Chapter V

Ref.W.45 & W.7

The Future of British Export Trade

The cutting off of various markets, the diversion of industry to war-time production, the shortage of shipping, and the severe handicaps imposed by the administration of the U.S.Lend-Lease Act eventually combined to reduce British exports to a mere fraction of their already declining pre-war volume.

But the difficulties of the export trade did not all descend upon it at once; and the supplying of some of Germany's markets opened opportunities. In the first months of the war the Treasury and the Bank were in fact most anxious to stimulate exports.

By the third week of the war the Bank were getting anxious about the activities - or inactivities - of the Board of Trade and the Department of Overseas Trade. They thought that there should be a Committee having the definite function to encourage exports.

The Governor also saw the President of the Board of Trade and wrote to him on 28th September and 12th October, suggesting that there should be a single organisation to which all exporters could turn for prompt advice and direction, but obtained "little satisfaction"*. The President replied that a special section would be established at the Department of Overseas Trade for this purpose. But the Bank had no faith in that Department, thought that it should be amalgamated with the Board of Trade and that at least one or two first-class persons with intimate export trade knowledge should be brought in from outside to work on a full-time and executive basis; and they were rather impressed with the suitability for this purpose of the Secretary of the Manchester Chamber of Commerce, Mr.Raymond Streat. They also felt that there was a tendency in some Ministries to prevent exports. In their endeavours the Bank had the support of the Treasury and Lord Stamp, whose Economic Committee was also fully impressed with the need to maintain exports.

Their proposal for an Advisory Committee to the Board of Trade, consisting of the Secretaries of the Chambers of Commerce of London, Manchester, Birmingham, Glasgow and possibly one or two others, with a representative of the Federation of British Industries, was communicated to Lord Stamp (Sir Henry Clay l. 29.11.39).

* C.T. 4.10.39

The first effect of the war had been to give a fillip to export trade, but this stimulus was soon lost, not so much perhaps owing to the difficulties of coping with Government controls and regulations, as because of the counter-attractions of the home market.

Meanwhile a letter from the Treasury (21.10.39) brought up the question of the proceeds of exports. The Treasury were in doubt whether exporters were fully alive to their obligation to surrender the proceeds of exports forthwith, and suggested that the "possibility of moving towards compulsory invoicing in foreign currencies" should be considered. The Bank agreed that exporters probably did not realise their obligations under the Defence (Finance) Regulations, but felt "reluctant to add to exporters' difficulties at the present stage by requiring more forms to be filled in or by forcing them to alter the currency of invoice. I think that we should see first what could be done by persuasion and encouragement." (Mr.Cobbold L.24.10.39). Whether steps were then taken to meet representatives of exporters and educate them in their duties as also proposed by the Treasury does not appear.

In November and in early December there was a drive in the Press and in Parliament on the subject of exports. Moreover, it was alleged that Ministry of Food and Ministry of Supply purchases were being made without due regard for political and export considerations. The Bank thought it urgent that exports should be encouraged to the countries from which the U.K.were buying. To some extent they were already trying to link up payment for Government purchases with payment for exports by Payments Agreements with Argentina, Sweden, Switzerland, etc., but there was great need for a better co-ordination and a more vigorous policy. They were interested also in the machinery of export control. Up to December they had opposed the introduction of the control of proceeds in the form either of compulsory invoicing in foreign currency or of a simple follow-up of export proceeds, whether in foreign currency or in sterling. They still thought the first essential was to get exports moving again, after which control of the proceeds could be considered. One Minister in one Department responsible for exports would be an obvious advantage.

On 20th

On 20th December the Governor wrote to Sir Richard Hopkins:

> "We have all known that, sooner or later, we should have to take steps to ensure that the proceeds of exports are made available in foreign exchange to pay for armament and imports; but we have hesitated to introduce the check on physical exports (as opposed to the control of payments) which would be necessary for this purpose. I still believe that it would be unwise to try and regiment the whole of the Empire export trade at this stage. But for the past month or more we have been, on balance, losing foreign exchange and gold, and our diminishing resources are matched against a continuously ascending total of prospective dollar requirements. Reluctantly but very positively, I am driven to the conclusion that we cannot afford to wait any longer.
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> My proposal is that, even now, we should approach the question cautiously by selecting a small number of commodities for an experiment in Imperial export control. Because they are good dollar-producers, clearly identifiable (in administration), and derived from limited geographical areas, I would suggest tin, rubber and jute (raw and manufactured). The same applies to whisky and, as a make-weight to increase the U.K.contribution, I would throw in furs, which we buy in hard currencies and sell for sterling. In the case of tin and rubber, we should have to control not only the commodity at the source but the market in London, where it is sold. Our control would include a compulsory dollar clause in sterling credits ......"

