

VOLUNTARY EXPORT RESTRICTION AS A FOREIGN
COMMERCIAL POLICY WITH SPECIAL REFERENCE TO
JAPANESE COTTON TEXTILES

Thesis for the Degree of Ph. D.
MICHIGAN STATE UNIVERSITY
KENNETH LeROY BAUGE
1967



This is to certify that the

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Voluntary Export Restrictions as
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Special Reference to Japanese
Cotton Textiles

presented by

KENNETH LEROY BAUGE

has been accepted towards fulfillment
of the requirements for

Ph.D. degree in Economics

Harry B. Brown
Major professor

Date June 9, 1967

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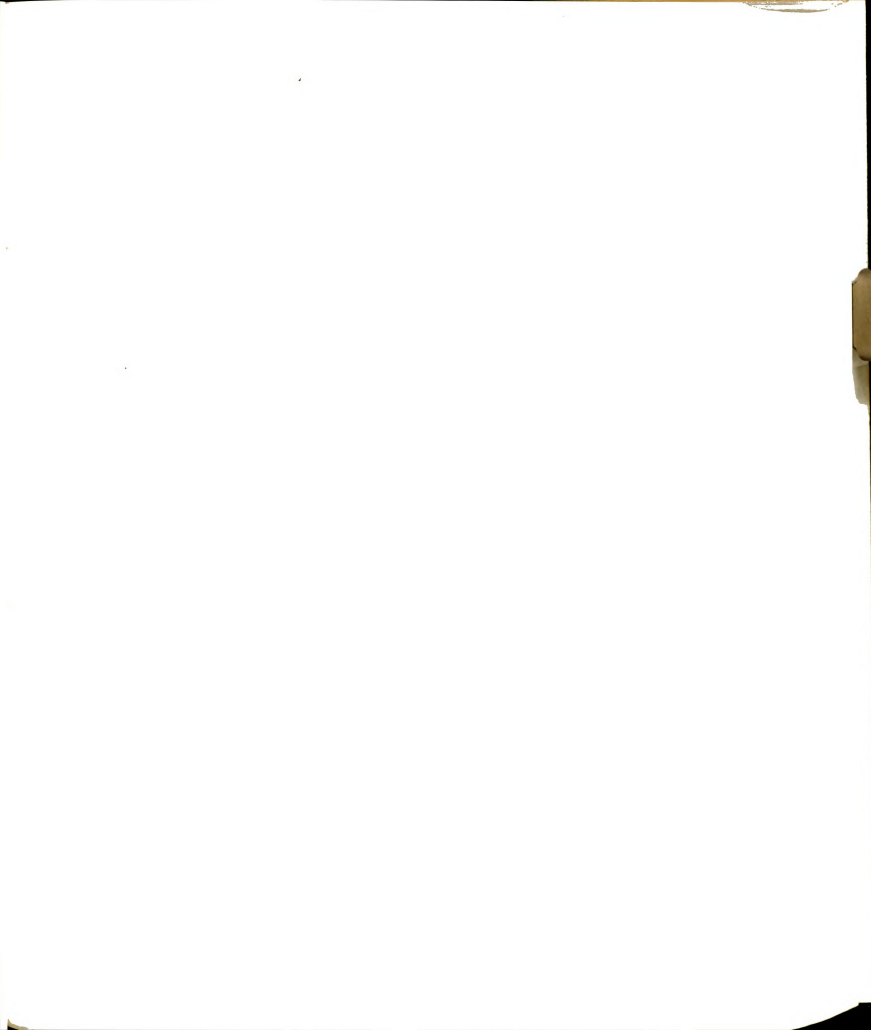
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ABSTRACT

VOLUNTARY EXPORT RESTRICTION AS A FOREIGN COMMERCIAL POLICY WITH SPECIAL REFERENCE TO JAPANESE COTTON TEXTILES

by Kenneth LeRoy Bauge

The purpose of this study has been to evaluate the use of voluntary export controls by a nation as an alternative to possible restrictions imposed by a major importer. The case analyzed is that of Japanese export limitations on cotton textiles to the United States when it became evident in the late 1930's and again after World War II that tariff rates almost certainly would be sharply increased.

The history of these export restrictions indicates that through diplomatic channels and through pressure brought by the textile trade association on the United States Tariff Commission that the Japanese cotton textile exporters had little choice. They could control exports voluntarily or face the consequences of higher tariffs. Export restrictions were adopted in the belief that trade would be limited less than by import controls.

A test of the results of export controls has been made by calculating the elasticity of demand for cotton velveteen in the United States market. By means of multiple linear regression and correlation analysis, a demand

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Kenneth LeRoy Bauge

elasticity factor was obtained. From this elasticity of demand, an estimate was made of cotton twill-back velveteen imports, assuming the tariff would have been increased as recommended by the Tariff Commission. On the basis of these calculations, it appears that the voluntary quota imposed by Japan in 1957 was more restrictive in three out of the five years of the agreement than had the United States imposed tariffs at rates proposed by the Tariff Commission.

VOLUNTARY EXPORT RESTRICTION AS A FOREIGN COMMERCIAL
POLICY WITH SPECIAL REFERENCE TO
JAPANESE COTTON TEXTILES

By

Kenneth LeRoy Bauge

A THESIS

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

Department of Economics

1967

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ACKNOWLEDGMENTS

I want to express appreciation to Dr. Harry G. Brainard for his interest, patience, supervision and suggestions during the development and writing of this thesis. Over the years he has been more than a supervisor. As a teacher and advisor, he has given me inspiration and personal assistance at crucial times.

Also I wish to express gratitude to Dr. John L. Hazard and Dr. Peter J. Lloyd for their careful reading of the manuscript, for their searching questions and constructive criticisms. Their suggestions have improved the consistency of this thesis.

The courteous assistance given by Miss Catherine M. Wheaton in patiently reading the manuscript and suggesting improvements in style has aided in improving my writing.

Finally, I owe a debt more than I know how to express in words to my wife, who not only typed the manuscript through many revisions and suggested style improvements, but who also showed unequalled patience and gave up much during the period I was engaged in research.

The views expressed and any errors made are solely my responsibility.

ACKNOWLEDGMENTS

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CHAPTER I

INTRODUCTION

Commercial Policy

A foreign commercial policy is any public policy of a country which directly regulates or influences its current plus capital international accounts. The use of commercial policy to control the flow of goods and services between countries is not new to the twentieth century, but there are new methods of commercial policy used to control foreign transactions that are unique in this century.

There are various means of influencing the flow of goods and services from one country to another. Commercial policies usually regulate foreign trade through control of the price of goods and services, or through quantity restrictions. These regulations may be directed at various stages in the production of goods and services. Price and quantity regulations can be directed toward the producer. These restrictions can be applied only to goods that cross international boundaries. Also, price and quantity regulations can be directed toward the consumer in an effort to control consumption. In practice, there are two means of regulating foreign commerce: price and/or quantity; and

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Price interferences are used to encourage and to discourage the flow of goods and services between countries. Discouraging can be done through tariffs and encouraging can be done through the payment of subsidies. Quantity restrictions, which will significantly affect prices, can also be used as a means of increasing or decreasing the flow of goods and services across national boundaries.

Statement of the Problem

This thesis examines the voluntary export restriction as a commercial policy. Such agreements are an understanding whereby the exporting country will restrict its exports to another country. When two countries have the same industry and one has a definite cost and price advantage, which results in a large flow of goods from one to the other, what alternatives are available to overcome the displacement of import competing production? Also, what can the low-cost country do to delay protective restrictions by the other?

Because of the cost and price differences, two problems are created. Industrial expansion in the exporting country will be the direct result of an increase in demand for exports, which will increase the demand for resources, and, if none are available, result in an

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upward pressure on costs and prices. This expansion could cause excessive unemployment of human and non-human resources in the importing country if the rate of change is too rapid. If this is a permanent change, there is the long run economic task of reallocation of resources which were used to produce goods that are now imported.

Prior to and after the Second World War, Japan was and is a large exporter of cotton textile goods, a large share of which have been to the United States. The United States cotton textile industry has frequently pointed toward Japanese imports as the cause for their problem of low profits and excessive unemployment. In the 1930's and also in the 1950's Japan voluntarily placed quotas on the total amount of certain types of cotton textiles exported to the United States.

Two general types of voluntary quotas may be established by an exporting country. One type is unilateral in form but results from diplomatic negotiations and other pressures at the governmental level. The other type is also unilaterally imposed by the exporting country, but is a result of an evaluation of the market situation in the importing country involving no negotiation with the importing country with respect to the amount or duration of the quota. These types result from a specific

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The voluntary quota has distinguishing features when compared to the usual form of the more typical commercial policies of a tariff or quota. Commercial policies are imposed unilaterally by the importing country while the voluntary quota is imposed unilaterally by the exporting country or is bilaterally negotiated. The exporting country has, at the minimum, some influence over the terms of the voluntary agreement. Also, the voluntary quota is intended to be more temporary than the quota or tariff. The voluntary quotas analyzed in this study have a specified time limit, while a typical tariff or quota usually does not have such a limitation. Therefore, the voluntary quota is periodically re-examined, and its promoters must justify and show the need for its continuation. The final difference is that the bilateral voluntary agreement permits discrimination against one country. An importing country is able to use the bilateral voluntary quota to control imports from one country or more, while allowing market conditions to control imports from other countries.

¹Noel Hemmendinger, Non-Tariff Trade Barriers of the United States (Washington, D. C.: United States-Japan Trade Council, Inc., 1964), p. 6.

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Objective

This thesis examines the Japanese cotton textile voluntary restrictions with reference to the above-mentioned two general types of voluntary quotas. It is proposed that the cotton textile voluntary agreements of the thirties, fifties and sixties resulted from diplomatic negotiations and pressures from the United States cotton textile industry and government. Therefore, this thesis will test the hypothesis that Japanese voluntary export restrictions on cotton textiles are imposed because of diplomatic pressures and threats of unilateral American action which would be more permanent, less flexible and possibly more restrictive than voluntary quotas. An examination will be made of the voluntary export restriction as a means of solving the international problem of a large flow of cotton goods from Japan to the United States. It is proposed that the voluntary export restriction is a means used to postpone more severe and permanent restrictions for Japanese exports of cotton textiles to the United States.

Method of Analysis

For organizational purposes the thesis is divided into nine chapters. Chapter I deals with the statement of the problem, the objective, and the method of analysis. Chapter II brings together the events that placed Japan in the position to rapidly expand her exports of cotton

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textile imports into the United States is shown during the 1930's. In Chapters IV, VI and VII, the main body of the thesis, an evolution is made of the cotton textile voluntary agreements during the 1930's, 1950' and 1960's.

Chapter V discusses the wartime changes and the post-war buildup of Japanese-United States trade. Chapter VIII is the analysis chapter, while the ninth chapter contains the summary and conclusions.

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CHAPTER II

DEVELOPMENT OF THE JAPANESE COTTON

TEXTILE INDUSTRY

Japan has emerged rapidly into the modern world during the past one hundred years. This rapid emergence has attracted much attention due to her remarkable development in all areas of human endeavor--economic, political, social, and scientific. The cotton textile industry of Japan is an example of this rapid and balanced development. This chapter brings out the natural economic causes for this phenomenal expansion.

The Period Prior to 1930

The first modern steam powered cotton spinning mill was established in Japan in about 1866, and was equipped with machinery imported from England. At this time western styles of living were rapidly being introduced into Japan, and the country was lacking in capital equipment to produce these material goods. Demand for foreign made goods grew rapidly, which soon resulted in a rather large and consistent unfavorable balance of trade.¹ Table II-1 shows

¹U. S., Tariff Commission, The Foreign Trade of Japan (Washington, D. C.: U. S. Government Printing Office, 1922), p. 2.

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| Year | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | 2053 | 2054 | 2055 | 2056 | 2057 | 2058 | 2059 | 2060 | 2061 | 2062 | 2063 | 2064 | 2065 | 2066 | 2067 | 2068 | 2069 | 2070 | 2071 | 2072 | 2073 | 2074 | 2075 | 2076 | 2077 | 2078 | 2079 | 2080 | 2081 | 2082 | 2083 | 2084 | 2085 | 2086 | 2087 | 2088 | 2089 | 2090 | 2091 | 2092 | 2093 | 2094 | 2095 | 2096 | 2097 | 2098 | 2099 | 2100 |
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TABLE II-1^aJAPANESE IMPORTS AND EXPORTS
(VALUES IN THOUSANDS OF YEN)

