

11/10/63
23

EMPH

Po 75 T

THE TRADE REVOLUTION IN ASIA

By SIR RICHARD POWELL

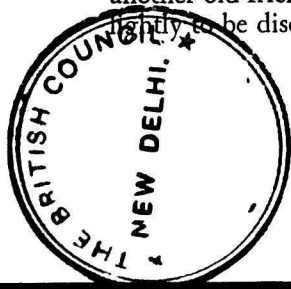
(The Anniversary Lecture, delivered at the Annual General Meeting of the Royal Central Asian Society on June 11, 1963, by Sir Richard Powell, K.C.B., K.B.E., C.M.G., Permanent Secretary to the Board of Trade, Sir William Dickson, President of the Society, in the Chair.)

THE PRESIDENT: It is my privilege and pleasure to introduce to you Sir Richard Powell, who is giving our Anniversary Lecture on the subject The Trade Revolution in Asia. As you know, he has had a long and distinguished career in the Civil Service and at present holds that very important appointment of Permanent Secretary to the Board of Trade. We could not, therefore, have a greater British authority on world trade and we are very lucky to have him here. He knows that we are taking an increasing interest and activity in promoting understanding between this country and countries of the East in economic matters so this lecture is one to which we are very much looking forward.

On a personal note I should like to say what a pleasure it is for me to introduce Sir Richard. We served some tempestuous years together in the Ministry of Defence—I think he did eleven years there—and we had some adventures together. He is a man who commanded and earned the respect of all of us. He is one of the quickest and hardest workers I have had the privilege to meet and has an enormous reputation for efficiency. He was and is a very great authority on defence on a world-wide scale and this has probably helped him in his present job because he knows so much about countries of the East and West. The Board of Trade are lucky to have him. I am sure that the qualities he exhibited in the Ministry of Defence have redounded to the benefit of British trade both internally and externally. I think we are extremely lucky that he has found time to come here this afternoon and lecture to us.

BEFORE I plunge into the subject which I have chosen to speak about today perhaps I might be allowed to make one or two preliminary comments. First, I should like to say how much of an honour it is to me to be asked to speak to you today and how much of an encouragement I find it in my present office that this most distinguished Society should now be extending its interests, which I believe up to now have been concentrated mainly on political and cultural affairs in the Continent of Asia, to economic and commercial affairs which, in the changed position in which we find ourselves in the world today, are, in my view, of dominant importance to this country. Second, I should like to reciprocate what Sir William Dickson said in introducing me by expressing my own great pleasure at being introduced by him. He is, as he said, an old colleague as well as a most valued friend with whom I worked very closely during my time at the Ministry of Defence both when he was Chief of Air Staff, before that when he was A.M.S.O. and later when he was the first holder of the great office of Chief of the Defence Staff. I am delighted to see him again in new surroundings, for me after too long an interval. I am also very glad to see again the Chairman of your Council, Sir Richard Gale, another old friend of my unregenerate days, and one whose command, not lightly to be disobeyed, is responsible for my presence here this afternoon.

226



Library

IIAS, Shimla

TMP 050.954 52 Po 75 T



00016476

PRESENTED TO THE INDIAN INSTITUTE OF ADVANCED STUDY, SHIMLA

Third, I should like to say, before it becomes plain to you, that I make no claim whatsoever to be an expert on Asia. My personal knowledge of that vast continent is largely confined to stops at inconvenient hours at airports on my way to other places, to brief stays during the war in Ceylon to visit the naval command under Admiral Sir John Power, and, since the war, to equally short visits to Singapore. I cannot claim any first-hand, detailed knowledge of the countries of which I am going to speak today, still less of the territories of Central Asia itself, in which your Society's name suggests that you are chiefly interested. I gather, however, that this is something of a misnomer and that your interests range from the Near East, as I believe it is now again coming to be called, to China and Japan. It is, therefore, very much a Whitehall viewpoint that I shall be putting before you today, the bird's eye view we get by watching what goes on all over the world and a view which is being formed not only after study of what my own office can tell me and what I learn from personal observation and contact with visitors from these countries but also after study of the evidence provided by what I believe to be one of the best sources of information in the world—the Commercial Departments of our Embassies in foreign countries and the Trade Commission Service in the countries of the Commonwealth, for which the Board of Trade has direct responsibility.

