

Powell

MR. GOW

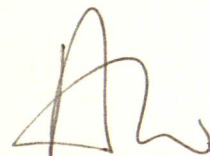
ENOCH POWELL'S SPEECH OF 29 SEPTEMBER

Of course, the logic is quite correct. Increased exports to Japan will, if everything else remains the same, require an increase in our export of capital. I also entirely agree with him that the best arrangement for our balance of payments, including our exports of goods and capital, is to leave them alone.

However, as I understand the Prime Minister's efforts in Japan, they were not directed towards distorting exports, imports or capital flow. On the contrary, she was concerned with trying to ensure that the Japanese remove their distortions and allow a free flow of goods into the Japanese economy. I believe she was preaching to them the advantages of freeing trade between our countries.

Secondly, I do not think that the main thrust was her asking the Japanese to invest more of their money in the UK. What she would like is an import of Japanese management and expertise into this country. (I believe that much of the money for any Japanese investment would in fact be raised in London from domestic sources.) But we do know that Japanese management is superb and has worked very efficiently with British labour and indeed British equipment. But for political reasons and some uncertainties, the Japanese have not exploited their relative advantages in management to the extent that they might. I think it is the Prime Minister's job to explain to the Japanese that their fears of political change and of labour turmoil in the UK are unfounded or greatly exaggerated.

Lastly, I am sure he would agree that we export capital from the UK because we get a better rate of return than we can domestically. This is all to the good and is best both for us and for foreigners.



ALAN WALTERS

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