| Year | Total Imports | Total Exports | Excess of Imports | Excess of Exports |
|------|---------------|---------------|-------------------|-------------------|
| 1868 | 10,693 | 15,554 | --- | 4,861 |
| 1869 | 20,784 | 12,909 | 7,875 | --- |
| 1870 | 33,742 | 14,543 | 19,199 | --- |
| 1871 | 21,917 | 17,968 | 3,949 | --- |
| 1872 | 26,175 | 17,026 | 9,149 | --- |
| 1873 | 28,107 | 21,636 | 6,471 | --- |
| 1874 | 23,462 | 19,317 | 4,145 | --- |
| 1875 | 29,976 | 18,611 | 11,365 | --- |
| 1876 | 23,965 | 27,121 | --- | 3,746 |
| 1877 | 27,421 | 23,348 | 4,073 | --- |
| 1878 | 32,875 | 25,988 | 6,887 | --- |
| 1879 | 32,953 | 28,176 | 4,777 | --- |
| 1880 | 36,627 | 28,395 | 8,232 | --- |
| 1881 | 31,191 | 31,059 | 132 | --- |
| 1882 | 29,447 | 37,721 | --- | 8,274 |
| 1883 | 28,445 | 36,268 | --- | 7,823 |
| 1884 | 29,673 | 33,871 | --- | 4,198 |
| 1885 | 29,357 | 37,147 | --- | 7,790 |
| 1886 | 32,168 | 48,877 | --- | 16,709 |
| 1887 | 44,304 | 52,408 | --- | 8,104 |
| 1888 | 65,455 | 65,706 | --- | 251 |
| 1889 | 66,104 | 70,060 | --- | 3,956 |
| 1890 | 81,729 | 56,603 | 25,126 | --- |
| 1891 | 62,927 | 79,528 | --- | 16,601 |
| 1892 | 71,326 | 91,103 | --- | 19,777 |
| 1893 | 88,257 | 89,713 | --- | 1,456 |
| 1894 | 117,482 | 113,246 | 4,236 | --- |
| 1895 | 129,261 | 136,112 | --- | 6,851 |
| 1896 | 171,674 | 117,843 | 53,831 | --- |
| 1897 | 219,301 | 163,125 | 56,166 | --- |
| 1898 | 277,502 | 165,754 | 111,748 | --- |
| 1899 | 220,402 | 214,930 | 5,472 | --- |
| 1900 | 287,262 | 204,430 | 82,832 | --- |
| 1901 | 255,817 | 252,349 | 3,468 | --- |
| 1902 | 271,731 | 258,303 | 13,428 | --- |
| 1903 | 317,136 | 289,502 | 27,634 | --- |
| 1904 | 371,361 | 319,261 | 52,100 | --- |
| 1905 | 488,538 | 321,534 | 167,004 | --- |
| 1906 | 418,784 | 423,755 | --- | 4,971 |
| 1907 | 494,467 | 432,413 | 62,054 | --- |
| 1908 | 436,257 | 378,246 | 58,011 | --- |
| 1909 | 394,199 | 413,112 | --- | 18,913 |
| 1910 | 464,234 | 458,429 | 5,805 | --- |
| 1911 | 513,806 | 447,434 | 66,372 | --- |
| 1912 | 618,992 | 526,982 | 92,010 | --- |
| 1913 | 729,432 | 632,460 | 96,972 | --- |
| 1914 | 595,736 | 591,101 | 4,635 | --- |
| 1915 | 532,450 | 708,307 | --- | 175,857 |
| 1916 | 756,428 | 1,127,468 | --- | 371,040 |
| 1917 | 1,035,811 | 1,603,005 | --- | 567,194 |
| 1918 | 1,668,144 | 1,962,101 | --- | 293,957 |
| 1919 | 2,173,460 | 2,098,873 | 74,587 | --- |
| 1920 | 2,336,175 | 1,948,395 | 387,780 | --- |
| 1921 | 1,614,154 | 1,252,837 | 361,317 | --- |
| 1922 | 1,800,308 | 1,637,451 | 162,856 | --- |
| 1923 | 1,982,230 | 1,447,750 | 534,479 | --- |
| 1924 | 2,453,402 | 1,807,034 | 646,367 | --- |
| 1925 | 2,572,657 | 2,305,589 | 267,068 | --- |
| 1926 | 2,377,484 | 2,004,727 | 372,756 | --- |
| 1927 | 2,179,153 | 1,992,317 | 186,836 | --- |
| 1928 | 2,196,314 | 1,971,955 | 224,359 | --- |
| 1929 | 2,216,240 | 2,148,618 | 67,621 | --- |
| 1930 | 1,546,070 | 1,469,852 | 76,218 | --- |

^a1868 to 1920 obtained from: U. S. Tariff Commission, The Foreign Trade of Japan (Washington, D. C.: U. S. Government Printing Office, 1922), pp. 1, 2.
1921 to 1930 obtained from: The Foreign Affairs Association of Japan, The Japan Yearbook 1934 (Tokyo: The Kenkyusha Press), pp. 374.

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²Ibid.

³Keizo Sei
Japan Society fo

Japan's unfavorable balance of trade during the 1870's, from 1896 to 1915, and during the 1920's.

Prior to 1890 Japan had successfully reorganized her governmental administrative system into a well-established constitutional government. This provided an atmosphere of political stability and monetary incentives which enabled and encouraged the people to devote more of their time to the development of the economic sector. This also had its influence upon the country's international trade by enabling exports to continue to increase rapidly after the 1890's.²

The Japanese government took corrective action because of the unfavorable balance of trade during the 1870's. It first encouraged the development of the cotton spinning industry by building two model spinning mills in 1878. These served to stimulate private industry. Japan did not make any of its textile machinery at this time, so the government also imported spinning machinery and sold it to private individuals on favorable credit terms. To further encourage the importing of textile machinery, the government would loan money on favorable terms to private firms who wished to import their own cotton textile machinery.³

It took about thirty-five years for the number of spindles to reach one million and about another thirty-five

²Ibid.

³Keizo Seki, The Cotton Industry of Japan (Tokyo: Japan Society for the Promotion of Science, 1956), p. 15.

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⁴Ibid., p

years for it to reach twelve million (see column 2, Table II-2). This rapid industrial development was possible because of a stable and relatively developed social and scientific system.

Japan began looking to foreign markets for its cotton textiles in the early 1890's. At this time Japan was experiencing a domestic recession, which brought about a temporary overproduction of cotton yarn. Foreign markets provided a solution to this problem (Table II-3), but Japanese cotton yarn exports were having difficulty competing in the world market because of an export duty. The duty was eliminated in 1894, enabling Japanese cotton yarn to compete in the world market.⁴ The exports of cotton yarn increased from approximately 0 to 83.5 million pounds, and cotton fabric exports increased from 6.8 million to 112.8 million square yards during the 1890's.

World War I was another period of extensive and rapid development in the cotton textile industry of Japan. England was the major cotton textile exporter during this time, but was now decreasing her textile production and exports, and concentrating her resources on war production. This gave Japan the opportunity to expand her textile exports to all of Asia and part of Africa. Her exports of cotton fabrics more than doubled, from 403.4 million square yards in 1915

⁴Ibid., pp. 18-19.

Year
(1)

1867

1870

1875

1880

1885

1890

1895

1900

1905

1910

1915

1920

1925

1930

1935

1938

^aObtained
Japan (Tokyo: J
1956), p. 311.

^bPercent 1

TABLE II-2
JAPANESE COTTON SPINDLES

| Year (1) | Spindles ^a (2) | Percent Increase ^b (3) |
|-------------|------------------------------|--------------------------------------|
| 1867 | 3,624 | --- |
| 1870 | 5,624 | 55.2 |
| 1875 | 8,344 | 48.4 |
| 1880 | 12,792 | 53.3 |
| 1885 | 79,264 | 519.6 |
| 1890 | 358,184 | 351.9 |
| 1895 | 677,108 | 89.0 |
| 1900 | 1,361,122 | 101.0 |
| 1905 | 1,378,846 | 1.3 |
| 1910 | 2,004,968 | 45.4 |
| 1915 | 2,772,982 | 38.3 |
| 1920 | 3,689,640 | 33.1 |
| 1925 | 5,026,848 | 36.2 |
| 1930 | 6,942,706 | 38.1 |
| 1935 | 9,739,300 | 40.3 |
| 1938 | 12,550,156 | 28.9 |

^aObtained from: Keizo Seki, The Cotton Industry of Japan (Tokyo: Japan Society for the Promotion of Science, 1956), p. 311.

^bPercent increase over preceding period.

Year

(1)

1885

1890

1895

1900

1905

1910

1915

1920

1925

1930

1935

^aObtained
of Japan (Tokyo
Science, 1956),

TABLE II-3^aJAPANESE EXPORTS OF COTTON YARN
AND COTTON FABRICS

| Year (1) | Yarn (in 1,000 lbs.) (2) | Fabrics (in 1,000 sq. yds.) (3) |
|-------------|--------------------------------|---------------------------------------|
| 1885 | --- | 8,987 |
| 1890 | 12.4 | 6,835 |
| 1895 | 4,710.5 | 45,867 |
| 1900 | 83,492.9 | 112,839 |
| 1905 | 106,953.5 | 147,375 |
| 1910 | 139,054.0 | 239,889 |
| 1915 | 230,356.8 | 403,430 |
| 1920 | 121,970.0 | 862,888 |
| 1925 | 124,321.1 | 1,297,542 |
| 1930 | 23,846.4 | 1,571,825 |
| 1935 | 38,633.2 | 2,725,109 |

^aObtained from: Keizo Seki, The Cotton Industry of Japan (Tokyo: Japan Society for the Promotion of Science, 1956), pp. 304-307.

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⁵Ibid., 1

to 862.8 million square yards in 1920. This greatly expanded world market was a major benefit Japan derived from World War I.⁵

The war also provided a great need and demand for domestically produced textile machinery. Prior to this time, most all textile machinery and parts were imported from England, because domestic machinery producers were unable to match the superior quality of the English imports. The war interrupted all English exports to Japan, which led to greater co-operation between the cotton textile and textile machinery industries of Japan. This put great demands on and stimulated the development of the textile machinery industry. Japan's textile machinery industry was successful in substantially increasing the quality of their product, so when the war was over and machinery imports available, Japan's cotton manufacturers preferred the domestically produced machinery.⁶

After World War I Japan continued her drive to increase cotton exports. She strengthened her position in the markets gained in Asia during the war, and also expanded them to a world-wide basis. This was accomplished even though there was a severe depression in the early 1920's in Japan that caused large price fluctuations and financial uncertainty. To protect itself from the depression, the cotton textile

⁵Ibid., p. 22.

⁶Ibid., pp. 23-24.

industry increased in reduced the depression in a relatively as other economies early 1930's.⁷

Before 18 cotton goods was emphasis began exports of cotton during of World of yarn, and at exporting gray War I, Japan's goods, and after Japan gained in goods.⁸

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⁷ Ibid., p

industry increased its intra-industry co-operation which aided in reducing industrial instability. As a result of the depression in the early 1920's, Japan's economy was in a relatively better economic position and not inflated as other economies prior to the world depression of the early 1930's.⁷

Before 1895 most of the monetary value of exports of cotton goods was in cotton yarn, and after this date the emphasis began shifting from yarn to fabrics; in 1905 the exports of cotton fabrics exceeded imports. At the beginning of World War I exports of fabrics exceeded those of yarn, and at the same time the emphasis shifted from exporting gray goods to finished goods. Prior to World War I, Japan's exports were primarily in semi-finished goods, and after the war, the cotton textile industry of Japan gained importance as a world supplier of finished goods.⁸

Natural Resources and Population

Japan's unique combination of population and natural resources reveals why her government encouraged expansion of the domestic cotton textile industry for foreign markets during the thirties. The population of Japan had approximately doubled within sixty years as shown in Table II-4. The rate of increase showed signs of becoming more rapid after World War I. This increase in the rate of

⁷Ibid., pp. 25-27.

⁸Ibid., pp. 28-30.

Year

1872

1875

1880

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1890

1895

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1905

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1920

1925

1930

^a Obtained
Economic and Financial
The Brookings Institution

TABLE II-4^aPOPULATION OF JAPAN
(IN THOUSANDS)

| Year | Total | Index Number |
|------|--------|--------------|
| 1872 | 34,806 | 100.0 |
| 1875 | 35,316 | 101.5 |
| 1880 | 36,649 | 105.3 |
| 1885 | 38,313 | 110.1 |
| 1890 | 39,902 | 114.6 |
| 1895 | 41,557 | 119.4 |
| 1900 | 43,847 | 126.0 |
| 1905 | 46,620 | 133.9 |
| 1910 | 49,184 | 141.3 |
| 1915 | 52,752 | 151.6 |
| 1920 | 55,473 | 159.4 |
| 1925 | 59,058 | 169.7 |
| 1930 | 64,448 | 185.2 |

^aObtained from: Harold G. Moulton, Japan, An Economic and Financial Appraisal (Washington, D. C.: Brookings Institution, 1931), p. 623.

acceleration of
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cause of impro-
facilities.⁹

In 1928
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⁹ Albert H.
Policy (Cambrid

¹⁰ Harold G.
Appraisal (Wash-
1911), pp. 22-2

acceleration of population was attributed to a continued high birth rate combined with declining death rates because of improved sanitary conditions and medical facilities.⁹

In 1928 Japan had a population density of 437 people per square mile. This compares to 330 per square mile for Germany, and 41 per square mile for the United States. When tillable land is compared to population, Japan's population density increases relatively more than other countries. Because less than 16 percent of the land area Japan is tillable, she then has a population density of 774 people per square mile of tillable land. This compares with 860 for Germany and 229 for the United States. Because of this high population density per square mile of tillable land, Japan must import much of her annual food supply.¹⁰

Japan possesses a wide variety of mineral resources, but did not have sufficient quantities of any to meet her rapidly growing domestic demand. These resource limitations became a very important factor in limiting Japan's growth during the twenties. Key industrial minerals such as iron ore and crude oil were inadequate for the nation's

⁹Albert E. Hindmarsh, The Basis of Japanese Foreign Policy (Cambridge: Harvard University Press, 1936), p. 36.

¹⁰Harold G. Moulton, Japan, An Economic and Financial Analysis (Washington, D. C.: The Brookings Institution, 1937), pp. 22-27.

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industrial demands of the twenties. In 1928 Japan imported over 85 percent of her crude oil consumed and 92 percent of the total iron ore consumed.¹¹

Japan made remarkable economic expansion from 1870 to 1930, and this expansion has enabled her to support an increasing population at a rising level of living. But with limited natural resources, Japan's population was becoming a problem of crucial importance.¹²

Many western countries experienced concurrent growth in population and industrialization after the middle of the nineteenth century. In most all of these cases there were circumstances that differed from the Japanese expansion. These other countries who experienced an increase in population from 1870 to 1930 were endowed with natural resources that were relatively adequate to permit wide spread industrial expansion. Also, these other countries had established foreign transactions which offered some outlet for productive enterprise of their excess populations. Facing the problem of an expanding population and a desire to improve her level of living, Japan was forced to look for, and depend on international trade as the means for improving her welfare.¹³

¹¹Ibid., pp. 55-66.

¹²Ibid., pp. 396-397.

¹³Hindmarsh, op. cit., pp. 36-47.

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14 Isoshi
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pp. 49-50.