What I shall say relates principally to the countries on the periphery of the great Continent of Asia. These are the countries which have the closest touch with the rest of the world and which, as a result, have experienced, and are still experiencing, the greatest changes. Above all, they include the territories with which most of our trade is done and with which our own history has been linked closely for some hundreds of years. I shall not try to deal at all with Asiatic Russia or with China which, as Communist state-trading countries, raise special considerations of their own outside the scope of my main theme. I shall also speak chiefly of the recent past, the period since the end of the war. I shall not try to retell the story of commercial relations between Europe and Asia before the Renaissance and of the trade which found its routes along the Black Sea and the Caspian, or by the Red Sea and Egypt, or by the Persian Gulf to Syria. Until the Mongols disrupted it, this trade brought great wealth to the merchants of Genoa and Venice. Our own links came first after the discovery of the sea route round the Cape, which gave the maritime countries—France, Portugal, the Netherlands and ourselves—the means to challenge the Italian monopoly. The founding of the British East India Company at the end of the sixteenth century began the era of our own direct trading relations with the Asian Continent. Thus started the great cycle of events which led from the quest for, and rivalry in, trade and commerce to territorial conquest by battle or diplomacy, the involvement of governments, the establishment of empires and now, in our time, to the surrender or abjurement of territorial power, the restoration of the independence of countries which had been subject, and the return to trade and commerce as the main links by which our contacts and our friendships with the countries of Asia are maintained.

It is one particular aspect of this last phase of historical development of relations with Asia of which I propose to say something today, since it is of

particular concern to manufacturers and traders in Britain and so to the Board of Trade. This is the transformation of the nature of our trade with Asian countries which is now in process and which has been developing rapidly since the end of the last war—though the pace has been by no means even and is much more advanced in some countries than in others. The greatest progress has been made by India and Pakistan and for this reason I shall have a good deal more to say about our trade relations with these two countries than about the other countries of the Continent.

In the period between the two great wars the pattern of our trade with the countries of Asia would in a typical year have been something like this. Our imports would consist almost entirely of foodstuffs—tea, sugar, rice and spices—and of raw materials for our home industries—jute, hides, tin and rubber, to mention only the most important. In return we would supply a wide range of consumer goods, including, right up to that time, still very substantial amounts of cotton textiles, equipment for public utilities of all kinds and a small amount of plant and equipment for the beginnings of manufacturing industry, particularly in the Indian Sub-continent.

In the territories of the British Empire this trade proceeded in an orderly way financed by orthodox and conservative methods under which the territories paid their way by export earnings and by revenue raised locally, plus a good deal of British investment and, from time to time, a loan raised in the London capital market. The other imperial powers dealt in very much the same way with the territories belonging to their empires, while the independent countries lagged behind both in the organization of their trade and in the introduction of finance from outside, largely because of the greater inherent risks in trading with them and the absence of the techniques of finance and credit which have since been developed. In all the countries the struggle against famine, disease and natural disaster was still far from being won and economic development had not yet begun to provide the industrial and social base which a modern society requires. Nevertheless, great strides were made during the colonial epoch in building what, in the jargon of today, is known as infrastructure, the communications of all kinds, power supplies, irrigation works to develop agriculture and plantations, mining and, of course, the one great industry in its own right, the oil industry in the countries of the Middle East. Much progress had also been made in introducing new techniques for the cultivation and marketing of primary products such as rubber. But all these activities were geared to the needs of the advanced and industrialized Western countries rather than to the economic development of the producing countries themselves; and the fortunes of particular commodities varied with the state of the markets in the advanced countries. Some commodities such as indigo were completely to disappear as a result of the drying up of demand in this country, and the producers were vulnerable all the time to the fluctuations in requirements in the advanced countries and to the industrial developments which increased or reduced the importance of particular types of raw material. Japan alone was virtually insulated from these fluctuations and declines as she had anticipated by half a century the changes which are now so rapidly transforming the other

nations of the Continent by pressing forward industrialization and progress over the whole range of her economy; and Japan is, I think, a country quite on its own as an advanced industrial country in a Continent where the rest of the countries are still either primitive agricultural economies or slowly developing from that stage to industrial economies.

