

Sir M. Hankey

10482

CONFIDENTIAL.



IMPERIAL WAR CONFERENCE.

Memorandum on the assistance given by India in supplying commodities essential to the prosecution of the War.

Hitherto the value of India as a working member of the Empire has been measured by her contribution in men and money, and the extent to which this country and the Allies are dependent on India for commodities essential for the prosecution of the war is not generally understood, nor is it realised that in many cases India is the sole or main source of supply. It is not too much to say that had the resources of India not been placed at the disposal of the Empire the difficulties of the war would have been enormously increased if, indeed, its prosecution on the present scale would have been at all possible.

The list of these commodities is a long one and it has recently been calculated that the value of the Indian exports of direct national importance is over 3,000,000*l.* monthly, a figure which may reach or even exceed 5,000,000*l.* during the season of heavy wheat shipments. The significance of these figures will be appreciated when it is stated that the total value of Indian exports to all destinations is roughly 12,000,000*l.* monthly and to this country 4,000,000*l.*

This adjustment of trade to meet the necessities of the war has led to the adoption in India of elaborate measures of State control, not merely in regulating the destination of exports and in providing transport facilities, but in direct State purchase, in fixing prices, in ensuring that adequate supplies are forthcoming, and in stimulating production. In adopting these measures differences in trade methods have made it impossible to follow any uniform plan, and the schemes of State control and purchase are almost as numerous as the commodities themselves. One day the student of State collectivism will find in these schemes an interesting field of research, but no attempt is made in this memorandum to describe in detail the measures taken. It may, however, be stated broadly that three guiding principles have been observed. The existing agencies of trade have been utilised; the existing methods of trade have been followed, no attempt being made to devise new trade methods; and in regulating prices the aim has been on the one hand to meet the demands of the Allied Governments at reasonable rates, and on the other hand to secure a reasonable profit to the Indian producer, so that while profiteering is prevented, production is stimulated.

It may be interesting to describe generally and without statistical detail some of the directions in which India has, by her contributions in material, assisted the common cause, it being remembered that this description takes no account of the supplies provided by India to the troops in Mesopotamia, Egypt, and East Africa.

Since the outbreak of war large and continuous supplies of manganese ore, wolfram, and saltpetre have been removed from India. All three are of vital importance in the manufacture of munitions, and India is the sole source of supply of manganese ore and saltpetre. In the case of manganese ore prices have remained moderate, and no special interference with the trade has been required beyond ensuring that the whole output was reserved for firms manufacturing munitions for the Allies. With the help of special railway facilities adequate supplies have been maintained, and up to the end of last year over a million tons were shipped. Of saltpetre practically the whole main production has been reserved for gunpowder manufacture, and the trade is under the strictest control. Maxima prices have been fixed, but on a scale sufficiently high to stimulate the production of this essential commodity, which it is estimated will this year reach 30,000 tons against 14,500 tons in 1913.

Manganese ore.

Saltpetre.

In the wolfram mines of Burma the Empire possess an asset of the greatest value, neglected before the war when the whole output—about 1,700 tons—

Wolfram.

was exported to Germany for the manufacture of tungsten. With the establishment of tungsten manufacture in England shortly after the outbreak of war the vital importance of the Burma deposits, first worked in 1909, was realised, and it became apparent that the output must be speedily increased. To this end vigorous measures were taken by the Indian Government. The mining rules were relaxed, efficient working insisted upon, communications were improved and assistance given in the recruitment of labour.

The full effect of these measures has not yet been felt, but last year 2,787 tons were exported, while this year the monthly shipments approach 400 tons. When it is remembered that before the war the world production was less than 10,000 tons annually, the significance of these figures will be understood. Exports are strictly controlled, and the moderate price of 55s. per unit fixed. Had this not been done, and had there been a free market in wolfram, the price to the British manufacturer would have been many times that figure.