15 Ibid.,

Characteristics of Japanese Labor

It is significant to understand some of the characteristics of the Japanese labor force when evaluating the rapid economic growth of Japan. In reviewing the literature, the writers agreed that the Japanese laborer contributed much to the industrial development of Japan and possessed some very desirable characteristics for rapid economic development. It is the nature and cultural heritage of the Japanese worker to be diligent and thrifty in his habits. A worker is praised by his colleagues for being able to produce quality work at a relatively rapid pace. On the other hand, a worker who does less work than he is actually capable of doing is looked down on as an undesirable person by his colleagues. For example, during the 1930's, an average Japanese worker in the cotton mills attended eight semi-automatic looms and thirty to forty automatic looms. The English worker has refused to attend more than six looms, and the Japanese morals would immediately brand them as lazy and undesirable people.¹⁴

The Japanese worker is, and enjoys, being competitive. He tends to have the same goals as management--producing higher quality goods in a shorter time.¹⁵

¹⁴Isoshi Asahi, The Secret of Japanese Trade Expansion (Tokyo: The International Association of Japan, 1934), pp. 49-50.

¹⁵Ibid., pp. 50-52.

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¹⁶ Ibid.,

¹⁸ Seki,

The Japanese workers also demonstrate great aspirations in improving themselves. They have a habit of being studious and are dedicated to improving themselves within the plant. His desires for learning are not limited to his specific job, but are also in other areas of science, social science, and humanities. Employers tend to encourage this studious trait of the Japanese worker because he sees it aiding the development of Japanese industry.¹⁶

The Japanese worker is well-known for his high degrees of manual dexterity. This trait may have lesser importance during the age of mass production, but it does aid in explaining the rapid industrial growth of Japan prior to World War I.¹⁷

Japan's rapidly expanding population between 1870 and 1930 accounts for her abundant labor force. In the cotton textile industry during this time, over 80 percent of all mill workers had come from rural areas and were mostly girls less than twenty-one years of age. Historically and traditionally the cotton handicraft industries have been performed by women on the farms. When the cotton industry developed, it naturally relied upon the rural female population as a major source of its labor supply.¹⁸ Due to this source of labor supply, labor and management of the cotton industry co-operated to develop the dormitory

¹⁶Ibid., pp. 52-54.

¹⁷Ibid., p. 55.

¹⁸Seki, op. cit., p. 53.

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¹⁹Ibid.,

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A. N. Agarwala
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pp. 400-449.

system. Since many of these minor aged female workers came from distant rural areas, it was necessary to provide living quarters and special care for them. This led the firms of the cotton textile industry to build and provide living quarters for a large share of its labor force. The dormitory system, which was provided by the cotton textile firm, reduced the living cost of the labor force to a minimum.¹⁹ Since these girls came from low-income rural areas that were suffering from a surplus of labor, their demands for wages above the company services provided were minimal.²⁰

Industrial Rationalization

The depressed economic conditions of the twenties, coupled with the general world depression of the early 1930's, left the industries of Japan in a weakened position. These general economic conditions also crippled the cotton textile industry of Japan. The Japanese government promoted a movement to organize domestic industry and the domestic and foreign trade on a more sound and profitable basis. Thus in 1930, a Rationalization Bureau was established within the Department of Commerce and Industry; the purpose was

¹⁹ Ibid., pp. 53-54.

²⁰ It is interesting to note that the labor supply for the Japanese cotton textile industry corresponds with the thesis of development, where an unlimited supply of labor is available, in this case from agriculture, at a subsistence wage and employment in the industrial sector as the economy increases as capital formation occurs. N. Agarwala and S. P. Singh (eds.), The Economics of Underdevelopment (London: Oxford University Press, 1958), 400-449.

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Cotton Textile
Bess., 1935, p

22 U. S.,
Japan's Foreign
Bulletin No. 8
Printing Office

23 Seki,

to advise and give central direction to measures that were intended to coordinate industrial activity and promote general efficiency.²¹

The economic structure of the Japanese industries was also changing because the conditions were such that the financially weaker companies were being eliminated either by liquidation or merging with stronger companies. This movement tended to strengthen and stabilize the economic structure of the country.²²

The countrywide rationalization movement greatly improved the efficiency in the cotton textile industry. This movement included: scientific methods of management applied in the mills, time and motion studies made of mill workers to determine the most efficient procedures, special training programs organized and given to workers, Toyoda automatic loom rapidly being installed in the mills to replace the less efficient semi-automatic loom, mills were being air conditioned which increased the efficiency of the looms and the workers.²³ The automatic loom enabled greater labor efficiency which resulted in one man operating up to

²¹U. S., Senate, Cabinet Committee on Cotton Textile Industry, A Report on the Conditions and Problems of the Cotton Textile Industry, Report No. 126, 74th Cong., 1st Sess., 1935, p. 130.

²²U. S., Department of Commerce, Expansion of Japan's Foreign Trade and Industry, Trade Information Bulletin No. 836 (Washington, D. C.: U. S. Government Printing Office, 1937), p. 15.

²³Seki, op. cit., pp. 29-30.

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²⁴"The T
Britain Calls
July, 1934, pp

²⁵Seki, 9

twenty looms. In Great Britain, trade union regulations limited one man to the operation of six looms.²⁴

In addition to these technical improvements within the mills, efforts were also made to improve some external conditions. The managerial efficiency of the textile firms was improved by the merging of small companies that were inefficient due to their size. Trade associations were organized which resulted in the organization of joint purchasing programs.²⁵

The rationalization program within the cotton textile industry had impressive results. Table II-5 shows that the working hours per day were reduced, and at the same time the annual per worker production was substantially increased in both the textile and spinning industries. Table II-6 clearly reveals the rapid decline in costs of production that was accomplished by substantially reducing the number of man-hours required to operate 10,000 spindles. The labor cost required to operate each 10,000 spindles was reduced by 52 percent as a result of this rationalization program.

Table II-7 shows that the real wage per worker increased during this intensified rationalization program. The daily wage to operate 10,000 spindles was greatly

²⁴"The Textile Trade War: Japan's Challenge to Britain Calls for World Analysis," American Exporter, July, 1934, pp. 16-17.

²⁵Seki, op. cit., p. 30.

TABLE II-5^a
 CHANGES IN WORKING HOURS AND ANNUAL PER WORKER
 PRODUCTION IN JAPAN, 1922-1932

CHANGES IN WORKING HOURS AND ANNUAL PER WORKER
PRODUCTION IN JAPAN, 1922-1932

| Year | Hours Worked Per Day | Per Worker Production (in 1,000 yd.) | Hours Worked Per Day | Per Worker Production (in bales) |
|------|-------------------------|--|-------------------------|--|
| 1922 | 11 | 18 | 11 | 12 |
| 1923 | 11 | 20 | 11 | 13 |
| 1924 | 11 | 20 | 11 | 13 |
| 1925 | 11 | 21 | 11 | 14 |
| 1926 | 11 | 22 | 11 | 14 |
| 1927 | 10 | 25 | 10 | 15 |
| 1928 | 10 | 31 | 10 | 16 |
| 1929 | 10 | 35 | 10 | 17 |
| 1930 | 10 | 39 | 10 | 18 |
| 1931 | 8.5 | 49 | 8.5 | 20 |
| 1932 | 8.5 | 50 | 8.5 | 22 |

^aObtained from: Isoshi Asahi, The Secret of Japanese Trade Expansion
(Tokyo: The International Association of Japan, 1934), p. 26.

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DA

Date

June 1929

Dec. 1929

June 1930

Dec. 1930

June 1931

Dec. 1931

June 1932

Dec. 1932

^aObtaine
Trade Expansio
Japan, 1934),

TABLE II-6^a

NUMBER OF MILL WORKERS AND AVERAGE
DAILY WAGES IN JAPAN, 1929-1932

| Date | Workers (Number Per 10,000 Spindles) | | Wages | |
|-----------|--|--------|------------------------------------|-----------------|
| | Male | Female | Per 10,000 Spindles (in Yen) | Index Number |
| June 1929 | 61.2 | 218.9 | 362.93 | 100 |
| Dec. 1929 | 56.2 | 206.0 | 323.90 | 89 |
| June 1930 | 53.2 | 188.9 | 282.55 | 78 |
| Dec. 1930 | 44.8 | 167.4 | 230.58 | 64 |
| June 1931 | 40.8 | 168.6 | 215.14 | 59 |
| Dec. 1931 | 37.3 | 169.0 | 201.65 | 56 |
| June 1932 | 33.8 | 170.8 | 187.18 | 52 |
| Dec. 1932 | 31.9 | 164.1 | 174.29 | 48 |

^aObtained from: Isoshi Asahi, The Secret of Japanese
Trade Expansion (Tokyo: The International Association of
Economists, 1934), p. 28.

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| Year (per 1) | Dai wa Spin (1) (2) |
|--------------|------------------------------|
|--------------|------------------------------|

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| 1929 | 10 |
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|------|---|
| 1932 | 4 |
|------|---|

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Trade Expansi
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^bCalcul
The Foreign A

TABLE II-7

COST AND WAGE COMPARISONS IN THE
TEXTILE INDUSTRY OF JAPAN
(INDEX NUMBERS)

| Year | Daily ^a Wage (per 10,000 Spindles) | Daily ^a Wage (per Worker) | Retail ^b Price Index | Real Wage (per Worker) |
|------|--|--|---------------------------------------|------------------------------|
| (1) | (2) | (3) | (4) | (5) |
| 1929 | 100 | 100 | 100 | 100 |
| 1932 | 48 | 81 | 75 | 108 |

^aObtained from: Isoshi Ashi, The Secret of Japanese Trade Expansion (Tokyo: The International Association of Japan, 1934), pp. 28,29.

^bCalculated from: The Japan Yearbook 1934 (Tokyo: The Foreign Affairs Association of Japan), p. 367.

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reduced (see column 2, Table II-7). During the same time period the daily wage per worker was also declining (see column 3, Table II-7). The general price level in Japan was declining at a more rapid rate than the wages; therefore, the real wage per worker in the cotton textile industry increased by 8 percent (see column 5, Table II-7).

This rationalization program in the cotton textile industry of Japan substantially improved both her ability to compete in the world textile market and her relative share of the world market. Prior to 1930 Great Britain was the dominant textile exporter of the world. Table II-8 reveals how the rationalization movement was able to improve Japan's relative position in the world textile market.

During this general world economic contraction, Japan increased the number of spindles in production of cotton textiles while Great Britain's declined (see columns 2 and 3, Table II-8). The world exports of cotton textiles, and Great Britain's exports of cotton textiles, declined, while Japan's exports of cotton textiles increased (see columns 5 and 6, Table II-8), and this resulted in a substantial increase in Japan's relative share of world exports, and a decline in relative share of the world market for Great Britain (see columns 7 and 8, Table II-8).

Rationalization in the cotton textile industry of Japan served (1) to reduce production costs; (2) to lower raw material purchasing and finished good marketing expenses; and (3) to concentrate the control of production

TABLE II-B
COMPARISON OF COTTON TEXTILE EXPORTS
OF JAPAN AND GREAT BRITAIN

| Number of Yards | Number of Yards | World Exports ^b | Percent of c |
|--------------------|-----------------|----------------------------|--------------|
|--------------------|-----------------|----------------------------|--------------|

COMPARISON OF COTTON TEXTILE EXPORTS
OF JAPAN AND GREAT BRITAIN

27

| Year | Number of Spindles ^a (millions) | | Number of Yards Exported ^b (billions of sq. yards) | | World Exports ^b of Cotton Textiles (principle countires) (billions of sq. yards) | | Percent of World Exports ^c | |
|------|---|----------------------|--|----------------------|--|--------------|---------------------------------------|--------------------------------|
| | Japan (2) | Great Britain (3) | Japan (4) | Great Britain (5) | (6) | Japan (7) | Great Britain (8) | All Others ^d (9) |
| 1929 | 6.53 | 55.9 | 1.79 | 3.67 | 6.02 | 30 | 61 | 9 |
| 1932 | 7.80 | 51.9 | 2.03 | 2.20 | 4.61 | 44 | 48 | 8 |

^a International Labour Office, The World Textile Industry (London: P. S. King and Son, Ltd., 1937), p. 44.

^b Ibid., p. 72.

^c Calculated by dividing column 6 into columns 4 and 5 respectively.

^d Calculated by adding Japan and Great Britain together and subtracting from 100 percent.

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²⁶ U. S. S.

²⁷ Seki, S.

and foreign marketing operations in the hands of the trade associations. Production efficiency resulted chiefly from the increased use of modern equipment and the improvement of mill management. Purchasing and marketing efficiencies were realized as a result of the concentration of foreign raw material buying and finished good selling operations in the hands of a few large and highly efficient trading organizations.²⁶

Industrial Co-operation and Control

The industrious nature of the mill worker and the ability of labor and management to co-operate together were key factors in the success of the rationalization program within the textile industry. The cotton textile industry concentrated its foreign buying of raw materials, and selling of cotton textiles operations, in the hands of a few efficient trading organizations.

The Japanese Cotton Spinners Association was organized to promote orderly marketing and control in the spinning industry. This association represented over 95 percent of all the cotton spindles in Japan, and was organized in such a way that it could control the production of its members' mills.²⁷

²⁶U. S. Senate, Cabinet . . . , op. cit., p. 131.

²⁷Seki, op. cit., p. 30.

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²⁸ U. S.
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²⁹ Ibid.,

Devaluation of the Yen

The devaluation of the yen in terms of the dollar also stimulated the development of the Japanese textile industry. The world depression of the early thirties caused Japan to abandon the gold standard in December of 1931, giving her exports to the United States an added advantage because the value of the yen immediately fell about 30 percent in terms of the dollar (see Table II-9).²⁸ The fall in the value of the yen in terms of the United States' dollar enabled Japanese goods to be exported at lower world prices than were formerly possible, without the necessity of Japanese exporters reducing their prices in terms of yen. The dollar value of the yen decreased about 43 percent from 1931 to 1932. The value of the yen fluctuated widely in 1932 and 1933, but was stabilized in 1934.

