary to the Government of Bombay with reference to a Memorial received from the Bombay Mill-owners Association upon the subject of this duty.

3. This letter contains a statement of the reasons of the Government of India for imposing a duty upon raw Cotton imported into India for the manufacture of the finer description of piece goods, and will, it is hoped, satisfy the Madras Chamber of Commerce that they have misapprehended the scope and object of the measure against which they protest.

4. A copy of this correspondence will be laid before Her Majesty's Secretary of State for India.

Enclosure No. 1.

From O. SIMPSON, Esq., Chairman of the Chamber of Commerce, to R. B. CHAPMAN, Esq., Secretary to the Government of India, Financial Department, Calcutta, dated Madras, 18th October 1875.

In accordance with the unanimous opinion of this Chamber, I am desirous to enter a protest against the recent imposition by the Government of India of an import duty of 5 per cent. on Cotton, not the produce of Continental Asia or Ceylon.

2. It appears to this Chamber that the best interests of India and the prosperity and peacefulness of her enormous population are intimately associated with the fostering of local industries, and anything that tends to nip in the bud these industries, for the development of which the people of this country have special qualifications, cannot but be regarded by this Chamber as a retrograde movement.

3. The Chamber beg to take advantage of this opportunity to express their regret that the new Customs Tariff Bill was without announcement introduced in the Viceregal Legislative Council, and was rapidly passed into law, without the Mercantile Members of that Council being apprised of the intention of the Government, or permitted an opportunity of offering opinions on behalf of the large interests which they represent, interests which are more or less affected by the new law.

4. In complying with the public request some years ago for more efficient representation, the Government of India cannot but have been actuated by a desire to give consideration to the views of Mercantile Members on matters within their own knowledge, and the Chamber's specially urge that the passing of this Customs Tariff Bill was an occasion peculiarly suited for the utilization of the nonofficial experience that the Government could command in the Council.

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5. I am, therefore, desirous on behalf of this Chamber, to express a hope that the import duty on Cotton may be repealed, and so leave unfettered the spinning and weaving interest, which has of late years been struggling into existence, and which, if only allowed to grow, cramped by no duty, cannot fail to exert a beneficial influence as regards the future of this country.

Enclosure No. 2.

From B. R. CHAPMAN, Esq., Secretary to the Government of India, Financial Department, (Separate Revenue—Customs), to the Chief Secretary to the Government of Bombay, dated Simla, 14th October 1875, No. 4034.

I am directed by the Governor-General of India in Council to acknowledge the receipt of a memorial from the Bombay Mill-owners Association transmitted by the Government of Bombay on the 23rd of September.

2. The Government of India are gratified to find that the memorialists express their appreciation of the benefits which the Legislature has been able to confer upon the trade of India by the recent Tariff Act.

3. The memorialists pray that the duty of 5 per cent. *ad valorem* imposed upon raw Cotton, not the produce of Continental Asia or Ceylon, may be remitted, and give the reasons why, as owners or interested in the Cotton-spinning and weaving mills of the Bombay Presidency, they entertain strong objections to that duty.

4. In enumerating those objections the memorialists state that the duty has been imposed for the "express purpose of preventing the Indian manufactures from rising above their present level," and to "discourage and prevent their improvement and extension," that thus, moreover, has been done "for the benefit of a foreign industry," that is to say, for the benefit of the Cotton manufactures of England. In other words, the memorialists believe that the duty is a protective duty, imposed in favor of English Cotton manufactures to the prejudice of the Cotton manufactures of India.

5. In order to show that such is not the case, it is only necessary to remind the memorialists that Cotton manufactures imported into India pay a duty of 5 per cent. *ad valorem*. The imposition of a duty of 5 per cent. *ad valorem* upon foreign raw Cotton was only intended, as was stated in the Government Resolution of the 12th of August last, to place, so far as is practicable, Indian and foreign manufactures of the higher qualities of Cotton goods upon the same footing as regards taxation.

6. The circumstances that the progress of the revenue of India happens in this particular point to be coincident with the interests of the producers of Cotton goods imported into India appear to have misled the memorialists into fixing their attention solely upon the latter class of interests, while in framing their measures the Government of India had regard to the former. There has been a misapprehension of the views which induced the Government of India and the conditions at which they arrived upon the whole subject of the tax upon Cotton manufactures, and from this error, derived to make some further observations upon the subject.

7. The report of the Tariff Committee showed that the Cotton goods imported into India mainly consist of the higher qualities, which cannot be manufactured from the Cotton grown in India. This opinion was formed after a careful examination of the statistics of the trade. Out of a total duty of more than £200,000 collected in the year 1873-74 from the imports of Cotton goods, the Committee calculated that only £2,000 was paid upon the class of goods that can be manufactured from the indigenous staple. The memorialists, who have the best opportunities of ascertaining the facts, say that the assistance meant by the Indian manufacturers to make the finer and more valuable Cotton manufactures and yarn from Indian Cotton have proved unremunerative.