It is this urge towards the most rapid development of the economies of the countries of Asia which is changing their trade with us and the other advanced countries, and thus bringing about the trade revolution of which I have spoken in the title of this talk. It is already having a profound effect on the pattern of our trade and will in the long run alter in many respects the structure of our own industry and the lives of the people employed in it.

The first effect of this revolution has been the protection of local industries and the drastic curtailment of our traditional markets for the less sophisticated consumer goods, followed by the invasion of our own home market by such goods made in the Asian countries, which, if they come from Commonwealth countries, enjoy free entry here. The second effect has been a vast increase in the demand of all these countries for capital goods of all kinds and a consequent profound change in the composition of our own exports, not only to Asia but generally, with the result that now more than half of our exports in value consist of such capital goods. The decline has been most marked in consumer goods of the kind which we used to sell in such quantities all over the world. The effect of this process has naturally been different in different parts of the great and diverse Continent of Asia. In the oil-producing countries of the Middle East it is the provision of what I earlier called the infrastructure of public utilities that is dominant. Iraq, which despite the political tribulations from which it has suffered since the end of the war, has enjoyed the benefit of a steady revenue from oil of just under £100 million a year, has used its revenues to develop irrigation and flood-protection works, roads, railways and a network of power stations, and much of what she has bought we have supplied. At the same time she has provided a good market for our consumer goods; but now she has begun to restrict her imports of these though maintaining free entry for machinery and other capital goods. Other Middle Eastern countries, Turkey and Syria, are doing the same, and Iran is also concentrating now more and more on capital goods for her industrialization and spending less on consumer goods. Kuwait is fortunate in that her great wealth enables her both to equip herself as a modern welfare state and to import consumer goods without restriction.

In the great central mass of Asia the same policies of development are beginning to be pursued. I shall not speak at any length about Afghanistan, Nepal and the other States on the northern frontier of India, as our trade with them is very small and their economies still relatively primitive, though here, too, the ferment and the urge to raise the standard of living and develop local industry is going on as it is everywhere else. It is more of India and Pakistan that I should like to speak since it is here that the most spectacular developments and those with the greatest effects on our trade are taking place.

In 1947 these two countries set out on their independent career with the

good wishes of the world but, on a realistic view, little prospect of making much of an impression on the intractable problems that they faced. Today, those who follow the affairs of these countries must still be impressed by the immensity of their continuing tasks and the distances which they still have to go, but they must also admire the achievements of the past sixteen years, which, looked at dispassionately, are indeed almost incredible. Despite an increase in population of a fifth, India has been able to raise individual income by one-sixth in real, not in money, terms—a real gain. Agricultural production has risen by two-fifths, and industrial production nearly two and a half times in that time. Steel production, which at the time of independence was under one million tons a year, is already nearly four million tons a year and plans are in hand to double this. Coal production has doubled and the output of electricity multiplied five times. Pakistan, of course, began with much less for geographical reasons and the great bulk of the industry which had been developed in the Sub-continent was situated in what became India. She, therefore, started with virtually nothing. From this beginning she has had, in relative terms, an even more spectacular success than India and already has been able to build an industrial base for herself on which future development can be soundly constructed. She is now about to embark upon the construction of the first steel works in Pakistan. I had the pleasure last night of meeting the Secretary of the Ministry of Industry for Pakistan, who has just come back from America where he has been discussing this project for a steel works with the Export-Import Bank—and I should perhaps refrain from regretting that they have had to go to the Export-Import Bank instead of being able to get finance here.

