

of markets, and they are unable to buy as much as they did before the war because they cannot sell so much. That is the trouble. We are all suffering from it in a greater or less degree, but I think that we are all agreed that the country which is suffering most is that country to which we all owe so much—namely, Great Britain. Every one must look with sympathy upon her appalling unemployment problem. Every one must admire the way in which she has tackled the enormous economic difficulties bequeathed to her by the war. Personally, I have had a good deal to do in the last two years with the purchase of railway and other material for India. I have been astonished at the way British manufacturers have brought their costs of production down. They could not have done it without the co-operation of their workmen. They are having a hard struggle, but since British capital and British labour have shown such determination to overcome the difficulties with which they are confronted I have no fear myself but that they will win through.

#### **Effect of War on India's Trade and Finance.**

With your permission, sir, I should like now to make a few remarks general about India's trade and about the effect which the war and the aftermath of war have had on that trade and on India's financial position. Generally speaking, it may be said that India imports mainly manufactured goods and exports mainly raw materials and foodstuffs. Our imports come mainly from the United Kingdom, and our exports—and this is a fact which in India we have always to bear in mind—go mainly to foreign countries. Last year 60 per cent. of our exports, which in normal times greatly exceed our imports, went to foreign countries, only 22 per cent. to the United Kingdom. Our total import and export trade has averaged in value in the last three years £366,000,000 per annum. The figure is large, but it is inflated by the rise in prices, and when we revalued our trade at the prices prevailing in 1913-14 we found that in volume it had retrograded. The real loss in 1921-22 compared with 1913-14 was no less than 28 per cent. Thanks to the war and the disorganization caused by the war, we sell less, and therefore we buy less. This decrease of trade hits us in many ways. It affects most of our sources of revenue—our Customs, our income-tax, and our railway receipts. The war again, and the great increase of prices which followed it, enormously increased the cost of the Administration, and at the same time it left us faced with the necessity of incurring heavy expenditure in order to restore our railways and other public services to efficiency. Taxation has been increased to an extent which a few years ago would not have been thought possible. Nevertheless for five years in succession we were unable to balance our Budgets. The aggregate deficits, indeed, in these five years amounted to more than sixty-six millions sterling—a gigantic sum for so poor a country. I think I may claim that India has tackled her problem boldly. We have taken as our text the dictum of the International Conference at Genoa in April, 1922, that one of the essential requisites of economic reconstruction is a balanced Budget. As I have said, we have increased taxation, and in many of our import duties I think that we have reached the limit of productiveness. With the help of Lord Incheape we have cut down expenditure drastically. Thus for the current year we have been able to balance our Budget, and as a result I think I may claim that India's credit stands high.

Private enterprise is engaged in the same painful process of retrenchment and reconstruction. The brief boom which followed the war was a period of unhealthy speculation and company-promoting. Many of these companies have already gone under; others are having a hard struggle to keep their heads above water, and there is at present not much inclination in India to put money in new industrial enterprises.

That, sir, is a brief and very inadequate outline of the effect of the war on India's trade and India's finance. Things are undoubtedly better than they were. There seems every prospect of good crops for the second year in succession, and that is a matter of first importance to the peace and prosperity of India, where two-thirds of the population live on the land. What we want now to set our finances right is a real revival of trade.

#### **Policy of Discriminating Protection recently adopted in India.**

I do not wish in any way to anticipate the discussions of the subjects on the Agenda, but I wish to develop one or two points of a general nature arising out of what I have said. It seems to me that this Conference will not realize its full value unless we understand one another's circumstances and problems.

I have referred to the fact that India at present exports mainly raw materials and foodstuffs, and imports mainly manufactures. I ought to mention that India is not content indefinitely to acquiesce in this position. She has declared recently in favour of a policy of discriminating protection—that is, she proposes to see whether those industries which enjoy a "comparative advantage" in India require protection, and, if so, whether they should be protected. This is not the time to discuss the merits of this policy. I am aware that it has caused some alarm in this country, but if, as we hope, the result of this policy is to increase the wealth and productiveness of India, then sir, those who trade with India have nothing to fear. Already that trade is considerable in volume, but it is small in comparison with the size of the country and the population. In India we have 315 millions of the people—roughly, one-fifth of the human race—and if only we can raise the standard of living of these millions and increase their capacity to consume goods India's potentialities as a factor in international trade and as a market are almost limitless.

#### **India Britain's Best Customer.**

I have already said, sir, that the course of India's export trade is somewhat special. In 1921 86 per cent. of New Zealand's exports went to the United Kingdom, 76 per cent. of South Africa's exports, and more than half of the exports of Australia. India sends little more than 20 per cent.