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9th December 1875.*

8. From calculations made in England, which are quoted in the Resolution of Government of the 12th of August, it appears that about half the whole quantity of Cotton goods consumed in India is produced either by hand-loom weave in Indian manufactories from Indian Cotton of higher qualities, is imported from England.

9. The revenue derived from the import of Cotton goods amounted last year to £500,000, and the Government of India felt themselves not to sacrifice this revenue.

10. Up to the present time Indian manufacturers have, as the memorialists observe, confined their operations to working up indigenous Cotton, but the Government of India understood from the advertisements of some of the Bombay Cotton Mills that it was intended to extend their operations, and to use American Cotton for the purpose of producing higher qualities of goods. This is confirmed by the information now supplied by the memorialists.

11. The Government of India look with satisfaction upon the extension of manufactures in India, but they are bound, at the same time, in the interests of the public at large, to protect the revenue now derived from the higher qualities of Cotton goods. It is obvious that all such goods manufactured in India would, unless a tax be imposed upon them, escape payment of the duty now imposed upon similar goods imported from abroad, and that the revenue would suffer in proportion. If Indian manufactures of this class, as the memorialists seem to anticipate, should largely increase, this important source of revenue would be seriously affected.

12. In order, therefore, to protect the revenue, a duty of 5 per cent. upon foreign raw Cotton imported into India was imposed, so that the same rate of duty might be levied upon all higher qualities of Cotton goods, whether produced in India or imported from abroad.

13. The Government of India were aware, at the time, as stated by the memorialists, the quantity of foreign Cotton hitherto imported into India and used in the Indian manufactures is but trifling. The memorialists appear to be of the opinion that the imposition of imposing a duty upon such Cotton was unnecessary at any rate for the present, but the Government of India considered that it was more fair to the Indian manufacturers to create little or no hardship than to leave its industry to some future time when capital might have been largely invested in the manufacture, and the trade might suffer a serious injury from the imposition of a new tax.

14. The Government of India have only allowed the well-recognised principle that, in order to protect an important source of revenue, it is necessary to impose a tax upon articles manufactured within the limits of a country or imported from abroad. The circumstances of the goods did not appear to the Government of India to be such as to make the imposition of an excess upon such goods manufactured in India necessary or expedient; but Cotton manufactures of higher qualities stand in a different position, and the alternative of an import duty upon the raw material was adopted as preferable to any system of excise.

15. The Government of India, therefore, considered that in imposing the duty of 5 per cent. *ad valorem* upon raw Cotton, not the produce of Continental Asia or Ceylon, they protected an important source of revenue in a manner that is both fair in itself and the least oppressive and inconvenient to Indian manufacturers.

16. If the memorialists consider that the duty of 5 per cent. upon foreign raw Cotton bears an unequal proportion to the duty of 3 per cent. upon foreign wool, the Government of India will be prepared to give due attention to any considerations which may be advanced upon that aspect of the question.

17. The Government of India have desired me to explain thus fully the reasons which have led them to impose the duty to which the memorialists object, and to add that as the Tariff Act has been submitted for the approval of His Majesty, their memorial will be transmitted for the consideration of the Secretary of State for India.

18. I am to request that a copy of this letter may be communicated to the memorialists.

*Proceedings of the Madras Government, Revenue Department,
9th December 1875.*

No. 130.

ORDER IN COUNCIL, 30th December 1875, No. 1,734.

Separate Revenue, No. 14.
Customs.

Communicated to the Chairman of
the Madras Chamber of Commerce.

(True Extract.)

(Signed)

D. F. CARMICHAEL,
Secretary to Government.

To the Chairman of the Madras Chamber of Commerce.

Printed by the Government.

No. 4034

GOVERNMENT OF INDIA

FINANCIAL DEPARTMENT.

SEPARATE REVENUE
Customs.

To

THE CHIEF SECRETARY TO THE GOVERNMENT OF BOMBAY.

SIMLA, THE 14TH OCTOBER 1875.

SIR,

I AM directed by the Governor General of India in Council to acknowledge the receipt of a memorial from the Bombay Mill-owners Association transmitted by the Government of Bombay on the 23rd of September.

2. The Government of India are gratified to find that the memorialists express their appreciation of the benefits which the Legislature has been able to confer upon the trade of India by the recent Tariff Act.