Two days later the Treasury accepted these proposals and said they would consult the other Departments. But it was not until 7th March 1940 that the change was made.

The Bank's pressure for the appointment of an Advisory Committee bore fruit in mid-January, in the appointment of a committee of senior officers of Chambers of Commerce in a number of important industrial centres and of the Federation of British Industries, together with the Secretary of the Association of British Chambers of Commerce. The Committee was to meet regularly and frequently, and was to assist the Department of Overseas Trade.

Early in February an Export Council was also formed to assist the Board of Trade to formulate policy. At least six of the original members, excluding Lord Stamp, were suggested by the Governor, and Sir Raymond Streat* was appointed Secretary.

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*Mr.E.R.Streat, created a Knight 1942.

In January 1940 the Treasury asked for the Bank's views on export credit guarantees in respect of exports of machinery where the political risk was serious. The Bank agreed with the Treasury that this matter might be referred to the Stamp Committee, but thought that there was a case for providing assistance for exports of types of machinery and heavy electrical equipment where the proceeds would be available in, say, 18 months, and in a useful currency. It would not be attractive to make an immediate outlay in dollars where the imported material formed a high proportion of the total cost of exports, and where the proceeds would not be available for 2 or 3 years. The political risk, becoming serious with European neutrals, should not be left with the Export Credits Guarantee Department, at least not unless its existing instructions were altered.*

Prior to the negotiations over the Lend-Lease Act, which are dealt with elsewhere, the records do not show that the Bank took further active steps in connection with exports until the Spring of 1943, when discussion on post-war policy had begun. One small matter was, however, discussed in February 1940, when the Canadian Manufacturers' Association offered to protect British markets by an arrangement under which Canadian firms would take over orders which U.K.firms could not carry out during the war. The Treasury thought that Canadian dollars might be made available to pay Canadian manufacturers of such exports if the proceeds could be obtained in dollars or other hard currencies; and the Bank agreed.

On 13th March 1942 Mr.Cobbold gave the Governor a memorandum from which the following are extracts:

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Some progress is being made by pressure from the Treasury and here towards a decision of policy that a minimum of exports from this country must be maintained (and in particular that the U.S.should not be allowed to take 100% of our South American business in the name of the war effort) and that the necessary priorities of labour and materials should be granted.

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*The Bank had been concerned about the activities of the E.C.G.D.before the war. In February 1939 the Governor "discussed with the Chancellor the difficult situation created by the granting of credits to countries which were in default in respect of payments to bondholders" (O.T. 22.2.39)

It may be that this policy will receive ministerial approval. But even if it does it will be defeated at every turn in practical application both in London and in Washington unless it is somebody's business to see that it is carried out and that somebody has the necessary competence and support.

Though the Treasury and the Bank may be able tp push through a decision of policy about exports and occasionally goad the responsible people into action on specific points of importance they cannot possibly ensure the day to day application of a policy. This is inevitably the responsibility of the Board of Trade ....."

The rest of the paper contains criticisms of certain individual officials, with suggestions for improvements in personnel.

Post-War Export Policy

A long report by Sir Kenneth Lee* on the future of this country's trade with the U.S.A., presented to the Export Council and dated May 1942, apparently did not reach the Bank until a year later. By that time the Export Council, formed in any case for war purposes and not for dealing with post-war problems, seems to have become inactive: some members had died and others were dispersed. The Bank wondered whether it should be revivified, but whether any steps were taken in this direction does not appear. It was not until December that the Bank put forward their ideas on post-war exports. A lengthy memorandum from the Board of Trade arrived in November and was carefully examined.

On the whole it was considered much more realistic than anything issued by the Government in the 30's. The Governor now thought it advisable to see the Secretary of the Department of Overseas Trade, and had a conversation with him on 15th December. His brief was as follows:-

1. In the early post-war years there will be four overriding considerations in our export policy -

(a) There will be an absolute shortage of materials and manufacturing capacity.