As a result of this substantially lower dollar price of Japanese goods, the labor costs in the textile industry of Japan declined to foreigners due to a fall in the price of yen, without lowering the level of living of the Japanese factory workers. This relative lowering of the price of Japanese exports is another factor in adding the competitive strength of the Japanese cotton textile industry in the United States.²⁹

²⁸U. S. Tariff Commission, Recent Developments in the Foreign Trade of Japan, Report No. 105, Second Series, 1936, p. 25.

²⁹Ibid., p. 26.

Year

1926

1927

1928

1929

1930

1931

1932

1933

1934

1935

^a Obtained
Japan (Tokyo:
1950), p. 408.

^b The source
but due to conversion
it is a monthly

TABLE II-9^a

DOLLAR-YEN EXCHANGE RATE IN NEW YORK
(DOLLAR PER YEN)

| Year | Lowest | Highest | Average ^b |
|------|--------|---------|----------------------|
| 1926 | .435 | .488 | .469 |
| 1927 | .456 | .490 | .474 |
| 1928 | .448 | .480 | .465 |
| 1929 | .438 | .490 | .461 |
| 1930 | .490 | .494 | .494 |
| 1931 | .345 | .494 | .489 |
| 1932 | .198 | .373 | .281 |
| 1933 | .203 | .313 | .252 |
| 1934 | .285 | .304 | .295 |
| 1935 | .278 | .291 | .286 |

^aObtained from: Keizo Seki, The Cotton Industry of Japan (Tokyo: Japan Society for the Promotion of Science, 1967), p. 408.

^bThe source does not state what average that is, due to conventional quotations, my presumption is that is a monthly average.

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Balance of Trade

The Japanese textile rationalization program influenced the balance of trade with United States and the rest of the world. Japan had been experiencing an unfavorable balance of trade during the twenties and the early thirties, and the yen value of Japan's annual imports and exports for the period 1924-34 is shown in Table II-10. Both exports and imports declined some from 1925 through 1928 and fell sharply in 1930 and 1931. From 1931 through 1934 both imports and exports increased. From 1925 to 1932 the aggregate value of Japan's imports fell more rapidly than did the value of her exports; a situation which resulted in a decline in her unfavorable balance of trade. From 1932 to 1934 the reverse was true; the value of imports rose more rapidly than exports, and this resulted in an increase in the country's unfavorable balance of trade.

Japan's balance of trade did not change substantially from 1929 through 1934; however, there was a substantial change of the Japanese balance of trade with the United States and with the rest of the world. During the thirties Japanese balance of trade with the United States, and her balance with the rest of the world, was reversed (see Table II-11). Prior to 1932 Japanese exports to the United States exceeded her imports, and she was experiencing a favorable balance of trade with the United States. During this same time Japan was experiencing an unfavorable balance of trade with the rest of the world. From 1932 to 1934 Japan

TABLE II-10^a
FOREIGN TRADE OF JAPAN

| Year | Exports (millions) | Imports (millions) | Total (millions) | Excess of Imports (millions of Yen) |
|------|-----------------------|-----------------------|---------------------|--|
|------|-----------------------|-----------------------|---------------------|--|

| Year | Exports (millions of yen) (2) | Imports (millions of yen) (3) | Total (millions of yen) (4) | Excess of Imports (millions of yen) (5) |
|------|--|--|--------------------------------------|---|
| (1) | | | | |
| 1924 | 1,807 | 2,453 | 4,260 | 646 |
| 1925 | 2,306 | 2,573 | 4,879 | 267 |
| 1926 | 2,045 | 2,377 | 4,422 | 332 |
| 1927 | 1,992 | 2,179 | 4,171 | 187 |
| 1928 | 1,972 | 2,196 | 4,168 | 224 |
| 1929 | 2,149 | 2,216 | 4,365 | 67 |
| 1930 | 1,470 | 1,546 | 3,016 | 76 |
| 1931 | 1,147 | 1,236 | 2,383 | 89 |
| 1932 | 1,410 | 1,431 | 2,841 | 21 |
| 1933 | 1,861 | 1,917 | 3,778 | 56 |
| 1934 | 2,172 | 2,283 | 4,455 | 111 |

^a Obtained from: U. S. Tariff Commission, Recent Developments in the Foreign Trade of Japan (Washington, D. C.: U. S. Government Printing Office, 1936), Report No. 105, second series, p. 14.

TABLE II-11^a
FOREIGN TRADE OF JAPAN WITH THE UNITED STATES
AND WITH REST OF THE WORLD
(IN MILLIONS OF YEN)

FOREIGN TRADE OF JAPAN WITH THE UNITED STATES
AND WITH REST OF THE WORLD
(IN MILLIONS OF YEN)

| Year | Trade with the U. S. | | | Trade with Rest of World | | | Percent of Total Trade With the U. S. | | |
|------|---------------------------------|---------------------------------|--|---------------------------------|---------------------------------|--|---|---------------------------------|--|
| | Exports from Japan (2) | Imports into Japan (3) | Excess of Exports (+) Imports (-) (4) | Exports from Japan (5) | Imports into Japan (6) | Excess of Exports (+) Imports (-) (7) | Exports from Japan (8) | Imports into Japan (9) | |
| (1) | | | | | | | | | |
| 1929 | 914 | 654 | + 260 | 1,235 | 1,562 | - 327 | 42 | 29 | |
| 1930 | 506 | 443 | + 63 | 964 | 1,103 | - 139 | 34 | 29 | |
| 1931 | 425 | 342 | + 83 | 722 | 894 | - 172 | 37 | 28 | |
| 1932 | 445 | 510 | - 65 | 965 | 921 | + 44 | 32 | 36 | |
| 1933 | 492 | 621 | - 129 | 1,369 | 1,296 | + 73 | 26 | 32 | |
| 1934 | 399 | 769 | - 370 | 1,773 | 1,514 | + 259 | 18 | 34 | |

^a Obtained from: U. S. Tariff Commission, Recent Developments in the Foreign Trade of Japan, Report No. 105, second series (Washington, D. C.: U. S. Government Printing Office, 1936), p. 8.

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Raw Cotton Imports

Cotton

household industries
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need for cotton
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in Japan was
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which encouraged
upon foreign

Because
its raw cotton
about 90 percent
proportions of
Japanese textile
the quality of
mills produce

³⁰ Seki,

³¹ Ibid.

was experiencing an unfavorable balance of trade with the United States, and at the same time a favorable balance of trade with the rest of the world.

Raw Cotton Imports

Cotton textile production developed from a small household industry into the largest manufacturing industry of Japan during the first thirty years of the twentieth century. With this rapid growth, Japan realized that the need for cotton could not be fully met by increasing domestic cultivation. Since the cost of producing cotton in Japan was higher than in overseas areas and because her climatic condition were not as suitable for cotton cultivation, the Japanese government gave up encouraging domestic cotton growing. Import duties on raw cotton were abolished which encouraged the industry to become wholly dependent upon foreign cotton.³⁰

Because Japan depends wholly on foreign sources for its raw cotton, the United States and British India supplied about 90 percent of it from 1900 to 1938.³¹ The relative proportions of American and Indian cotton consumed by the Japanese textile industries changed because of a change in the quality of cloth produced. Prior to 1930, Japanese mills produced the cheaper grades of cloth made from coarse

³⁰Seki, op. cit., p. 104.

³¹Ibid., p. 328.

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yarns, both for home consumption and for export to Asian markets. Indian cotton, shorter of staple and lower in price than American cotton, was then more suitable for the industry's needs. Since 1930, Japan has been competing in world markets with the better quality American and British cotton cloths and to be competitive has required a greater use of the longer staple American cotton. While in the ten year period 1921-32 India supplied 50 percent of Japan's annual cotton consumption, as compared to 40 percent supplied by the United States. From 1931-35, American cotton increased to over 50 percent of the total imports while Indian cotton dropped to less than 40 percent.³²

Within the limits of physical substitutability of American and Indian cotton, price changes influence the relative amounts of each used.³³ The Japanese textile industry has become very efficient at mixing raw cotton of various types and are prepared to take advantage of different prices of raw cotton in various parts of the world.³⁴

³²U. S. Department of Commerce, Expansion of . . ., pp. cit., p. 21.

³³Japanese textile manufacturers have become very skilled at mixing raw cotton of various types, and this process is a trade secret; however, in the manufacturing of higher grade yarns, American cotton is used almost exclusively, while in the lower grade yarns more Indian cotton can be used.

³⁴U. S. Department of Commerce, Expansion of . . ., pp. cit., p. 21.

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³⁵U. S.
op. cit., pp.
³⁶Foreign
June, 1963.

Table II-12 shows the increasing trend of raw cotton coming from the United States during the early thirties. In the late thirties, United States cotton became relatively less significant while China and other countries became more important as a source of supply.

The changing trend of the Japanese foreign trade can be explained by three events. During the 1920's, raw silk was the most important item the United States imported from Japan. The price of raw silk declined substantially in the late twenties and early thirties due to the development of artificial substitutes. Therefore, the substantial fall in the price of raw silk accounted for a large part of the decline in Japanese exports to the United States. Another event was the expansion of Japanese exports, which were the type of commodities that found better markets in countries other than the United States. This changing trend of Japanese exports resulted in a reduced share of her exports going to the United States (see column 7, Table II-11). Another event influencing the trend was the substantial expansion of the cotton textile industry of Japan. Because Japan must import over 99 percent of her raw cotton, and the United States was a major supplier of raw cotton for the Japanese textile industry, this resulted in an increased share of Japanese imports coming from the United States (see column 9, Table II-11).^{35,36}

³⁵U. S. Tariff Commission, Recent Developments . . ., p. cit., pp. 7-12.

³⁶Foreign Agricultural Service, Cotton Division, June, 1963.

| Year (1) | Uni |
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^aObtain
Japan (Tokyo:
1956), p. 328

^b100 pe
India, and Ch

TABLE II-12^aSOURCE OF JAPANESE RAW COTTON IMPORTS
(IN PERCENT)

| Year (1) | United States (2) | India (3) | China (4) | Others ^b (5) |
|-------------|----------------------|--------------|--------------|----------------------------|
| 1903 | 13 | 56 | 25 | 6 |
| 1904 | 10 | 38 | 43 | 9 |
| 1905 | 27 | 50 | 16 | 7 |
| 1906 | 19 | 50 | 23 | 8 |
| 1907 | 21 | 52 | 21 | 6 |
| 1908 | 24 | 45 | 20 | 11 |
| 1909 | 18 | 58 | 15 | 9 |
| 1910 | 9 | 63 | 23 | 5 |
| 1911 | 18 | 58 | 18 | 6 |
| 1912 | 31 | 52 | 11 | 6 |
| 1913 | 26 | 60 | 9 | 5 |
| 1914 | 22 | 66 | 7 | 5 |
| 1915 | 22 | 67 | 8 | 3 |
| 1916 | 26 | 61 | 8 | 5 |
| 1917 | 24 | 63 | 9 | 4 |
| 1918 | 36 | 42 | 18 | 4 |
| 1919 | 39 | 45 | 12 | 4 |
| 1920 | 41 | 53 | 3 | 3 |
| 1921 | 40 | 50 | 6 | 4 |
| 1922 | 33 | 57 | 7 | 3 |
| 1923 | 29 | 58 | 9 | 4 |
| 1924 | 29 | 56 | 12 | 3 |
| 1925 | 35 | 56 | 6 | 3 |
| 1926 | 39 | 50 | 7 | 4 |
| 1927 | 50 | 39 | 8 | 3 |
| 1928 | 40 | 47 | 11 | 2 |
| 1929 | 42 | 48 | 7 | 3 |
| 1930 | 41 | 49 | 7 | 3 |
| 1931 | 48 | 43 | 6 | 3 |
| 1932 | 71 | 22 | 4 | 3 |
| 1933 | 60 | 32 | 5 | 3 |
| 1934 | 48 | 43 | 2 | 7 |
| 1935 | 47 | 42 | 4 | 7 |
| 1936 | 39 | 44 | 3 | 14 |
| 1937 | 30 | 51 | 3 | 16 |
| 1938 | 35 | 33 | 15 | 17 |
| 1939 | 29 | 34 | 11 | 26 |
| 1940 | 0 | 30 | 10 | 60 |

^aObtained from: Keizo Seki, The Cotton Industry of Japan (Tokyo: Japan Society for the Promotion of Science, 1966), p. 328.

^b100 percent minus the summation of United States, India, and China.

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Summary

Japan's industrial activity experienced enormous growth in the last thirty years of the nineteenth century and the first thirty-five years of this century. Japanese exports grew from approximately zero in 1870, to 204 million yen in 1900, and then to two billion yen in 1935. As a comparison, the foreign trade of the United States grew from \$2.4 billion in 1900 to 4.3 billion in 1935.³⁷

During this time Japan was experiencing a rapid population growth and her people had a strong desire to improve their level of living. This desire, combined with extremely limited raw materials, resulted in a country that had to earn her foreign exchange by exporting her labor in the form of finished goods for her to survive and grow economically.

The cost of producing Japanese cotton manufactured goods were lowered for numerous reasons in the early thirties. These reasons included improved management and production methods, new and better equipment, more effective use of labor, more extensive centralized control over foreign buying and selling operations, and a lower exchange value for the yen. These changes, the above-discussed desire of the people, and the country's limited natural resources combine to explain Japan's situation in the 1930's: she

³⁷R. A. May, "Trade Relations with Japan," The Far Eastern Review, XXXII, No. 12 (December, 1936), p. 516.

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CHAPTER III

ANALYSIS OF JAPAN'S EXPORTS TO THE UNITED STATES DURING THE 1930'S

International trade was in a state of flux during the decade of the thirties. The world-wide depression of the early thirties resulted in a sharp decline in national incomes and international transactions, which led many countries to an increasing protectionist policy to aid internal industrial recovery. Countries were devaluating their currencies which resulted in changing the international price structure. There was also rapid technological development occurring in many countries of the world.