3. The memorialists pray that the duty of 5 per cent *ad valorem* imposed upon raw cotton not the produce of Continental Asia or Ceylon may be remitted; and give the reasons why, as owners or interested in the cotton-spinning and weaving mills of the Bombay Presidency, they entertain strong objections to that duty.

4. In enumerating those objections the memorialists state that the duty has been imposed for the "express purpose of preventing the Indian manufactures from rising above their present level," and to "discourage and prevent their improvement and extension," that this, moreover, has been done "for the benefit of a foreign industry," that is to say, for the benefit of the cotton manufactures of England. In other words, the memorialists believe that the duty is a protective duty imposed in favor of English cotton manufactures to the prejudice of the cotton manufactures of India.

5. In order to show that such is not the case, it is only necessary to remind the memorialists that cotton manufactures imported into India pay a duty of 5 per cent *ad valorem*. The imposition of a duty of 5 per cent *ad valorem* upon foreign raw cotton was only intended, as was stated in

the Government Resolution of the 12th of August last, to place, so far as is practicable, Indian and foreign manufactures of the higher qualities of cotton goods upon the same footing as regards taxation.

6. The circumstance that the interests of the revenues of India happen in this particular point to be coincident with the interests of the producers of cotton goods imported into India appears to have misled the memorialists into fixing their attention solely upon the latter class of interests, while in framing their measures the Government of India had regard to the former. Thus there has been a misapprehension of the views which influenced the Government of India and the conclusions at which they arrived upon the whole subject of the tax upon cotton manufactures; and I am therefore directed to make some further observations upon the subject.

7. The report of the Tariff Committee showed that the cotton goods imported into India mainly consist of the higher qualities, which cannot be manufactured from the cotton grown in India. This opinion was formed after a careful examination of the statistics of the trade. Out of a total duty of more than £500,000 collected in the year 1873-74 from the imports of cotton goods, the Committee calculated that only £40,000 was paid upon the class of goods that can be manufactured from the indigenous staple. The memorialists, who have the best opportunities of knowing the facts, say that the attempts made by the Indian manufacturers to make the finer descriptions of cotton manufactures and yarn from Indian cotton have proved unremunerative and have been abandoned.

8. From calculations made at England, which are quoted in the Resolution of Government of the 12th of August, it appears that about half the whole quantity of cotton goods consumed in India is produced either by hand-loom weavers or in Indian manufactures from Indian cotton, and that the remainder, consisting mainly of the higher qualities, is imported from England.

9. The revenue derived from the imported cotton goods amounted last year to £200,000, and the Government of India felt themselves unable to sacrifice this revenue.

10. Up to the present time Indian manufacturers have, as the memorialists observe, confined their operations to working up indigenous cotton; but the Government of India understood from the advertisements of some of the Bombay Cotton Mills that it was intended to extend their operations, and to use American cotton for the purpose of producing higher qualities of goods. This is confirmed by the information now supplied by the memorialists.

11. The Government of India look with great satisfaction upon the extension of manufactures in India, but they are bound at the same time, in the interests of the public at large, to protect the revenue now derived from the higher qualities of cotton goods. It is obvious that all such goods manufac-

12. In order, therefore, to protect the revenue, a duty of 5 per cent. upon foreign raw cotton imported into India was imposed, so that the same rate of duty might be levied upon all higher qualities of cotton goods, whether produced in India or imported from abroad.

13. The Government of India were aware that, as stated by the memorialists, the quantity of foreign cotton hitherto imported into India and used in the Indian manufactures is but trifling. The memorialists appear to be of the opinion that the precaution of imposing a duty upon such cotton was unnecessary, at any rate for the present; but the Government of India considered that it was more fair to the Indian manufacturers to impose the duty at once when it could create little or no hardship, than to leave its imposition to some future time when capital might have been largely invested in the manufacture, and the trade might suffer a serious injury from the imposition of a new tax.

14. The Government of India have only followed the well recognized principle that, in order to protect an important source of revenue, it is necessary to impose a tax upon articles manufactured within the limits of a country equal to the duty imposed upon similar articles imported from abroad. The circumstances of the production of the lower qualities of cotton goods did not appear to the Government of India to be such as to make the imposition of an excise upon such goods manufactured in India either necessary or expedient; but cotton manufactures of higher qualities stand in a different position, and the alternative of an import duty upon the raw material was adopted as preferable to any system of excise.

15. The Government of India therefore considered that, in imposing the duty of 5 per cent. *ad valorem* upon raw cotton not the produce of Continental Asia or Ceylon, they protected an important source of revenue in a manner that is both fair in itself and the least oppressive and inconvenient to Indian manufacturers.