(b) There will be a world wide seller's market

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*Export Council, B.O.T.

(c) Speed will be essential, or we shall lose our markets to others

(d) Our financial position will be weak and in order to pay for what we need we shall have to get early payment for what we can spare.

2. Moreover, many of our potential clients will finish the war holding ample amounts of sterling.

3. We may therefore hope in the early years to get cash payment for most of what we can export.

4. We should therefore not encourage exports to doubtful payers, or, except where there is a clear need and the business is obviously sound, on long credit.

5. But manufacturers and merchants will need a lot of pushing to go into the export market at all. They have uncomfortable memories of the 30's and the early 20's and the home demand is likely to be good and to look much safer. There will be very great difficulties in the way of increasing exports after the war, and it is a dangerous illusion to suppose that it will prove easy. For instance -

(a) There used to be large gaps in the world's tariff walls through which we could divert our exports when a tariff excluded them from any particular market. These gaps have become fewer and after this war there will be none.

(b) Technical progress had made it possible to manufacture most things in most countries, and the fear of unemployment will drive Governments to take advantage of this development. In addition Washington and H.M.G. both support the policy of industrialising backward countries, which used to satisfy their demand for manufactures by importing from U.K.

6. An active policy by H.M.G. will be necessary. Among other things -

(a) H.M.G. should be prepared to provide export credit guarantees on easy terms where H.M.G. are reasonably satisfied that payment will be forthcoming and where the period is not unnecessarily long. Export credit guarantees should not, however, be given merely for the sake of encouraging exports where credit terms are unnecessarily long or payment doubtful.

(b) H.M.G. should start and maintain an intensive campaign of instruction on the necessity of exports.

(c) H.M.G. should encourage traders to get together and make collective efforts, in personal contacts, advertising, setting up overseas organisations, maintaining service facilities, etc., to recapture old markets and gain new markets.

(d) H.M.G. should give every encouragement to research and the development of new specialised lines to take the place of our former exports.

(e) H.M.G. should improve the services in H.M. missions abroad available to business travellers.

(f) H.M.G. should keep in close direct touch with exporters at home. It would be useful to revivify and extend the functions of the Export Council.

7. If H.M.G. are willing to do export business directly on a large scale manufacturers will doubtless press them to do so. But this can only end in driving the merchant or direct exporter out of the business and leaving the export business on H.M.G.'s lap. In the long run any H.M.G. organisation will prove less efficient than competitive, experienced and specialised merchants or the overseas organisations of manufacturers who export direct. To substitute a Government organisation for individual traders is therefore a counsel of despair and should be avoided at all costs.

8. H.M.G. should start as early as possible to educate manufacturers and merchants, tell them what H.M.G. are prepared to do for them and what they are not prepared to do for them.

In January 1944 the Governor followed up this move by approaching the Chairman of the Accepting Houses Committee to obtain his opinion as to how the Accepting Houses could best help in the post-war export trade. The Governor had suggested that perhaps some Houses could revert to their original status as merchants, or alternatively arrange joint accounts with existing merchants or manufacturers in the export business. The Chairman felt sure that neither of these suggestions would appeal to Accepting Houses, who had given up their merchanting business mainly because large concerns had created their own organisations abroad, while small exporters employed some house of good standing to represent them. The crux of the matter was the insurance of the credit risk.

In view of Lord Norman's illness the subject was not taken up again by the Bank until June. The D.O.T. then prepared a memorandum to be sent to the Accepting Houses Committee. The Bank felt that Mr.Johnstone's conversations with the Accepting Houses should be co-ordinated with any advice the Bank of England might be giving to the bankers in general. They believed that the most constructive move that could be made would be to harness the experience and knowledge of the merchant bankers and insurance market to the Export Credits business. Possibly contact between the Export Credits Guarantee Department and the Trade Indemnity Company could be developed, while the basis of the Indemnity Company might be broadened by inviting the co-operation of the Accepting Houses. The Bank thought the Secretary of the D.O.T. was likely to approach the merchant bankers on the wrong lines; and the new Governor, Lord Catto, impressed upon him that it was their knowledge, experience and contacts rather than their money which could usefully be employed in wider fields. At the end of June he sent the Secretary a draft memorandum based on that produced by the D.O.T., but with considerably different emphasis; this was accepted by the D.O.T. and the Treasury by the beginning of July and sent to the Accepting Houses.