Moreover, in tackling their immense problems these two great countries have shown a degree of political sagacity which has kept for them the interest and sympathy of opinion throughout the world and secured the financial support of many Governments despite the effects on trade that have inevitably followed from what they have been doing; and they have also both succeeded in maintaining the flow of private investment by prudent policies allowing remittance out of the country of dividends and interest. In India private investment has almost trebled since independence and though our share, which was then 80 per cent., had by 1960 fallen to 65 per cent., the actual size of our investment has more than doubled, which is a great tribute to the wisdom of the Indian Government in dealing with foreign investors and to our own industrialists, who have shown confidence in the future and willingness to go into partnership with local enterprises both private and public. This has proved to be one of the essential political needs of industrial development. The Government and the industrialists have, naturally enough, insisted on having a share in what has been going on; and this technique of partnership in industrial enterprises has been most successfully developed over the last fifteen years or so.

The effect on our own trade with the Indian Sub-continent of this great development has been threefold. First, as industrialization has proceeded and infant industries have been protected by tariff barriers, our market for consumer goods has virtually disappeared, not only because they are in large part now being made on the spot by the new industries which have

been created but also because India and Pakistan have both found it necessary for balance of payments reasons to impose strict control on all imports and to balance their trade as best they can with individual countries. Second, because so much of the programme of industrial expansion is financed by aid, and as all aid except that provided through international bodies such as the World Bank is tied to the products of the donor country, the position which we enjoyed before independence in what was to a large extent a closed market has been to a substantial extent eroded, to the natural discontent of some of our producers who have seen business which they had been accustomed to secure going elsewhere. This tendency, I think, is bound to continue because we shall not be able to meet as much of the bill for aid to these countries as we should like. In fact, we are doing all we can to encourage new countries to enter the field of providing aid, and while this aid is tied, naturally we lose business which we might otherwise have had because the goods have to be bought in the countries which give the money. This is a fact of life to which we have to get used. The process of tying aid also has some disadvantage to the recipients (as they have said to me) because they have been obliged sometimes to pay higher prices than they would like for equipment which is not really what they would prefer to have if they were allowed to have a free choice. In fact, when aid was not tied this country made a very good thing out of it by getting a great deal more business, but that era has now disappeared with the policy that virtually all countries have now adopted of tying their aid.

Third, the need of these countries to increase their own exports in order to earn foreign exchange to help finance their industrial development, and so, of course, to relieve to some extent the burden of the provision of aid, coupled with free entry into the British market under the system of Commonwealth Preference, or what an Indian friend of mine once described as the system of one-way free trade, has led to increased exports to this country of manufactured goods, and sometimes to so vigorous an attack on the market as to cause severe discomfort, not to say disruption, to a domestic industry. The chief example of this so far has been cotton textiles, where the British Government has found it necessary to seek the agreement of the Governments of the exporting countries to restrain their industries from sending to this country more than a given amount of yarn or cloth. The same policy has been applied to Hong Kong, with the consent of the industry there. There would have been similar difficulties over jute goods but for the continued existence of the Jute Control, the only survivor in this country of the wartime system, whose chief purpose is now to limit the effect of imports on the jute industry of Dundee.

But despite these particular difficulties, the ability of these developing countries to export freely to this country is of the greatest value to them; and it has been the aim of the British Government, both in tariff negotiations and in the abortive discussions in Brussels about our membership of the European Economic Community, to persuade other countries to lower the barriers to the trade of these countries. It would be wrong of me to belittle the aid which the countries of Continental Europe give to India and Pakistan, but one cannot avoid noticing that, for example, Germany

only imports from India goods to a value of one-sixth of that of her exports to India. A policy of easier access to trade would be much more valuable to the developing countries than aid to compensate them for unwillingness to accept their goods, and I feel sure myself that this changed policy will have to be adopted before long if the development of these countries is not to be seriously hampered and if they are not to become permanent pensioners of the advanced and wealthy countries.