In the case of mica and shellac, both widely used in the manufacture of munitions, India is the main source of supply, and special measures have been taken to ensure that national demands are met. The export of high grade mica used in the manufacture of electrical condensers has been prohibited absolutely, and a Government agent has been appointed to supervise the mine owners, and to purchase for Government all high grade mica offered for sale. The shellac market has always been speculative, and recently as prices threatened to become excessive, arrangements were made to ensure that the requirements of the Allies—about 50,000 cwt. annually—shall be supplied at a fixed rate considerably below the market price. This has been done by making it a condition precedent to the grant of a license for private export that one-fifth of the amount so licensed shall be sold to Government at the preferential rate.

The consumption of sand bags by the British, French and Russian Armies is enormous and in August 1915 the Calcutta jute mills contracted to supply 50,000,000 bags monthly at a price yielding only a small profit on the cost of manufacture. This is roughly two-thirds of the total requirements the balance being manufactured at Dundee. From Calcutta alone about 800,000,000 bags have been supplied and the Public Accounts Committee, reporting in August 1916, calculated that on the sand bags contracts a saving of 3,000,000l. had been effected. Even more favourable are the arrangements made for the purchase of raw jute required by the Dundee mills for the manufacture of these bags. A group of Calcutta shippers are now supplying the War Office with 60—80,000 tons annually for this purpose at cost price.

For the manufacture of boots, saddlery and accoutrements for the Allied armies Indian hides, raw and tanned, have been very largely drawn upon. Last year over 270,000 cwts. of tanned hides of a value of over 2,000,000l. were exported to this country providing upper leather for over 3,000,000 pairs of Army boots, while large quantities of raw hides, of a value of over 2,500,000l., were sent to this country and Italy to be tanned. In an agricultural country like India the supply of cowhides is enormous, and has been estimated at 11,000,000 annually, but it has now become apparent that the whole of the surplus available after meeting the heavy demands of the Indian factories engaged in the manufacture of army boots, will be required. Arrangements were made some months ago for the purchase of the whole surplus of tanned cowhides at a price which though reasonable is sufficiently high to encourage local tanning and increased quantities are now being shipped. At the moment a more ambitious scheme of State control is being considered. This is the purchase on behalf of His Majesty's and the Italian Governments of the whole surplus of raw cowhides estimated at 5,000,000 annually. When this is introduced Indian hides, tanned and untanned, will provide leather for the uppers of 12,000,000 pairs of army boots annually, sufficient for the whole of the British Army and a portion of the Russian and Italian armies.

This adjustment of trade will indirectly serve a useful purpose. Before the war, although Indian hides were used in this country, the trade in raw

hides was entirely in German hands and the use of Indian hides had been for some time past abandoned by British tanners. Now that military necessities have driven British tanners to use Indian hides and that British firms have to some extent entered into the raw hide business in India, it may be anticipated that this valuable trade will be diverted permanently from Germany to this country.

British tanners have also obtained from India large quantities of tanning materials, and of myrabolams alone over 46,000 tons were shipped last year to this country. Tanning materials.

The Indian mills are manufacturing large quantities of Army blankets, and although, compared with Colonial supplies, the surplus of India's wool that can be sent to this country is small (about 60,000,000 lbs. annually, worth 2,500,000L.), these supplies have proved exceedingly useful. Following the measures taken to acquire the home and colonial clips, arrivals of East Indian wool are now taken over by Government and distributed at fixed prices. Wool.

This country depends mainly on India for its supply of oil seeds used in the manufacture of glycerine, margarine, and lubricants, and our present security in regard to stocks is largely due to the steady stream of supplies received from this source. Hitherto these supplies have come forward through the ordinary channels of trade, and it has been unnecessary to regulate prices or to set up any system of State purchase. The appointment, however, of a Controller of oils and oil seeds will not improbably be followed in the near future by the establishment of some system of State control of purchase in India. Oil seeds.