"1. The United Kingdom is dependent on imports for the maintenance of its economic activity and standard of life. It must find methods of payment. Owing to the loss of revenue from overseas investments, a greater proportion will have to be provided by physical exports. During the period following the armistice with Germany, overseas demand will generally exceed ability to supply, most of our customers will have plenty of sterling, and we shall not be able to afford to sell on long credit or to doubtful payers; but during that period methods must be arranged to secure an increased volume of trade in the long-term period. The general conditions for international trade will be arranged between Governments, but there are a number of matters concerned with the machinery of export which fall for study by the exporting interests. It is felt that with their unique experience and contacts the merchant bankers have a most important place to fill.

2. It is of course understood that the greatest contribution the merchant bankers can make will lie in continuing to provide short-term credit on self-liquidating terms for sound business. It will be the aim of the Government to re-establish as early and as widely as possible the use of sterling for international trade transactions. In the conditions of dislocation which will follow the war, this must be a gradual process; in the early years the overseas business falling to be financed in London will be largely trade within the Sterling Area and export and import business between the Sterling Area and the rest of the world. Whilst the development of every category of such business is important, emphasis should be laid on the vital nature of U.K.exports, whether to the Sterling Area or elsewhere, and it is in the furtherance of such exports on terms which will produce early payment that the merchant bankers can give particular help.

3. In early post-war conditions great difficulties may be foreseen, particularly in Europe, in assessing both credit risks and exchange transfer risks. It therefore seems that a closer link will be necessary between the provision of credit and the insurance of credit. Progress has been made in this direction, but it is suggested that further developments could usefully be considered.

4. During the war many trading links with foreign countries will have been interrupted. The merchant bankers with their long-standing experience of, and contacts with, particular areas may be well placed to help in restoring these links. Whilst it is not suggested that the merchant bankers should employ any considerable proportion of their own resources outside their main business, it is felt that there are various ways in which, in co-operation with first-class groups abroad, they could use their specialised knowledge to provide a pivot and a channel for development of U.K.export business. They might, for example, be able to help in such matters as -

(a) promoting and developing overseas sales organisations, particularly for medium and smaller firms who find difficulty in creating their own organisation;

(b) helping, by introduction and advice, to marry local demand and available London finance in such directions as participation in secondary industries and the finance of constructional contracts.

5. Any suggestions which the merchant bankers feel able to put forward on these or similar lines will be most welcome."

A move by some merchant bankers in August to get the Government to set up a Reconstruction Committee of wider representation than that afforded by the Accepting Houses Committee was stopped by the Bank. In October the Accepting Houses met the Board of Trade and Department of Overseas Trade, and while agreeing to the first three paragraphs of the memorandum sent to them in July, asked for more particulars of the proposed responsibilities in paragraph 4. Some doubts were expressed as to whether paragraph 4(a) would not be outside their scope. Further progress with the Accepting Houses does not appear to have been made up to the end of the war with Germany.

Meanwhile, the future of the E.C.G.D. and the U.K. Commercial Corporation was much to the fore. In September Sir William Goodenough told the Governor that officials of the former organisation wanted to expand their business to do banking as well as guaranteeing. Sir William thought this would be the beginning of State banking, and was anxious to divide the banking side of the business among the various banks in the same way as was done with the contractors for the Supply departments. Sir William was Chairman of the Department's Executive Committee, Chairman of the Advisory Committee on Export Credits to the Board of Trade and Chairman of Barclays (D.C.& O.). In October Sir F.H.Nixon, previously of the E.C.G.D. and now Managing Director of the U.K.C.C., sent proposals to the President of the Board of Trade for the formation of an Export Guarantee Corporation and a British Export Corporation, both to be owned by the Government. These were to be the successors of the E.C.G.D. and U.K.C.C., respectively. The Bank's comments on this memorandum were conveyed to the Treasury by Mr.Cobbold on 1st November 1943, and sufficiently illustrate its character.