I do not propose to continue my journey eastwards in as much detail as I have used in speaking of India and Pakistan, but I should like to say a brief word about Malaya because she illustrates another problem of developing Asia. As you know, she is dependent almost entirely for her prosperity on the world market for tin and rubber. Tin has had its ups and downs but maintains its place as something for which no substitute has yet been found. Malaya's natural rubber is, however, facing increasing competition from synthetic rubber and its price, which has already fallen markedly, is expected to fall a good deal further during the next few years as the uses for synthetic rubber increase. At the moment about half the total demand for rubber is met by synthetics. This drop in price, which has been more rapid than had been foreseen, is forcing the Federation to develop her economy rather than accept a drop in the standard of living, which would be inevitable if she continued to depend on the falling revenues from rubber. She has, therefore, embarked upon a five-year development plan, creating conditions suitable for industry, partly to cut down the need for imports of essential manufactures (and here again our trade with her will be affected in the same way as our trade with India and Pakistan has been), partly to create employment and partly to increase export earnings. This problem of falls and fluctuations in commodity prices is one which besets all primary producing countries to a greater or lesser degree, and is causing them to press for international stabilization schemes as well as to hasten the process of industrialization in order to diversify their economies and give them new sources of export earnings.

In a talk on so vast an area and so large a subject it is obviously impossible to discuss the affairs of all the separate countries. I do not, therefore, propose to say anything about Japan, which has for many years been an advanced industrial country. I should, however, like to say a word about the special problems of Hong Kong, for which Great Britain retains direct responsibility. Since the war Hong Kong has had her own trade revolution. Since 1945 her population has increased seven times and is now $3\frac{1}{2}$ million. She has no raw materials and very little land and fresh water. Only fourteen years ago three-quarters of her trade was *entrepôt*; last year this *entrepôt* trade formed only one-quarter of a vastly greater total volume of trade and she has developed a large invisible trade in shipping, international finance and tourism. Despite her lack of any natural resources except a hard-working and enterprising population she has achieved her industrial revolution in an incredibly short time and with only £2 million worth of aid from other countries. In that time her exports have nearly doubled and her imports more than doubled. The development of industry has spread from textiles, which employ about half the labour engaged in industry altogether, to plastics, electronics and many kinds of

light engineering. During this time Britain has provided a market for Hong Kong's goods which has been entirely free except for a restraint on textile exports, which I have already mentioned, where the industry has accepted voluntarily a ceiling for the next three years.

Nor can I do more in speaking of the other foreign countries of South-east Asia—Burma, Thailand, Cambodia, Laos, Vietnam, Indonesia and the Philippines—but point to a few dominant themes. Agriculture dominates the economic prospect and their fortunes depend on the fluctuations of commodity prices. They all have plans for industrialization but have not the ability to finance these plans themselves and all will look to foreign aid of one sort or another to help them. Here, because of our other commitments, we shall be unable to provide help on the same scale as our competitors. This, again, is bound to have an effect upon our trade in the markets of those countries. The nature of their demand for imports is beginning to change, and they are switching from consumer to capital goods in the same way as other Asian countries.

I should like now to try to draw the threads together of what I have been saying; to assess the consequences for our own industry and trade of this revolution in the Asian economies (I think "revolution" is the right word to use considering the shortness of time in which it has happened); and to consider for a moment what further changes we may expect to have to make in our dealings with the Continent in the next decade or so.

First, it is clear that the urge to develop the economies of the emergent countries of Asia will continue and grow stronger. They will wish to raise the standard of living of their peoples by the means which have proved successful in those countries which are already advanced. The process will no doubt take far longer than optimists once thought, and it will probably be another generation or so before even those countries which have made the greatest progress so far have reached the point of a real take-off which will ensure a self-sustaining expansion. The poorer countries will take still longer, and one cannot think of the end of the process in terms of less than many generations. But it will certainly go on, and the pressures on the advanced countries will continue and become more intense. Secondly, and as a consequence of the first process, the swing away from supplying consumer goods, which has already gone a long way, will go further, and the emphasis will be even more strongly on trade in capital goods. Thirdly, the trend from cash trade to credit trade will continue and there will be growing pressure for even larger credit. This will put a strain on our ability to finance trade and oblige our manufacturers and financial institutions, as well as the Government, to exercise even greater ingenuity in dealing with this and keeping trade flowing.