In 1930 the United States passed the Smoot-Hawley Tariff Act which substantially increased tariffs. Japan depreciated the international value of the yen in 1931, which lowered the international price of Japanese goods. Also, rapid and substantial rationalization was experienced by all Japanese industries in the twenties and thirties and by the cotton textile industry during the first half of the thirties. These events of the early thirties had counterbalancing results that set the stage for the Japanese-United States trade problems of the middle

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and late thirties. This chapter will concentrate on the important economic events that led to the voluntary controls of the thirties. Due to the lack of comparable data in quantities, this analysis will be in dollar values.

United States Imports

The total dollar value of United States imports was steady during the late twenties and fluctuated more during the thirties. During the late twenties Gross National Product was around \$100 billion and total imports slightly over \$4 billion as indicated in columns 2 and 3 of Table III-1. During the thirties total imports moved in the same direction as N. N. P., with the exception of 1933. Total imports declined relatively more than G. N. P. in the early part of the depression and stayed around 3 percent as compared to slightly over 4 percent of the late twenties (see column 5, Table III-1).

United State's Imports from Japan

The dollar value of total imports from Japan was around \$400 million during the late twenties as indicated in column 4 of Table III-1. It dropped to less than \$200 million in the early thirties and tended to decrease during the decade. The percentage of total imports that came from Japan was from 9 to 10 percent prior to 1932 (see column 5 of Table III-1). It declined to about 7 percent in 1934 and remained at that level the rest of the decade.

TABLE III-1
COMPARISON OF THE UNITED STATES GROSS NATIONAL PRODUCT, TOTAL IMPORTS,
AND IMPORTS FROM JAPAN, 1925-1939

| Year | G.N.P. ^a | Total ^b Imports | Imports ^b from Japan | Percent of GNP Imported | Percent of Total Imports |
|------|---------------------|-------------------------------|------------------------------------|----------------------------|-----------------------------|
|------|---------------------|-------------------------------|------------------------------------|----------------------------|-----------------------------|

COMPARISON OF THE UNITED STATES GROSS NATIONAL PRODUCT, TOTAL IMPORTS,
AND IMPORTS FROM JAPAN, 1925-1939

| Year | G.N.P. ^a (Billions of Dollars) | Total ^b Imports (Millions of Dollars) | Imports ^b from Japan (Millions of Dollars) | Percent of GNP Imported (Column 3 ÷ Column 2) Percent (5) | Percent of Total Imports from Japan (Column 4 ÷ Column 3) Percent (6) |
|------|---|---|--|--|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1927 | 96.3 | 4,184.7 | 402.1 | 4.3 | 9.6 |
| 1928 | 98.2 | 4,091.4 | 384.5 | 4.1 | 9.4 |
| 1929 | 104.4 | 4,399.4 | 431.9 | 4.2 | 9.8 |
| 1930 | 91.1 | 3,060.9 | 279.0 | 3.4 | 9.1 |
| 1931 | 76.3 | 2,090.6 | 206.0 | 2.7 | 9.9 |
| 1932 | 58.5 | 1,322.8 | 134.0 | 2.3 | 10.1 |
| 1933 | 56.0 | 1,449.6 | 128.4 | 2.6 | 8.9 |
| 1934 | 65.0 | 1,655.1 | 119.3 | 2.5 | 7.2 |
| 1935 | 72.5 | 2,047.5 | 152.9 | 2.8 | 7.5 |
| 1936 | 82.7 | 2,422.6 | 171.7 | 2.9 | 7.1 |
| 1937 | 90.8 | 3,083.7 | 204.2 | 3.4 | 6.6 |
| 1938 | 85.2 | 1,960.4 | 126.8 | 2.3 | 6.5 |
| 1939 | 91.1 | 2,318.1 | 161.2 | 2.5 | 7.0 |
| 1940 | 100.6 | 2,625.4 | 158.4 | 2.6 | 6.0 |

^a Obtained from: U. S. Department of Commerce, Historical Statistics of the United States, Colonial Times to 1957 (Washington, D. C.: U. S. Government Printing Office, 1960), p. 139.

^b Obtained from: U. S. Department of Commerce, Survey of Current Business: 1942 Supplement (Washington, D. C.: U. S. Government Printing Office), pp. 91-92.

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The dollar value of Japanese exports to the United States was also declining during the thirties, but the yen value of goods exported to the United States shows a substantial increase. In 1930 and 1931 the yen was worth about 49 cents in New York.¹ Japan abandoned the Gold Standard in December, 1931 and the value of the yen declined to an average of 28 cents in 1932, tending to stabilize at about that level. This devaluation amounts to an 80 percent increase in the purchasing power of the dollar in terms of the yen. After 1931 the quantity of Japanese exports to the United States increased substantially due to the devaluation of the yen, and this is not reflected in the dollar value (see column 4, Table III-1).

United States Imports of
Cotton Manufactures

The dollar value of cotton manufactures imported into the United States declined from \$69 million in 1929 to a low of \$28 million in 1932 (see column 3, Table III-2). It increased from 1934 to 1937, where it reached a peak of \$57 million. Imported cotton manufactures varied from 1.5 to 2.2 percent of total imports during the decade of the thirties (column 5, Table III-2). This reveals relative stability and no particular trend during this time.

¹Table II-8, p. 27.

TABLE III-2
COMPARISON OF THE UNITED STATES TOTAL IMPORTS, TOTAL IMPORTS
OF COTTON MANUFACTURES, AND COTTON MANUFACTURES
IMPORTED FROM JAPAN

| | Cotton Manufactures | Percent of | Percent of |
|--|---------------------|------------|------------|
|--|---------------------|------------|------------|

TABLE III--2

COMPARISON OF THE UNITED STATES TOTAL IMPORTS, TOTAL IMPORTS
OF COTTON MANUFACTURES, AND COTTON MANUFACTURES
IMPORTED FROM JAPAN

| Year | Total Imports ^a (Million of Dollars) | Cotton Manufactures Imported ^b (Millions of Dollars) | | Percent of Total Imports that are Cotton Manufactures (Column 3 ÷ Column 2) (5) | Percent of Total Imports that are Cotton Manufactures from Japan (Column 4 ÷ Column 2) (6) |
|------|--|--|-------------------|---|--|
| | | Total (3) | From Japan (4) | | |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1928 | 4,091 | 69 | 3 | 1.7 | .07 |
| 1929 | 4,399 | 69 | 3 | 1.6 | .07 |
| 1930 | 3,061 | 46 | 2 | 1.5 | .07 |
| 1931 | 2,091 | 41 | 2 | 2.0 | .10 |
| 1932 | 1,323 | 28 | 1 | 2.1 | .08 |
| 1933 | 1,450 | 32 | 2 | 2.2 | .14 |
| 1934 | 1,655 | 32 | 3 | 1.9 | .18 |
| 1935 | 2,047 | 41 | 8 | 2.0 | .39 |
| 1936 | 2,423 | 49 | 13 | 2.0 | .54 |
| 1937 | 3,084 | 57 | 17 | 1.8 | .55 |
| 1938 | 1,960 | 35 | 7 | 1.8 | .36 |
| 1939 | 2,318 | 40 | 8 | 1.7 | .35 |
| 1940 | 2,625 | 31 | 8 | 1.2 | .30 |

^aObtained from: U. S. Department of Commerce, Survey of Current Business: 1942 Supplement (Washington: U. S. Government Printing Office), p. 91.

^bObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation of the United States (Washington: U. S. Government Printing Office), 1928-1940.

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United States Imports of Cotton
Manufactures from Japan

Cotton manufactures imported from Japan were \$3 million during the late twenties and declined to \$1 million in 1932 and then expanded to \$17 million in 1937 (see column 4, Table III-2). Most of this increase in dollar value of cotton manufactures imported from Japan occurred in 1935, 1936, and 1937, when imports increased about \$5 million each year. When the Japanese currency devaluation of 1931 is taken into consideration, the quantity of Japanese cotton textile exports to the United States during the peak 1937 period was about ten times greater than the late twenties.

There was a substantial increase in cotton manufactures imported from Japan relative to total imports (see column 5, Table III-3). Cotton manufactures were less than 1 percent of total imports from Japan in the late twenties and increased to 8.5 percent in 1937.

Cotton manufactures imported from Japan increased substantially, relative to total cotton manufactures imported (see column 6, Table III-3). Less than 5 percent of the total cotton manufactures imported into the United States was from Japan in the twenties, but it increased rapidly, especially in the years of 1935 and 1936, to a peak of 29.8 percent in 1937. During the thirties, United States' purchases of cotton manufactures from Japan substantially increased relative to purchases from other countries.

TABLE III-3
COMPARISON OF THE UNITED STATES TOTAL IMPORTS FROM JAPAN,
TOTAL COTTON MANUFACTURES IMPORTED, TOTAL COTTON
MANUFACTURES IMPORTED FROM JAPAN

| Cotton Manufactures | Percent of | Percent of |
|---------------------|---------------|---------------------------|
| | total imports | total cotton manufactures |

COMPARISON OF THE UNITED STATES TOTAL IMPORTS FROM JAPAN,
TOTAL COTTON MANUFACTURES IMPORTED, TOTAL COTTON
MANUFACTURES IMPORTED FROM JAPAN

| Year | Total Imports from Japan ^a (Millions of Dollars) | Cotton Manufactures Imported ^b (Millions of Dollars) | Percent of Total Imports from Japan that are Cotton Manufactures (Column 4 ÷ Column 2) | Percent of Total Imported Cotton Manufactures from Japan (Column 4 ÷ Column 3) |
|------|--|---|---|--|
| (1) | (2) | (3) | (4) | (5) |
| 1928 | 384 | 69 | 3 | 0.8 |
| 1929 | 432 | 69 | 3 | 0.7 |
| 1930 | 279 | 46 | 2 | 0.7 |
| 1931 | 206 | 41 | 2 | 1.0 |
| 1932 | 134 | 28 | 1 | 0.7 |
| 1933 | 128 | 32 | 2 | 1.6 |
| 1934 | 119 | 32 | 3 | 2.5 |
| 1935 | 153 | 41 | 8 | 5.2 |
| 1936 | 172 | 49 | 13 | 7.6 |
| 1937 | 204 | 57 | 17 | 8.3 |
| 1938 | 127 | 35 | 7 | 5.5 |
| 1939 | 161 | 40 | 8 | 5.0 |
| 1940 | 158 | 31 | 8 | 5.1 |

^aObtained from: U. S. Department of Commerce, Survey of Current Business: 1942
Supplement (Washington: U. S. Government Printing Office), p. 92.

^bObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation
of the United States (Washington: U. S. Government Printing Office), 1928-1940.

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United States Production and Imports of
Cotton Manufactured Goods

United States production of cotton manufactured products was at a low of \$850 million in 1931 and a high of \$1.3 billion in 1937 for the decade of the thirties (see column 2 of Table III-4). It remained relatively stable during the thirties, as compared to other types of manufactured products. This can be attributed to the high priority given to the products by consumers and to the non-durable characteristics of cotton manufactured goods.

Total imports fluctuated from 3 to 5 percent of cotton manufactures produced during the thirties (see column 5, Table III-4). This appears remarkably stable when considering the unstable general economic conditions that prevailed during this time.

Cotton manufactures imported from Japan did have a substantial increase in dollar value in 1935 through 1937, as stated earlier and in column 4 of Table III-4. When comparing this to United States production, we find imports of cotton manufactures from Japan increased, but were greater than 1 percent of domestic sales in only one year during the thirties (see column 6, Table III-4).

Summary

The percentage of G. N. P. that was imported and the percentage of total imports from Japan declined during the thirties. Total cotton manufactures imported as a percent of total imports was relatively constant at the 2

TABLE XIX—*a*
COMPARISON OF VALUE OF THE UNITED STATES COTTON MANUFACTURES PRODUCED,
TOTAL COTTON MANUFACTURES IMPORTED, AND COTTON MANUFACTURES
IMPORTED FROM JAPAN

| U. S. Cotton | Cotton Manufactures | U. S. Cotton | Percent of U. S. Cotton |
|--------------|---------------------|--------------|----------------------------|
|--------------|---------------------|--------------|----------------------------|

COMPARISON OF VALUE OF THE UNITED STATES COTTON MANUFACTURES PRODUCED,
TOTAL COTTON MANUFACTURES IMPORTED, AND COTTON MANUFACTURES
IMPORTED FROM JAPAN

| Year | U. S. Cotton Manufactured Products ^a (Millions of Dollars) | Cotton Manufactures Imported ^b (Millions of Dollars) | Percent of | | Percent of |
|------|---|---|--|-----|--|
| | | | U. S. Cotton Manufactured Products Imported (Column 3 + Column 2) | | U. S. Cotton Manufactured Products Imported from Japan (Column 4 + Column 2) |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1929 | 1,596 | 69 | 3 | 4.3 | .19 |
| 1931 | 850 | 41 | 2 | 4.8 | .24 |
| 1933 | 902 | 32 | 2 | 3.5 | .22 |
| 1935 | 1,031 | 41 | 8 | 4.0 | .78 |
| 1937 | 1,341 | 57 | 17 | 4.3 | 1.27 |
| 1939 | 1,168 | 40 | 8 | 3.4 | .68 |

^a Obtained from: U. S. Department of Commerce, Census of Manufactures
(Washington: U. S. Government Printing Office, 1936, 1940).

^b Obtained from: U. S. Department of Commerce, Foreign Commerce and Navigation
of the United States (Washington: U. S. Government Printing Office, 1929-1939).

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percent level. Of the total imports from Japan, cotton manufactures did increase in relative importance up to 8.5 percent in 1937. Also, of the total cotton manufactures imported, the relative share that came from Japan did increase up to 29.8 percent in 1937.

The most important point revealed in this chapter is that cotton manufactures imported were less than 5 percent of domestic sales, and those imported from Japan were around the 1 percent level of domestic sales. This analysis reveals there was no apparent concentration of imports from Japan during the thirties. There was an increase in dollar volume of cotton manufactures imported from Japan in 1934, 1936, and 1937. This occurred at a time when most other international transactions were not rapidly expanding, and when the domestic industry and government were concentrating on improving wages and working conditions of the labor force.