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Section 1 of Nixon's note

1. I agree that the right way for H.M.G. to handle "export credit" business is to give guarantees rather than credits or advances and to leave the actual financing to banks etc. I also agree that the institution acting for H.M.G. should keep as close as possible to the banks and insurance companies and should be continuously concerned to shed to them any business which does not require official support.

2. Although I admit the necessity of an official institution to guarantee exporters I do not think it should be given anything like so free a hand as is suggested in the note. If you are not very careful two things will happen -

(a) The institution will stray from its proper field and give what are really political credits for political reasons.

(b) The institution will force exports for the sake of exports without regard to general policy on such questions as whether we can afford to give credit to certain countries or to use resources and materials without getting immediate payment. In this connection you should bear several points in mind:-

(i) .... We shall not be able to afford to give long credit or to export to doubtful payers. At the same time most potential customers will have adequate sterling balances.

(ii) Immediately after the war there will be a scramble for goods, and by and large we should be in a position to sell goods only to those who will pay cash.

(iii) If, as some of us think probable, payments agreements on the lines of the Anglo-French and Belgian-Netherlands pattern spread, the exchange risk will in many cases be looked after by the central authorities leaving only the credit risk at issue.

All these points suggest that in early post-war conditions export credits should be handled with a lot of discretion if they are to do more good than harm.

3. I doubt whether it is necessary to create a new institution with a high-sounding name. It is possible that E.C.G.D's powers need to be widened a little but I should have thought that would be sufficient: the Banks are, as you know, doing their best to "play in" with E.C.G.D. and I see little advantage in disturbing present developments.

Section II

1. This is a plea for a continued and extended U.K.C.C., again with a more high-sounding name. It assumes continuation of war-time conditions (e.g. vis-á-vis Turkey) which weight many things in favour of Government organisations (shipping, official paraphernalia, reasons for pre-emptive purchases, etc.). I doubt if these conditions will or should be allowed to persist.

2. The approach is entirely bilateral and seems in complete contradiction with the general tenor of Washington conversations. It is surely impossible to start in this direction (with all the implications of clearings and differential rates of exchange) at this stage.

3. I agree that, after the first few years of re-stocking, it will be very difficult to induce merchants to take the risks of exporting if they have an adequate market at home. But the problem is how to encourage and persuade merchants to take this risk: for the Government to go into the export business directly is a counsel of despair which admits that they have failed to find a long-term solution. I do not believe that on a long view H.M.G. will make a success of exports and I have little doubt that, whether or not Nixon's ideas about training staff come to anything, the final result of an active export corporation would be to oust and kill the private export merchant. I should therefore be strongly in favour of keeping to guarantees and clearing right out of the direct export business. H.M.G.'s efforts would be much better spent in organising an effective commercial service of information etc. abroad and pushing industries and merchants into an active export policy, which latter will take them all their time.

4. On the import side, however, some direct Government organisation may be necessary on a limited scale and in particular countries. Unless we are to get into all the old troubles again the right way to set, e.g., the Balkans on their feet is to give them a market for their staple products. I believe that this, combined perhaps with the provision of productive machinery etc. on credit terms, is a far better solution than giving them financial credits. If it is intended to keep Ministries of Food, Supply, etc. alive it could perhaps be done by them through merchanting channels. But all this has more of a "relief" than a normal commercial flavour and I think you would be wise to keep the two things far apart.

Section III

1. I do not believe in these ideas about holding buffer stocks of machinery, spare parts, etc. abroad on Government account. H.M.G. would do much better by encouraging the exporting interests to get together on their own, telling them squarely that it is up to them to do it and if necessary giving them a helping hand. I agree that a lot needs doing under this head, but I do not believe that direct intervention by a reborn U.K.C.C. is the right way of doing it.

2. Nor do I believe that the Anglo-Ruritanian Development Company is a suitable field for Government enterprise. I agree that H.M.G. may help by directing enquiries and information into proper channels but beyond that private enterprise is likely to produce at least as many winners as a Government organisation and to lose less money in the process. Moreover, private enterprise gives us at least a political alibi: a U.S.A.Government Corporation and a U.K.Government Corporation trying simultaneously to "develop" a South American State are not likely to make Anglo-U.S.relations more harmonious."