Fourthly, we shall have to accustom ourselves to taking greater quantities of manufactured goods from Asian countries and adapting our own industry to match this changing situation. This will create difficult problems of adjustment which will have to be foreseen and will need to be handled with great care and restraint both by us and by the exporting countries if unacceptable political consequences are to be avoided. Fifthly, British industry will have to become used to going into partnership with local industry in order to maintain its footing in markets which will in-

creasingly be protected as a means of providing employment and developing the economy. Sixthly, though aid will certainly have to continue on a very substantial scale, there will be a growing pressure for opportunities to trade. We cannot accept charity to these countries as a permanent feature of life; the developed countries must open their markets to the products, including the manufactures, of those that are now developing. This is a matter of enlightened self-interest, for only in this way will Asia and the other developing continents be able to trade with us. Only by increasing trade both ways can we escape from the strait-jacket with which the exports of the highly industrialized countries will otherwise be threatened by the decline in purchasing power in Asia and the rest of the developing world.

Lastly, I would venture an opinion that while this phase of the trade revolution may last for a very long time, during which our exports to the countries of Asia will consist mainly of capital goods which, as time passes, will become increasingly sophisticated, it is unlikely that it will last for ever. As industrialization proceeds, and the standard of living rises, the same phenomenon will no doubt appear in our trade with Asia as has already appeared in our trade with the advanced countries of Europe and North America—a renewed demand for consumer goods of high quality; and exchange of goods whose attraction springs largely from novelty, as we have seen in the invasion of the British market by French and Italian clothes and shoes and Scandinavian furniture, glass and pottery, and a large and increasingly specialized trade in industrial equipment of high performance and precision in which all countries increasingly tend to specialize in those goods which they can invent, design and make the best.

This may be a remote prospect now but the signs are already there. We have recently had, as welcome visitors to this country, a team of manufacturers of engineering goods from India seeking an outlet in the British market for their products. They are the first of their kind, but I am sure that they are the forerunners of many more. They were welcomed here by British industry not as competitors but as producers who can usefully complement our own industry. It must be to our own interest in the long run to hasten the rise of living standards in the developing countries by welcoming trade with them and not being afraid of their competition. Only by trading with them can we ensure that the vast potential of their markets develops so that we may exploit it fully to the advantage of our own changing industry and our own growth and prosperity.

REPORT OF DISCUSSION

The Chairman having invited questions from the floor, Sir CHARLES BELGRAVE asked if it were not a fact that in the countries of the Middle East most of the consumer goods were imported by private enterprise and most of the capital goods by the Governments of those countries, and asked what effect the political attitudes of those Governments had on our exports from this country into those States. The lecturer replied that they had a very great effect, and our trade varied considerably in relation to the

political attitudes of the Governments of individual countries. He thought that there had been a marked change, for example, in Iraq since the change of regime there.

Colonel CANTLIE said he had heard with surprise of the difficulty in financing Pakistan's projects. With so much of the world in a disturbed state economically, he would have thought India and Pakistan were good places for us to invest money in, and that they would have been good and comparatively trouble-free markets. He went on to recall that Communist China had indicated an intention to allow a certain amount of trade and wondered if the lecturer considered this a purely political move or otherwise.

Sir RICHARD POWELL: On the first question, I think it is purely a matter of how much money each country can provide for economic development through aid. This particular project is an aid project and the reason why we are not participating in it is that we have reached the limit of what we are able to contribute, and this project cannot be found room for inside the total we can give. Though we have concentrated our aid on India and Pakistan, our contribution to their economic development is still not anything like as great through aid as is that of the United States, because we are not as rich as the United States and cannot afford to give on the same scale. That is why these projects have to be shared round the world instead of coming here.

On the Chinese question, I think it is early days to say what is likely to happen. We had the Vice-Minister for Foreign Trade here earlier this year, who displayed a great interest in what we had to offer, and I should have thought that the outlook for doing business, perhaps not on a very large scale, in industrial equipment and chemical and power plants will be pretty good. But I think it is a little early to judge yet because the results of this visit, and the investigations which the Chinese have made in our market since, have not yet worked through to the point of placing orders.