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CHAPTER IV

VOLUNTARY AGREEMENTS OF THE 1930'S

Introduction

Voluntary agreements were used between Japan and the United States for cotton cloth, cotton floor coverings, cotton hose, and cotton velveteens and corduroys during the thirties. Hoping to check the increasing flow of Japanese cotton goods, the United States initiated these voluntary agreements. The depressed domestic industry believed they needed protection from imports, because at this time they were operating under the Code of the National Industrial Recovery Administration. The cotton cloth agreement and the cotton velveteen and corduroy agreement were made by direct negotiation between national representatives of the industry, while the cotton rug and the cotton hosiery agreements were made with the State Department¹ and the Japanese government as intermediaries between the industrial representatives.

The Japanese government clearly stated they were willing to voluntarily restrict their exports if it would

¹References to the State Department in this chapter refer to the office of Assistant Secretary of State Sayre, and/or office of Mr. Eugene H. Doorman of the Division of Far Eastern Affairs.

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prevent or postpone more permanent and severe restrictions by the United States. On December 13, 1933, the Japanese Charge d'Affaires, Mr. Toshihiko Taketomi, and Assistant Secretary of State Sayre were discussing the problem of Japanese imports of tuna fish and lead pencils to the United States, and Mr. Toshihiko Taketomi states, ". . . if measures to place these two commodities on a quota basis or to raise the import duties thereon could be prevented or forestalled, the Japanese government would be prepared to consider exercising a control and limitation of the exports of these commodities from Japan to the United States."²

In a memorandum from the Japanese Embassy to the Department of State on June 27, 1934, a similar view was expressed:

While the Japanese government and Exporters Association are making every honest effort to restrict the exportation of these goods to the United States, the Japanese government hope that the United States government would be so good as to negotiate previously with the Japanese government before taking any action, such as imposing additional duty or quota restriction.³

The Japanese clearly stated that they preferred compromise to special unilateral action by the American government.

This chapter will concentrate on the four specific voluntary textile agreements made between Japan and the United States during the thirties. Emphasis is placed on

²U. S. Department of State, Foreign Relations of the United States, Diplomatic Papers: 1934, Vol. 3 (Washington, D. C.: U. S. Government Printing Office, 1954), p. 800.

³Ibid., p. 812.

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⁴U.
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1936), p.

Now the textile industry and the State Department used the voluntary quota to satisfy both the American and Japanese textile industries. The cotton cloth agreement is the first one to be examined as it encompassed the largest quantity of textile goods. Following cotton cloth three important but less significant quota agreements will be discussed.

Cotton Cloth

The United States Tariff Commission began to investigate the differences in the domestic and foreign costs of production of cotton cloth on April 2, 1935. This investigation was instituted by a Senate Resolution under Section 336 of the Tariff Act of 1930.⁴ Section 336 states,

The (Tariff) Commission . . . upon resolution of either or both houses of Congress, or . . . upon application of any interested party, shall investigate the differences in the costs of production of any domestic article and of any like of similar foreign article.⁵

If the Tariff Commission found in its investigation that there was a difference in the costs of production, they were directed, by the Senate Resolution, to specify in their report to the President such increases or decreases in the tariff rates that would be necessary to equalize these differences.

⁴U. S. Tariff Commission, Twentieth Annual Report (Washington, D. C.: U. S. Government Printing Office, 1936), p. 35.

⁵Tariff Act of 1930 in U. S. Statutes at Large, Vol. 46, Part 1, p. 701.

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From 1933 to 1935, the textile industry was also complying with the provision of the National Industrial Recovery Act to improve wages and working conditions within the industry. But increasing Japanese exports to the United States led to a feeling of frustration in the domestic industry. The domestic industry thought it was hopeless to try to compete with the substantially lower priced Japanese goods in the domestic market, while at the same time it increased its costs of production through complying with N. I. R. A. Because of the N. I. R. A., the industry believed it was the government's responsibility to protect them from foreign competition.

This fear of Japanese imports in the United States was openly expressed in the press, and trade associations made formal appeals to state and national congressmen for legislative action to correct the problem. One appeal for legislative action was:

The Textile Fabrics Association, at its annual meeting yesterday, adopted a resolution to appeal to President Roosevelt and Congress to take immediate action to fully protect American Industry and Labor from foreign competition in the market of cotton fabrics.⁶

Another appeal was

With cotton cloth imports from Japan last year more than six and a half times larger than in the previous year, the Association of Cotton-textile Merchants of New York yesterday sent out a bulletin

⁶ New York Times, January 18, 1935, p. 38.

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to its members, reciting the facts and stressing the need for prompt governmental action.⁷

A state legislature also appealed to its national congressmen for protection. On January 25, 1935, Senator Ralph of Rhode Island, announced in the United States House of Representatives, that a resolution was pending in the Rhode Island House of Representatives pertaining to the various cotton textile difficulties in New England. The proposed Rhode Island House resolution reads as follows:

Whereas the unsatisfactory conditions in the textile industry are a cause of great distress in Rhode Island, and the lack of work imposes a heavy burden upon the relief agencies in the state; and

Whereas Federal legislation is needed to correct the condition in the textile industry and to ameliorate suffering: Therefore be it

Resolved, that the general assembly respectfully requests the Senators and Representatives of Rhode Island in the Congress of the United States to take such steps as will remedy the conditions now existent in the State; and be it further

Resolved, that copies of this resolution be transmitted by the Secretary of State to the Senators and Representatives of Rhode Island in the Congress of the United States.⁸

On March 14, 1935, Congresswomen Rogers of Massachusetts, presented to the House data she collected from the Department of Labor and the Department of Commerce that indicated the seriousness of Japanese textile competition in the United States. Later that same day Congressman Citron of Connecticut emphasized the potential danger of Japanese imports and questioned whether tariffs would provide

⁷ New York Times, February 24, 1935, p. 19.

⁸ U. S. Congressional Record, 74th Cong., 1st Sess., LXXIX, Part 1, p. 963.

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cient protection. He stated, "While the total im-
of textiles in 1934 were about the same as 1933,
progressively increasing share from Japan and the
mely low prices of Japanese products have become a
tial menace to the industry."⁹

These events led to the submission of the following
e resolution on March 15, 1935, by Senator Metcalf
ode Island:

Resolved, that the United States Tariff Commis-
sion is directed, under the authority conferred by
Section 336 of the Tariff Act of 1930, and for the
purposes of that section, to investigate the differ-
ences in the costs of production of the following
domestic article and of any like or similar foreign
articles: cotton manufactures, included in para-
graphs 903 and 904 of such act.¹⁰

resolution received Senate confirmation on March 29 of
same year, but this action did not pacify the textile
stry and they continued to remind Congress of their
lem. On March 16, 1935, Senator Walsh of Massachusetts,
lived a telegram from representatives of the New Eng-
cotton cloth industry, calling his attention to the
d increase of cotton cloth imports from Japan in the
t two months of 1935, and suggesting that he discuss
easing tariffs with the President.¹¹

On March 18, 1935, in an interview with a New York
s reporter, Senator George of Georgia stated,

⁹Ibid., Part 4, p. 3670. ¹⁰Ibid., Part 4, p. 4680.

¹¹Ibid., p. 3793.

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In the first two months of this year imports of Japanese cotton goods reached the total of more than twenty-four million square yards, or more than three times the total for the year 1934. The only way to control such imports was declared to be the establishment of a quota for Japan; in other words, a restricted or limited embargo. Any plan involving relief through the raising of tariff walls would be entirely ineffective.¹²

The above actions during the first three months of indicate the attitude of textile industry leaders and fear of the potential expansion of Japanese exports e United States. The State Department's attitude to this problem was stated as follows: "The policy of State Department is to increase and develop foreign e without causing any drastic disturbance to established domestic industry. The program for increasing foreign e envisages an increase of both exports and imports."¹³

The State Department was placed in a most difficult tion: in international relations they had a policy etive to increase and develop foreign trade, and in stic relations their actions were not allowed to inter- drastically with the domestic industry. Since the omic depression of the early thirties weakened the stic textile industry, any small increase in Japanese ts to the United States was viewed as further im- ng the already serious conditions of the domestic try.

¹²New York Times, March 19, 1935, p. 39.

¹³Ibid., April 18, 1935, p. 5.

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The Tariff Commission began its investigation of cotton cloth in April, 1935, however, its report did not reach the President until one year later, April, 1936. This was delayed at the request of the State Department, because of a possible voluntary agreement.¹⁴ The Commission's investigation indicated the disparity between the costs of production in Japan and the United States, would probably cause the President to increase tariffs on cotton cloth when the report was officially placed before him. The State Department was negotiating with Japan in the latter part of 1935 and the early part of 1936 to obtain a voluntary export agreement acceptable to the cotton textile industries of both countries.

When Japanese exports of cotton cloth to the United States increased during March and April, 1936, the State Department increased its pressure on Japan. On April 27, 1936, when the Japanese Ambassador called on the Secretary of State, the Secretary made the following statement: "If the Japanese Government should not cooperate with us in attempting to stabilize the trade situation, it might well cause a commotion which would prove disastrous."¹⁵ During the same discussion,

¹⁴U. S. Tariff Commission, Twentieth . . ., p. 35.

¹⁵U. S. Department of State, Foreign Relations . . ., Vol. 4, p. 878.

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The Japanese Ambassador . . . asked whether he could correctly report to his government that the United States Government is asking for a reduction in Japanese exports to the United States in order to withstand political pressures so as to gain strength to successfully promote its trade program to secure ultimate reduction of trade barriers all along the line. The secretary replied in the affirmative.¹⁶

At this particular time the Secretary of State was giving the Japanese Ambassador an alternative either to voluntarily restrict their exports of cotton textiles to the United States or to face more severe and permanent restriction over which the Japanese have no control.

During this same meeting the Assistant Secretary of State, Sayre, read a lengthy memorandum to the Japanese Ambassador of which the last paragraph is pertinent to the present discussion:

There is, of course, another alternative, and that is promulgating the very moderate tariff increases recommended by the Tariff Commission. It is, of course, impossible to predict exactly the effects of tariff changes, but it is our expectation that a moderate increase in the duties on Japanese cotton textiles will tend to maintain imports from Japan at about last year's level. We consequently hope that it may be possible for the Japanese Government to see its way clear to entering into a gentlemen's agreement along the lines that have been suggested, but if this is found impracticable we sincerely hope that the Japanese Government will appreciate our sincere and friendly endeavor to collaborate in every way possible with the Japanese Government with a view to the friendly adjustment of the problem.¹⁷

Later discussions between the Japanese Ambassador and State Department officials turned toward working out the details of a voluntary agreement, whereby Japan would limit

¹⁶ Ibid., p. 879.

¹⁷ Ibid., p. 881.

her exports of cotton textiles to the United States. Under pressure from the domestic textile industry the Tariff Commission allowed its cotton cloth report to go to the President in April of 1936. The State Department then recommended that the President postpone acting on the report because of the progress made toward a potential voluntary agreement, but when these negotiations failed on May 21, 1936, the President proclaimed an increase of about 42 percent in the import duties on cotton cloth as recommended by the Tariff Commission.¹⁸

The base for the Tariff Commission's recommendation was a change in the competition from abroad. Prior to 1931 the United Kingdom had supplied about 3/4 of the total cotton cloth imported into the United States each year. From 1931 to 1934 Switzerland ranked first in square yards imported to the United States. These European imports were mostly of good quality cloth, and were of a price and quality that did not compete directly with domestic production in the United States. Lower quality imports from Japan began increasing in 1934 and increased rapidly in 1935 and 1936. The lower priced Japanese imports were more directly competitive with domestic production. Competition from

¹⁸Seijiro Yoshizawa, Introductory Address, a report to the Twenty-third National Foreign Trade Convention, Chicago, November 18-20, 1936, prepared by the National Foreign Trade Council, Inc. (New York: The Council, 1937), pp. 315-316.

Japanese imports was due not so much to total quantity, as it was to unusually low prices and concentration in a limited number of fabrics.¹⁹

Cotton Cloth Agreement

From around the middle of 1934, Japanese cotton cloth searched for new outlets in the United States, as a result of import restrictions placed on Japanese cloth by India and other Asian countries which were former markets for Japanese cotton goods. As Japan was turning to the United States as an enlarged outlet for its cotton textile products, the United States domestic industry was undergoing significant internal changes. While the Tariff Commission's investigation was under way in 1935, Japanese exporters and manufacturers of cotton textiles set up in Japan a coordinating group to negotiate voluntary control agreement with the United States Manufacturers. Though both countries had agreed to the general terms of the voluntary agreement, negotiations failed in May, 1936, when they could not agree on handling shipments through a third country.²⁰

After the increase in tariffs in May of 1936, Japanese cotton cloth imports continued to increase, reflecting

¹⁹U. S. Tariff Commission, Twentieth Annual . . ., op. cit., p. 35.

²⁰Letter from Dr. C. T. Murayama, Managing Director, Japan Cotton Spinners Association, Tokyo, Japan, November, 1963.

Increased business activity and an upward movement in cotton textile prices in the United States. These higher tariffs did not offer the protection desired by the domestic producers, and they demanded more urgently some form of quantity restrictions with Japan.

In August of 1936, Dr. C. T. Murchison, then President of the Cotton Textile Institute of the United States, suggested a different angle to negotiation: the private direct negotiations between the textile industry of the two countries.²¹ A private committee was formed to represent the American Cotton Textile Industry in discussing a voluntary agreement with the Japanese industry. This committee contacted the Japanese textile industry through the State Department and the Japanese Ambassador to the United States. These two industrial groups agreed to meet in Japan in January of 1937. They also agreed to keep this a private meeting between the industry leaders of the two countries, and the governments of Japan and the United States were to have no further part in the negotiations. In January, 1937, through negotiation and a number of conferences, the Japanese cotton industry agreed to a quota limitation on cotton textile shipments to the United States for the years 1937 and 1938.²²

A memorandum of understanding between the American Cotton Textile Mission and the representatives of the

²¹Seijiro Yoshizawa, op. cit., p. 316.