In the following Summer the Chairman of the U.K.C.C. asked the Chancellor what were his views as to the future of the Corporation - and the Bank expressed their opinions to the Treasury. They had not changes those of the previous November. "I understand there is nothing in the way of guaranteeing or insuring exports that the U.K.C.C. can do that cannot equally well be done by the Export Credits Department; and we should definitely like to see the U.K.C.C. liquidated at the end of the war." (L.18.7.44) In September a draft of the Chancellor's reply to Sir Francis Joseph was sent to the Bank for comments. The Bank thought it too vague, and proposed to amend it: the Chancellor should ask the Corporation to begin cutting down staff. Sir William Goodenough had also urged on the Treasury the disappearance of the U.K.C.C. after the war.

From March 1944, Sir William was proposing to the Treasury that the E.C.G.D. should remain in its existing form. During the Summer and Autumn he and the Bank were considering the possibility of establishing better relations between the department and the Trade Indemnity Company. But past relationships and personal difficulties were an obstacle. Sir William thought there was an opportunity for London to insure export credits for international business other than U.K.exports "the one direction in which London might make a new move and secure a new leading place in International finance". (12.7.44).

Co-operation with the Trade Indemnity Company could best take the form of the exchange of information, but for this purpose definite Government instructions to the E.C.G.D. would be necessary.

On 7th November Sir William Goodenough and Mr.Cobbold urged these views on Sir Richard Hopkins, who promised to see what could be done.

A memorandum (22nd June 1944) on "The Outlook for Exports", by Sir Henry Clay, was now given privately to the Treasury. It pointed out that between the wars British exports were becoming progressively less adequate to the country's needs, which had already begun to draw on its overseas assets. Although there had been an advance in many groups of exports, the gains we could hope to make had already for the most part been made, while our losses were due to causes mainly outside our control. "Thus, the downward trend of exports had deep-seated causes; the spread of obstacles in the form of protection to newly-established industry in former markets, the risks due to the unsettled state of world economic conditions, and the attractions offered on the home market by increased Government expenditure on housing, public works and the essential services."

None of these deep-seated causes was likely to be reversed by the present war: on the contrary it was certain to accentuate them. The attractions of the home market would be enormously increased by the reconstruction and re-stocking demands in the U.K. and the Government's pledge to maintain full employment by Government expenditure. Current policy was also likely to accentuate the pre-war tendency of imports to increase. The expectation of greater exports seemed to be based on the provision of arrangements for multilateral payments, a general lowering of tariffs, and a common policy of expansion in the world. "Of these the first affords no ground for optimism since the pre-war decline took place under conditions of multilateral payments; the second was unrealistic, for even if the level of duties were reduced, the extension of protection to new areas, by closing gaps through which British exports could flow, was a more serious obstacle to British exports and had been stimulated by the second World War as it had been by the first. A general policy of expansion would, indeed, have a beneficial effect which should not, however, be exaggerated. "If other countries buy more imports they will not necessarily buy them from the U.K."

Sir Henry's conclusion was that U.K.industry had been laid out to take advantage of a world division of labour which had become politically unattainable. The U.K. could not hope to recover its lost markets (or find substitutes) for textiles, clothing, coal, freights or

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ships. It must therefore effect an extensive reorientation of its industry and agriculture. "It can do this only on a considered plan within the framework of a system of what the Americans regard as illegitimate, because discriminating, interferences with the free movement of commerce." Depreciation of sterling would reduce the standard of life by raising the sterling price of much food and many raw material imports, and the domestic price of most manufactures.

The country's capacity had been greatly extended during the war and it should be possible to substitute home products for many former imports with only a small increase in cost. If quotas and bilateral bargains were politically undesirable, in spite of their greater precision and economy, the same result could be secured by appropriate import duties.

Other measures would include: steps to secure that in an endeavour to prevent inflation the country did not deprive itself of the windfall in the form of high prices for exports "which enabled us to balance our accounts so promptly after the last war"; the restriction of credit sales and of purchases against war balances; resistance to American pressure to give up Imperial Preference; caution in accepting commitments to agricultural export agreements designed to prevent the U.K. from benefiting by competition for her market; and an attempt to re-negotiate the agreement with India "which threatens to result in a debt to India which it will be impossible to honour"; and other agreements with the same tendency.