Sir WILLIAM DICKSON: The day-to-day work of the President (of the Board of Trade) and yourself must be how to help British industry by and large in fostering trade overseas. Of course, there is the Federation of British Industries; you probably have advice bureaux in the Board of Trade; and in our own humble way as a Society we give advice to members about countries to which they have probably never been before. I wonder if you, Sir Richard, could spend a minute or two giving us a picture of the machinery of advice to British industry from the Board of Trade and possibly advise us on how we could be more helpful?

Sir RICHARD POWELL: We work at both ends; in this country and overseas. We have in the countries themselves either commercial representatives in the Foreign Service in the Embassies, who are there and available to advise any industrialist or exporter who wishes to go there, or in the Commonwealth the Trade Commission Service run by the Board of Trade itself; and we also have in the Board of Trade a vast amount of knowledge derived from our own sources and from the sources of information available to us about the potential of each market. We also have special studies made from time to time of particular markets either by sending missions to them, by inviting missions from them to come here, or by ordinary,

routine techniques of keeping in touch all the time, which will provide us with information which we hope and believe is of value to industry.

The use made of the services which we provide both here and overseas is so great that we must conclude that industry finds it very useful. We should be very pleased indeed to give your Society any help or advice we could to develop anything you have in mind or to assist industry.

Remarking that Japan was a highly industrialized nation and a leader in the field of supplying capital goods to Asian countries, Sir ESLEER DENING asked to what extent she was hampered by lack of capital from the possibility of extending larger credits or aid than we ourselves do.

Sir RICHARD POWELL: I do not think they extend larger credits, but they stretch themselves pretty wide. They are now beginning to come into the field of aid through their membership of O.E.C.D. and to give money, but most of what I think has been sometimes wrongly described as aid by Japan has, in fact, been ordinary commercial business on credit, which I do not think we would count as aid. I am not aware that there has been any handicap in what she has been able to do by shortage of credit in Japan.

With regard to the help the British Government was able to give in furthering exports, Mr. C. W. LANGE said that his firm had received the most helpful advice and assistance from three different sources: the Board of Trade, the London Chamber of Commerce and the British Embassies, particularly the Commercial Counsellors, and he wished to express his appreciation for all of this.

Sir RICHARD POWELL: Thank you very much. That is one of the encouragements in the bureaucrat's life which does not come very often but is very valuable when it does. I think I ought to have mentioned the very valuable help we in the Board of Trade and the industrialists get from the Association of British Chambers of Commerce, the Commonwealth Chambers of Commerce, the F.B.I., the National Association of British Manufacturers and the Export Councils. We have not attempted to set up an Export Council for Asia because of the extreme diversity of the territory. We have never thought that the problems of that vast area can be brought within the compass of one body, and have thought it better to rely upon the machinery which I have attempted to describe and which has just been praised by the last speaker. It really depends on the willingness and enterprise of the individual manufacturer and industrialist. Without him and his co-operation what we are providing is of no use; and I think it is fair to say that since I went to the Board of Trade there has been a most remarkable development of interest on the part of industry in exports as a whole and in the opening up of new markets, which has really given us a great deal of encouragement. But we have still a very long way to go. We are not yet within sight of the steady annual increase of over 5 per cent. in exports if 4 per cent. of growth is to be achieved.

Mr. G. W. SEAGER pointed out that Pakistan and India traditionally export goods to us without our charging them duty. Had we entered the European Common Market, he said, we would perhaps have had to charge some of their goods a duty of from 28 to 30 per cent. He wondered how we would have proposed to protect them from loss.

Sir RICHARD POWELL: I think the answer to that is twofold. First, we

did not think that the application to them of the common external tariff would have reduced the volume of their trade, although it would have reduced their earnings, but we intended (and we got it agreed) that they would be compensated for that because of the improved access to the markets of the other six countries. We still hope that the countries of India, Pakistan and Ceylon will be able to salvage from that wreck something of what we got for them during the negotiations to help them so that they will have the double advantage of their entry into the British market and better access to the markets of Continental Europe, in which, through various devices, they do suffer great handicaps at the moment.

On behalf of the Society the Chairman then thanked Sir Richard Powell warmly for his address, and the meeting closed.