²²Letter from Dr. C. T. Murayama.

Japanese Cotton Textile Industry was agreed to during their conferences in January, 1937.²³ The purposes of this conference between the American and Japanese cotton representatives, as indicated by Dr. C. T. Murchison, were: (1) to discuss frankly the problem of the rapidly increasing shipment of Japanese cotton textiles to the United States; and (2) to negotiate a private arrangement to control shipments of Japanese cotton piece goods to the United States. This memorandum was to be based on the mutual interests and confidence of the two industries.²⁴

The memorandum of understanding stated that the agreement was to begin on January 1, 1937, and would terminate on December 31, 1938. For the year 1937 the basic quota was 155 million square yards, and for 1938 the basic quota was 100 million square yards. The memorandum also stated clearly how to measure the imports and how to handle transshipments of goods from third countries to the United States. It also established a joint committee consisting of representatives from each country's cotton textile industry. The function of the joint committee would be to deal with any administrative difficulties might arise in connection with existing quota arrangements, and also to act as a negotiating committee in establishing subsequent

²³Memorandum of Understanding printed in full in Annex A.

²⁴"The American-Japanese Cotton Textile Understanding," Current Information, Vol. 3, No. 3 (March 1937), p. 2.

arrangements between the two industries relative to quantity limitations or other means of control.²⁵

On December 19, 1938, the joint committee of the two industries renewed the provisions of the memorandum of understanding for two years beginning January 1, 1939.²⁶ The maximum quota agreement was for 100 million square yards of imports from Japan to the United States for each year.²⁷

Import and production figures of cotton cloth reveal the problem that was developing during the middle thirties for the domestic industry. Total imports of cotton cloth were rapidly increasing from 1934 through 1937. Cotton cloth imports from Japan were increasing at a much faster rate than total imports as revealed in column 7 of Table IV-1. Japanese quantity imports of cotton cloth were 2.7 percent of total imports in 1933 and this increased to 13.3 percent in 1937. These two factors, (1) rapid increase in quantity imports from Japan, and (2) rapid increase in the share of total imports coming from Japan, were the major causes for the domestic cloth industry's concern for its future.

Table IV-2 reveals that when total imports were increasing, domestic production was also increasing but not

²⁵Ibid., p. 21.

²⁶Printed in Appendix A.

²⁷Letter from Sual Baran, Director, Far Eastern Division, Bureau of International Commerce, United States Department of Commerce, Washington 25, D. C., April 1, 1938.

| Year | Total (Thousands) | | Japan (Thousands) | | Percent of Total from Japan | |
|------|----------------------|----------------|----------------------|----------------|---|--|
| | Sq. Yds. (2) | Dollars (3) | Sq. Yds. (4) | Dollars (5) | Sq. Yds. (Column 4 ÷ Column 2) (6) | Dollars (Column 5 ÷ Column 3) (7) |
| 1926 | 60,680 | 16,258 | 2,267 | 329 | 3.7 | 2.0 |
| 1927 | 63,002 | 15,596 | 1,862 | 260 | 3.0 | 1.7 |
| 1928 | 61,295 | 15,842 | 1,710 | 256 | 2.8 | 1.6 |
| 1929 | 61,185 | 15,901 | 1,217 | 189 | 2.0 | 1.2 |
| 1930 | 35,517 | 9,426 | 1,016 | 119 | 2.9 | 1.3 |
| 1931 | 34,732 | 7,034 | 770 | 106 | 2.2 | 1.5 |
| 1932 | 29,436 | 4,248 | 789 | 57 | 2.7 | 1.3 |
| 1933 | 41,348 | 6,360 | 1,116 | 79 | 2.7 | 1.2 |
| 1934 | 41,534 | 6,736 | 7,287 | 363 | 17.5 | 5.4 |
| 1935 | 63,674 | 7,050 | 36,475 | 1,728 | 57.3 | 24.5 |
| 1936 | 114,195 | 10,558 | 77,066 | 3,456 | 67.5 | 32.7 |
| 1937 | 147,320 | 13,628 | 106,490 | 5,412 | 72.3 | 39.7 |
| 1938 | 58,282 | 6,505 | 33,690 | 1,685 | 57.8 | 25.9 |
| 1939 | 111,924 | 8,667 | 81,693 | 3,017 | 73.1 | 34.8 |
| 1940 | 84,344 | 6,118 | 68,082 | 2,523 | 80.7 | 41.2 |

^aObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation of the United States (Washington, D. C.: U. S. Government Printing Office, 1926-1940).

| Year | Domestic Production ^a (Millions) | | Imports ^b (Millions) | | Percent of Domestic Production Imported | |
|------|--|----------------|------------------------------------|----------------|---|--|
| | Sq. Yds. (2) | Dollars (3) | Sq. Yds. (4) | Dollars (5) | Sq. Yds. (Column 4 ÷ Column 2) (6) | Dollars (Column 5 ÷ Column 3) (7) |
| (1) | | | | | | |
| 1929 | 7,670 | 844 | 61 | 16 | 0.8 | 1.9 |
| 1931 | 6,493 | 462 | 35 | 7 | 0.5 | 1.5 |
| 1933 | 7,380 | 513 | 41 | 6 | 0.6 | 1.2 |
| 1935 | 6,626 | 585 | 64 | 7 | 1.0 | 1.2 |
| 1937 | 8,744 | 760 | 147 | 14 | 1.7 | 1.8 |
| 1939 | 8,276 | 600 | 112 | 9 | 1.4 | 1.5 |

^aU. S. Tariff Commission, Cotton Cloth, War Changes in Industry Series, Report No. 27 (Washington, D. C.: U. S. Government Printing Office, 1947).

^bObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation of the United States (Washington, D. C.: U. S. Government Printing Office, 1929-1939).

as rapidly. Total imports reached a high of 1.7 percent of domestic production in 1937; 72 percent of the total imports were from Japan, which would make Japanese imports about 1.2 percent of domestic production. This is a relatively small and insignificant share of domestic consumption. Much greater fear developed in domestic producer's minds when they viewed the dynamic rate of change of cotton cloth imports from Japan.

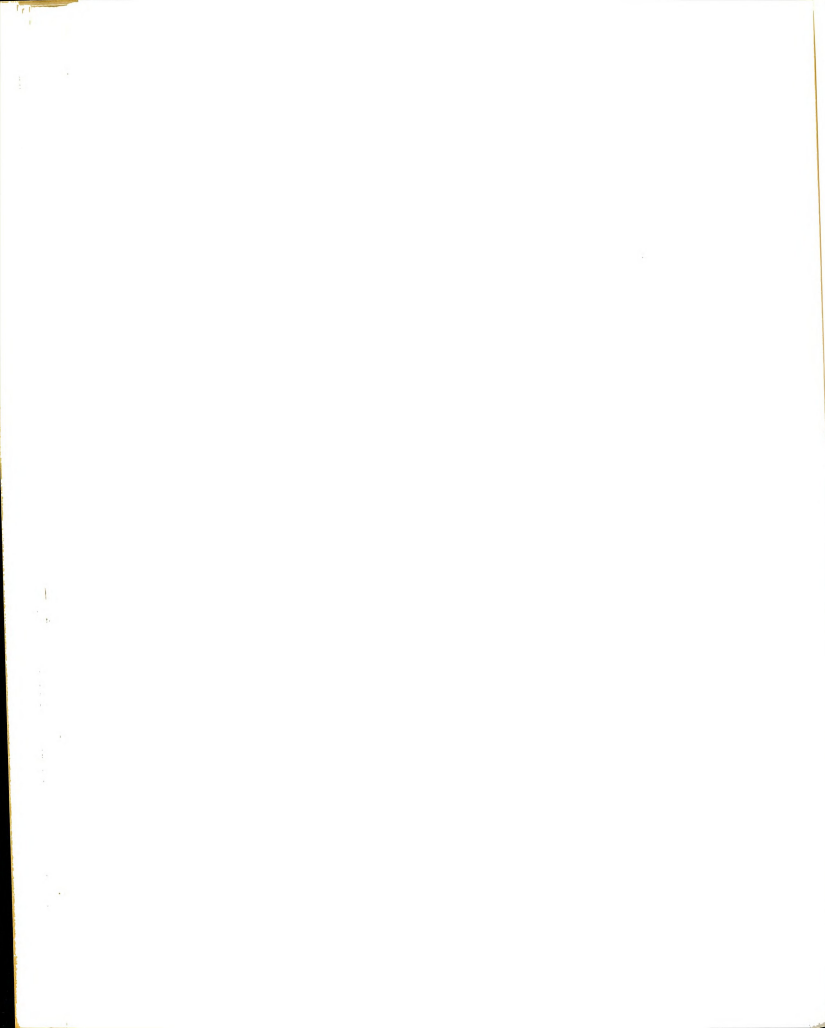
In comparing the quota agreements of 1937 through 1940 to actual imports from Japan (see Table IV-3), the important fact is that the imports from Japan never came close to the allowable quota. During the four year period imports averaged 64 percent of the quota; two independent but significant events helped to explain this difference between actual imports and the quota. From May, 1936, when the State Department failed in its attempt to obtain a voluntary agreement, until January, 1937, when the private voluntary agreement was made, Japanese exports of cotton cloth to the United States were increasing at a very rapid rate. During the same time the domestic industry was making some progress in stabilizing itself after the depression, but the biggest destabilizing component, as viewed by domestic producers, was the low-priced Japanese imports. It was the goal of the Textile Mission to Japan in January, 1937 to obtain a definite yearly ceiling on total Japanese imports of cotton textiles. This would give the domestic industry the protection it felt was needed and because of its

TABLE IV-3

COMPARISON OF THE COTTON CLOTH IMPORTS FROM
JAPAN AND THE VOLUNTARY QUOTA AGREEMENTS
(MILLIONS OF SQUARE YARDS)

| Year | Quota | Imports ^a | Percent of Quota Used (Column 3 ÷ Column 2) (4) |
|------|-------|----------------------|---|
| (1) | (2) | (3) | |
| 1937 | 155 | 106 | 68 |
| 1938 | 100 | 34 | 34 |
| 1939 | 100 | 82 | 82 |
| 1940 | 100 | 68 | 68 |

^aObtained from: U. S. Department of Commerce,
Foreign Commerce and Navigation of the United States
(Washington, D. C.: U. S. Government Printing Office,
1937-1940).



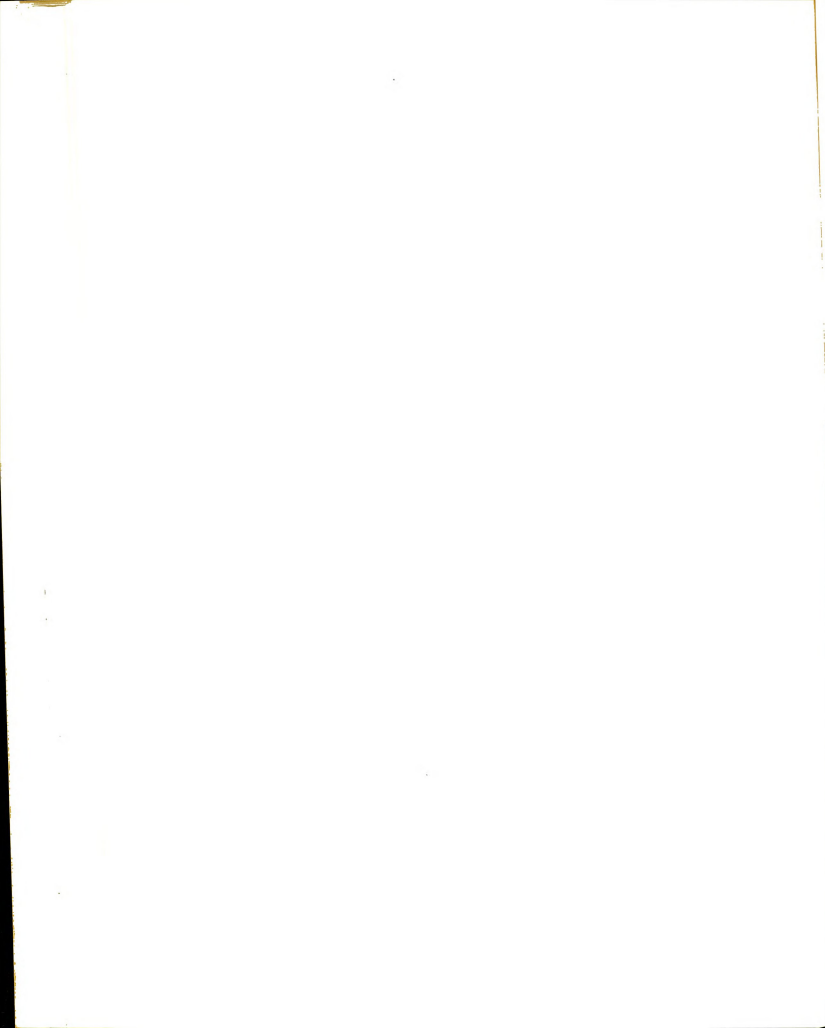
strong desire to obtain a quota, it was willing to have the quantity relatively high to make it appealing to the Japanese.

The other factor that tends to explain why Japanese exports fell so far below their quota took place on the other side of the Pacific. During the early thirties Japan developed and expanded its textile industry and exports of textiles to obtain foreign exchange. In July, 1937, Japan declared war with China and immediately began converting to a wartime economy. The predominant position of the textile industry was reduced by the expansion of other industries, particularly various heavy industries such as metals, chemicals, and machinery.²⁸ And production of cotton textiles for export was being de-emphasized to aid in war mobilization.