16. If the memorialists consider that the duty of 5 per cent. upon foreign raw cotton bears an unequal proportion to the duty of 34 per cent. upon foreign twist, the Government of India will be prepared to give due attention to any considerations which may be advanced upon this aspect of the question.

17. The Government of India have desired me to explain thus fully the reasons which have led them to impose the duty to which the memorialists object, and to add that as the Tariff Act has been submitted for the approval of Her Majesty, their memorial will be transmitted for the consideration of the Secretary of State for India.

18. I am to request that a copy of this letter may be communicated to the memorialists.

I have the honor to be,

SIR,

Your most obedient servant,

H. P. B. Chapman

Secretary to the Government of India.

Recd 6/6/75

No. 2000.

To

*The Secretary to Government
of Madras
in the Revenue Department*

Financial Dept. Sir,

*I am directed by the Honorable
the President in Council to request that
you will lay before the Government of
Madras the accompanying Copy of
letter addressed to me by the Chairman
of the Madras Chamber of Commerce
communicating the protest of the
Chamber against the imposition by
the Government of India of an Import
duty of 5 per Cent on Raw Cotton
from the produce of Continental
Asia or Ceylon.*

*I am to request that with
the permission of the Honorable the
Governor in Council, you will com-
municate to the Chamber a Copy
hereof.*

herewith sent of a letter No 4034
dated 14th October addressed by order
of the Governor General in Council to
the Chief Secretary to the Govern-
ment of Bombay with reference to
a Memorial received from the
Bombay Mill Owners Association
upon the subject of this duty.

3 This letter contains a statement
of the reasons of the Government of India
for imposing a duty upon Raw Cotton
imported into India for the manu-
facture of the finer description
of piece goods and so forth, it is
hoped, satisfying the Madras Chamber
of Commerce that they have mis-
apprehended the scope and object
of the measure against which
they protested.

4 A copy of the Corre-
spondence will be laid before

Her

Her Majesty's Secretary of State
for India.

I have the honor to be,
Sir,

Yours most obed^t servant

Lord William

The 24 November 1875

W. Chapman

Secretary to the
Government of India

Received 10/5 Sept
No. 4611

From

The Govt of India
Financial Dept

Dated 26 Nov 10/5
Recd. 30/

No. 2600

En. 2

Forwarding copy of a letter
received from the Chairman of the
Madras Chamber of Commerce
relating against the imposition of
Import duty of 5 percent on Raw
Cotton not the produce of Continental
Asia or Ceylon, & requesting to
communicate to the Chamber the
inclosed copy of a letter addressed
to the Govt of Bombay with reference to
a Memorial from the Bombay Mill
Owners Association upon the
subject of their duty which contains
the reasons of the Govt of India
for imposing the duty.

ccd. No 1784
Communicated to the
Chairman of the Madras
Chamber of Commerce
11/12

The Chamber of Commerce
Madras 18th October

From

Chairman, Chamber of
P. R. Chapman Esq
Secretary to the Govt of
Financial Department
Calcutta.

Sir,

In accordance with the opinion
of the Chamber, I am desired
to enter a protest against the recent pro-
position by the Government of India
an Import duty of 5 per cent on Co-
tton the produce of Continental Asia
or Ceylon.

2. It appears to this Chamber
that the best interests of India and
prosperity and peacefulness of her
enormous population are intimately
associated with the fostering of
local industries, and anything
tends to nip in the bud these
industries, for the development of
the people of this Country have

official qualifications, cannot but be
regarded by this Chamber as a retro-
grade movement.

The Chamber has to take ad-
vantage of this opportunity to enforce
its regret that the new Customs or
Tariff Bill was without announcement,
introduced in the Viceregal Legislative
Council and was rapidly passed
into law, without the Mercantile
members of that Council having ap-
prised of the intention of the Govern-
ment, or permitted an opportunity
of offering opinions on behalf of
the large interests which they re-
present, interests which were or
will be affected by the new law.

In complying with the public
request done years ago for an official
representation the Government of India
must but have been animated by a
desire to give consideration to the
views of Mercantile members, on
matters within their own knowledge,
and the Chamber respectfully begs
that

that the passing of this Customs Tariff
Bill was an occasion peculiarly suited
for the utilization of the exp. official
experience, that the Government have
Command in the Council.

5. I am therefore, desired on behalf
of this Chamber, to enforce a hope
that the Import duty on Cotton may
be repealed, and so leave unaffected
the spinning and weaving interest,
which has of late years been strug-
gling into existence, and which
if only allowed to grow, cramped
by no duty, cannot fail to exert
a beneficial influence on regards
the future of the Country.

I have the honor to be, &c.
J. Clement Simpson
Chairman

(True copies)

Submitting
Regd. Mail. Depute

Dec 1/11

Res 4611/75