A rejoinder to Sir Henry Clay's views was forwarded through the Treasury from an Economist* in the War Cabinet Offices, but apparently did not impress the Bank, no doubt because of the author's lack of experience in this subject. They continued to think that Sir Henry's rather pessimistic conclusions would do no harm to the Treasury.

After this, with the end of the war beginning to come in sight, the Bank were approached by a group whose companies in peace-time manufactured nearly all the textile machinery made in England, and who expected to be able to export annually some £20 or £30 million worth of such machinery. They wished to expand their works and asked the Bank's

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*Mr.J.E.Meade.

help in obtaining suitable premises. The Governor did his best to get their claims considered, and by May 1945 they had been satisfied by the Government - a conclusion which they attributed to the Bank's intervention.

Meanwhile in July 1944 the D.O.T. had formed a new (or reconstructed) Export Trade Consultative Committee, and representatives of the Bank attended a luncheon given to 16 of its members in August, when Mr.Harcourt Johnstone suggested a closer co-operation between export, banking and other interests. The Bank of England had given help for many years, but more particularly during the war, in criticising and adding to drafts of reviews prepared by the D.O.T. on commercial and economic conditions in export markets abroad. This work the Bank had undertaken for the Treasury, and they were warmly thanked in a letter from Mr.Johnstone, who now asked for further co-operation: could reports on economic conditions received by them from sources other than the Treasury, and not normally open to Government Departments, perhaps be distributed, the D.O.T. being a beneficiary?

Partly in self-protection - but more because of their desire that information and advice from the Bank should go direct to the Treasury, to be passed on thence to other Government Departments if the Treasury thought fit - the Bank, though they necessarily had fairly intimate connections with other Government Departments, especially during the war, hesitated to extend their commitments in such directions. They had, for example, declined in May 1942 an invitation to assist Sir William Jowett directly when he was appointed Minister of Reconstruction. They doubted whether they could usefully do more for the D.O.T., adding that they did not receive any regular reports on economic conditions from abroad. The Treasury agreed that there was a danger that a number of Departments would set up information services with no guarantee that the information would be made speedily available to those most interested. But there was a suggestion that the matter might be talked over later, under the Treasury auspices.

The U.K.C.C.

This semi-Governmental organisation was formed in April 1940, in the first instance to develop trade with the Balkans and Turkey, which before the war had fallen under the domination of Germany and from which the Corporation soon had to withdraw. In addition to encouraging British exports where possible it carried out a policy of preemption, often at very high prices. Later its activities spread to Spain and Portugal and to most of the countries of the Middle East, and finally it undertook for Government Departments arrangements for supplying Russia and the Middle East, including goods produced in the U.S.A. where it opened a branch. Its endeavour was not to compete with trade organisations, but this ideal could hardly be altogether attained in war-time, and there was also a certain amount of overlapping at times with other purchasing departments of H.M.G., such as the Ministry of Food.

In the Spring of 1940 the Governor had been asked to find a Chairman and suggested Lord Brand.* On his being unable to accept for reasons of health, the Governor suggested Lord Catto. He, however, declined as being more suited, he felt, to deal with Anglo-American or Anglo-Indian relations. As Chief Executive Officer, Lord Brand had suggested a Mr.Terestchenko (who had successfully wound up the affairs of the Credit Anstalt). An appointment was offered to him, but was not accepted. Thus, the Bank had been unusually unsuccessful in finding personnel. Lord Swinton became Chairman of the Corporation, with Sir F.Joseph as Acting Chairman in London, who later, in December 1944, became Chairman. Lord Swinton asked for the help of Sir Frank Nixon* of the E.C.G.D. The Bank did not approve of this appointment, which however the Governor felt he could not resist unless he had some other definite proposal to make "and with the present set-up for the Board I have none". (13.2.40). Subsequently the Bank were sometimes consulted in the selection of persons for particular appointments, etc., and

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* Created a Baron: 1946.

also on the Corporation's banking arrangements, where some changes were made as a result of the Governor's suggestions.

In September 1943 the Governor told Sir William Goodenough that the U.K.C.C. was likely to be an obstacle to private business in the future, and outlined the idea that they should give up merchanting and preemptive purchasing and do no more than give guarantees to merchants in respect of individual transactions (if these would not clash with the functions of the E.C.G.D.).

There were no further developments of importance: the Corporation went into voluntary liquidation in 1946.