It would be wearisome to examine in detail the quantities of the various oils and oil seeds exported and the uses to which they are put, and it may be sufficient to state that during 20 months (April 1915—November 1916) no less than 700,000 tons of oleaginous produce of a value of 7,000,000L., were shipped from India to this country.

Since the outbreak of war, India has supplied this country with 25,000,000 cwt. of wheat of a value f.o.b. of nearly 11,000,000L. But as India is herself the largest consumer of wheat in the world, it was necessary to regulate exports very carefully in order that excessive internal prices might be avoided. This control has passed through several phases. In the early months of 1915, stocks were exceedingly low, and although exports were restricted, internal prices became dangerously high. Then followed State purchase on a large scale which lasted until April 1916, and during this period over 10,000,000 cwt. were bought by the Indian Government at prices fixed by them, shipped to this country and sold. These sales realised over 4,500,000L., yielding a profit of about 160,000L., which will be devoted to agricultural improvements in India. Had the scheme been worked on purely commercial lines, larger profits might have been made, but the result may be taken as an indication of the success which attended the endeavour to balance three sets of interests—those of the Indian consumer, the Indian producer and this country. Wheat.

On the arrival of the new crop in 1916, private export was re-opened within fixed limits of quantity, but with the appointment of the Royal Commission on Wheat Supplies, State purchase was resumed, and the Wheat Commissioner in India now purchases on behalf of the Allied Governments.

This year cultivators have been encouraged to increase their wheat sowings, and the area sown is expected to reach the record figure of 33,000,000 acres. Given favourable weather conditions the outturn will be over 10,000,000 tons and large supplies should be available from May onwards.

The Royal Commission has recently taken over the control of rice of which India, with over 70,000,000 acres under this crop, enjoys almost a monopoly. Now that rice may be diluted with wheat in standard bread, increased quantities of this staple will be needed and Italy, which in the past has not drawn on India to any considerable extent, will require large supplies both for dilution with wheat and for consumption as rice. It is estimated that in 1917 anything up to 800,000 tons may be required by the two countries, and purchase arrangements are now being made. Rice.

There have been some indications of speculation since the harvesting of the new crop a month or two ago, and should this endanger the supply at a reasonable price of the quantities required here and in Italy the necessary measures to stop profiteering will be taken without hesitation.

Forage.

In another direction the agricultural resources of India have proved very useful, and to help dollar exchange as well as to economise tonnage Indian maize, grain, and barley are now replacing oats from the Argentine and North America as forage for Army horses in Salonica and Italy, purchases on Government account being controlled by the Wheat Commissioner to India. As these arrangements have only recently been introduced returns are not available, but it may be taken that, exclusive of the large quantities supplied to Mesopotamia and Egypt, about 40,000—50,000 tons are being shipped monthly to Mediterranean ports.

Coal.

Ordinarily, India imports large quantities of coal from the United Kingdom, Natal, Japan and Australia, mainly as bunkers for steamers leaving Bombay. These supplies are now necessarily restricted, and on India has fallen the burden not only of making good the deficiency, but of providing largely increased quantities to neighbouring coaling stations (Colombo, Singapore and Sebang) for the Admiralty and the mercantile marine. The Australian strike has added to the difficulties, which have only been overcome by the severe restriction of the use of first-class coal by Indian factories and railways.

The foregoing account which, as already stated, does not deal with the assistance given in the campaigns in Mesopotamia, Egypt and East Africa, is sufficient to justify the claim that had the agricultural and mineral resources of India not been made available the prosecution of the war in Europe on its present scale would not have been possible, and it is perhaps unnecessary to add to the length of this memorandum by describing in any detail the assistance given in such commodities as teak for the Admiralty, raw silk, hemp and coir, tea for the troops, opium for the manufacture of morphia, rubber, oil cakes, skins and petroleum. While these are of direct national value they do not bulk so largely as those already described, and in most cases supplies from other sources are available. But representing as they do an aggregate annual value of over 5,000,000*l.*, they are not unimportant, and in the case of teak and opium India is the only source of supply.

India Office,
5th March 1917.