Cotton Floor Coverings

Another need for a voluntary agreement began when the President requested the Tariff Commission to investigate the cotton floor covering industry on December 15, 1933. The Cotton Rug Manufacturers Association, representing twenty-one companies located chiefly in New York, Pennsylvania, and Georgia, filed a complaint on November 3, 1933, with the National Recovery Administration. This complaint

²⁸J. R. Stewart, Japan's Textile Industry (New York: Institute of Pacific Relations, 1949), p. 1.



was against importation of cotton rugs under conditions that made it difficult for domestic producers to maintain the codes and agreement under the National Industrial Recovery Act. The N. R. A. investigated this complaint, found it to be valid, and recommended to the President that an investigation be made of the cotton rug industry. On December 15, 1933, the President officially requested the Tariff Commission to investigate the Cotton Rug Industry under Section 3e of the N. I. R. A. This section gave the President power to order an immediate investigation by the United States Tariff Commission when an article was being imported in substantial quantities or in an increasing ratio to domestic production of a competitive article. This condition must have also seriously endangered the maintenance of any code under the N. I. R. A.²⁹

The Code of Fair Competition set up specific standards for improving labor conditions in the cotton textile industry. These standards were: (1) setting a minimum wage per week at a rate substantially above the market wage rate of many employees; (2) setting maximum hours of work per week which were considerably less than the hours many employees were working; and (3) abolishing child labor (minors under 16) in the textile mill.³⁰ The

²⁹National Industrial Recovery Act, in U. S. Statutes at Large, Vol. 48, Part 1, pp. 196-197.

³⁰U. S. Tariff Commission, Code of Fair Competition for the Cotton Textile Industry, Code No. 1 (Washington, D. C.: Government Printing Office, 1934), p. 6.

industry-wide implementation of these standards increased domestic costs of production of cotton goods. Imports of cotton rugs were increasing relative to domestic production in 1933 (see Table IV-4), which caused apprehension among the domestic producers. Also when square yard total imports were broken down by country of origin, Japan supplied from 75 to 99 percent of the total during the thirties (see Table IV-5). This was the basis for their complaint to the N. R. A., which they hoped would result in increased protection for the domestic industry in the form of tariff and/or quotas on imported goods.

During its investigation the Tariff Commission found that: (1) the mills producing cotton rugs were operating under the code of fair competition for the cotton textile industry; (2) cotton rugs, both domestic and imported, included a wide range of types and grades of rugs and had a wide range of value per square yard; (3) imports of cotton rugs during the early thirties were greatly exceeding domestic production, and proportion of imports to total domestic production was increasing steadily; (4) costs of production of all classes of domestic rugs increased substantially during the later part of 1933, under the code of fair competition for the cotton textile industry; (5) the greatest majority of imported cotton rugs were of inferior quality when compared to domestic rugs, but the imports were selling at a price so much lower than the domestic rugs that they were increasingly dominating the

TABLE IV-4

RELATIVE IMPORTANCE OF DOMESTIC PRODUCTION AND
TOTAL IMPORTS OF COTTON RUGS, 1929-1933^a

| | Consumption Supplied By | |
|---|--|--------------------------------------|
| | Production ^b (Percent of Total) (2) | Imports (Percent of Total) (3) |
| 9 | 39.3 | 60.7 |
| 1 | 31.2 | 68.8 |
| 2 | 22.3 | 77.7 |
| 3 | 19.0 | 81.0 |

^aObtained from: U. S. Tariff Commission, Cotton Rugs,
Report No. 95, second series (Washington, D. C.: U. S.
Government Printing Office, 1935), p. 14.

^bData are not available on total domestic production.
The percentages were derived from data obtained by the
Tariff Commission from cotton mill producers. These figures
do not include production in homes or institutions.

COTTON FLOOR COVERINGS AND IMPORTS FROM
JAPAN OF COTTON FLOOR COVERINGS

72

| Year | Cotton Floor Coverings | | | | Percent of Total Imports from Japan | |
|-------------------|------------------------|----------------|----------------------|----------------|---|--|
| | Total (Thousands) | | Japan (Thousands) | | Sq. Yds. (Column 4 + Column 2) (6) | Dollars (Column 5 + Column 3) (7) |
| | Sq. Yds. (2) | Dollars (3) | Sq. Yds. (4) | Dollars (5) | | |
| (1) | | | | | | |
| 1931 ^a | 5,998 | 1,160 | 5,751 | 918 | 95.9 | 79.1 |
| 1932 ^a | 7,017 | 774 | 6,792 | 618 | 96.8 | 79.8 |
| 1933 ^a | 9,139 | 1,114 | 9,055 | 1,050 | 99.1 | 94.3 |
| 1934 ^b | 10,229 | 1,877 | 9,688 | 1,278 | 94.7 | 68.1 |
| 1935 ^b | 8,911 | 1,183 | 8,818 | 1,133 | 99.0 | 95.8 |
| 1936 ^b | 8,974 | 1,490 | 8,826 | 1,417 | 98.4 | 95.1 |
| 1937 ^b | 8,278 | 1,589 | 8,007 | 1,404 | 96.7 | 88.4 |
| 1938 ^b | 3,257 | 997 | 3,296 | 510 | 83.3 | 51.2 |
| 1939 ^b | 5,667 | 1,650 | 4,287 | 658 | 75.6 | 39.9 |
| 1940 | 3,637 | 1,399 | 2,589 | 611 | 71.2 | 43.7 |

^aObtained from: U. S. Tariff Commission, Recent Developments in the Foreign Trade of Japan, Report No. 105, second series (Washington, D. C.: U. S. Government Printing Office, 1936), pp. 144-148.

^bObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation of the United States (Washington, D. C.: U. S. Government Printing Office, 1934-1940).

domestic market; and (6) some restriction of imports of the principal class of cotton rugs was necessary to enable the domestic industry to operate under the prescribed code of the N. R. A.³¹

The Tariff Commission sent its report on cotton rugs to the President on March 26, 1934. It concluded that imports of cotton rugs were substantial, and that they represented a major part and an increasing proportion of domestic consumption. The report also concluded that this situation seriously endangered the operations of the domestic industry under the N. I. R. A. The Commission recommended to the President that he increase the tariff rates on cotton chenille rugs, hit-and-miss rag rugs, and other floor coverings, and that annual import quotas be assigned to each of the three types of rugs.³²

Cotton Rug Agreement

After the Tariff Commission's investigation and report, the President ordered an increase of about 20 percent ad valorem in import duties on cotton rugs which equalized the difference in the cost of production of domestic and foreign made goods. At the same time, a one year agreement was reached between the governments of the two countries, whereby Japan was to take the necessary steps to insure that imports of Japanese cotton rugs into the United States

³¹U. S. Tariff Commission, Cotton Rugs, p. 2.

³²Ibid., p. 1.

ould be limited on and after June 1, 1934 as follows:

(1) chinille rugs--650,000 square yards per year; (2) hit-and-miss rag rugs--3,250,000 square yards per year; (3) other rugs, mostly cotton--4,070,000 square yards per year.³³ This was an agreement made through the State Department, whereby the Japanese government agreed to an export quota on cotton rugs. The Japanese government had the cooperation and understanding of its cotton rug manufacturers and exporters who agreed to restrict themselves to the quota.

During 1935 the cotton rug industry and market were showing favorable trends.³⁴ Because the cotton rug agreement gave the domestic industry the protection it felt it needed, the State Department was interested in renewing it. The Japanese, when pressed, were willing to enter into another agreement when it would assure them that the United States domestic industry would not ask for more severe and permanent restrictions from the United States government. Due to these conditions, the State Department succeeded in obtaining a one year revised extension of the cotton rug agreement beginning on June 1, 1935. The new quantities were: (1) chenille rugs--700,000 square yards per year; (2) hit-and-miss rag rugs--3,350,000 square yards per year; (3) other rugs, mostly cotton--4,070,000 square yards per

³³Ibid., p. 56.

³⁴U. S. Department of State, 1935, Vol. 3, p. 1012.

year.³⁵ The United States was willing to grant small increases in the quota due to improved conditions of the domestic industry.

The Japanese Embassy presented a typed statement on April 14, 1936, requesting a one year extension of the existing cotton rug agreement. The request stated that Japanese exporters had been urging the government to ask for an increase in the quota for the coming year, because they had received a considerable quantity of orders which they were not able to fill within the limits of the agreement. The Japanese would have liked to obtain an increase in quotas for its exporters, but the Japanese stated with no explanation that they did not want to open this discussion for bargaining; therefore, they clearly stated they would be willing to accept the present figures for a one year extension beginning June 1, 1936.³⁶ The United States accepted the above proposed agreement after the State Department discussed it with representatives of the United States textile manufacturers and importers.³⁷

Cotton Hosiery

Circumstances leading to a cotton hosiery agreement began on October 15, 1936, when the United States Tariff

³⁵Ibid., p. 1040.

³⁶U. S. Department of State, 1936, Vol. 4, p. 877.

³⁷Ibid., p. 894.

Commission officially began to investigate the cost of production of seamless cotton hosiery under Section 336 of the Tariff Act of 1930. This investigation was requested by the National Association of Hosiery Manufacturers, who expressed alarm over the increasing imports from Japan.³⁸

The Japanese Embassy in Washington notified the Japanese Manufacturers Association of Hosiery for Export and the Japanese Hosiery Exporters Association in July of 1936, when the American Hosiery Manufacturers filed a protest notice with the Tariff Commission. The protest was based on the increasing imports of cotton hosiery and particularly imports from Japan. The Japanese Manufacturers Association of Hosiery for Export and the Hosiery Exporters Association arranged a conference to discuss restricting their exports to the United States. At this conference they also discussed increasing their export price of hosiery by imposing a fee. The conference participants exercised their full influence to prevent any interim increase of exports based on the anticipation of any possible future increase of import duty in the United States. On September 22, 1936, the Japanese government granted the Exporters Association the right to collect an export tax of a maximum of twenty sen per dozen pair. The Exporters Association began immediately collecting a five sen per dozen export tax

³⁸U. S. Tariff Commission, Twenty-first Annual Report (Washington, D. C.: U. S. Government Printing Office, 1937), p. 33.

which tended to raise the export price and restrict speculative orders.³⁹ This five sen per dozen export tax was about five percent of the average hosiery export price.

After 1933 Japan was the principal hosiery exporter to the United States. Prior to 1933, Germany supplied from 85 to 90 percent of the cotton hosiery imported into the United States. The remainder came principally from the United Kingdom, France, and Italy. Hosiery imported from Germany consisted mainly of higher quality men's full-fashioned half-hose, while hosiery coming from Japan were mainly men's seamless half-hose and anklets, and children's socks of lower quality.⁴⁰

The Tariff Commission's investigation specifically related to seamless cotton hosiery. More than 95 percent of total imports of hosiery was of the seamless variety.⁴¹ This was also true for imports coming from Japan; therefore, the percentage figures for seamless cotton hosiery are almost identical to those presented in Tables IV-6 and IV-7.

Cotton Hosiery Agreement

On April 16, 1936, a three year hosiery quota agreement was arranged between the National Association of Hosiery

³⁹U. S. Tariff Commission, Hearings on the Investigation of Differences in Costs of Production of Hose and Half-Hose, January 26, 1937, pp. 174-175.

⁴⁰U. S. Tariff Commission, Twenty-first Annual Report, pp. cit., pp. 33-34.

⁴¹U. S. Department of Commerce, Foreign Commerce and Navigation of the United States (Washington, D. C.: U. S. Government Printing Office, 1934-1940).

| Year | Domestic Production ^a (Thousands) | | Imports ^b (Thousands) | | Percent of Domestic Production Imported | |
|------|---|----------------|-------------------------------------|----------------|---|--|
| | Doz. Pr. (2) | Dollars (3) | Doz. Pr. (4) | Dollars (5) | Doz. Pr. (Column 4 ÷ Column 2) (6) | Dollars (Column 5 ÷ Column 3) (7) |
| 1929 | 111,191 | 500,382 | 912 | 2,607 | 0.8 | 0.5 |
| 1931 | 96,204 | 313,922 | 600 | 1,584 | 0.6 | 0.5 |
| 1933 | 102,740 | 258,123 | 577 | 683 | 0.6 | 0.3 |
| 1935 | 116,496 | 316,427 | 735 | 411 | 0.6 | 0.1 |
| 1937 | 125,558 | 315,977 | 1,633 | 729 | 1.3 | 0.2 |
| 1939 | 152,342 | 406,887 | 1,043 | 338 | 0.7 | 0.1 |

^aObtained from: U. S. Department of Commerce, Census of Manufactures (Washington, D. C.: U. S. Government Printing Office, 1933-1939).

^bObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation of the United States (Washington, D. C.: U. S. Government Printing Office, 1929-1939).

| Year | Total (Thousands) | | Japan (Thousands) | | Percent of Total Hosiery Imports from Japan | | |
|------|----------------------|----------------|----------------------|----------------|---|--|--|
| | Doz. Pr. (2) | Dollars (3) | Doz. Pr. (4) | Dollars (5) | Doz. Pr. (Column 4 ÷ Column 2) (6) | Dollars (Column 5 ÷ Column 3) (7) | |
| 1926 | 497 | 1,612 | 2 | 2 | 0.4 | 0.1 | |
| 1927 | 528 | 1,793 | 3 | 3 | 0.6 | 0.2 | |
| 1928 | 797 | 2,593 | 6 | 5 | 0.8 | 0.2 | |
| 1929 | 912 | 2,606 | 15 | 9 | 1.6 | 0.3 | |
| 1930 | 512 | 1,523 | 34 | 18 | 6.6 | 1.2 | |
| 1931 | 600 | 1,584 | 55 | 25 | 9.2 | 1.6 | |
| 1932 | 521 | 828 | 62 | 21 | 11.9 | 2.5 | |
| 1933 | 577 | 683 | 187 | 62 | 32.4 | 9.1 | |
| 1934 | 444 | 434 | 271 | 103 | 61.0 | 23.7 | |
| 1935 | 735 | 411 | 645 | 225 | 87.8 | 54.7 | |
| 1936 | 2,304 | 892 | 2,144 | 672 | 93.1 | 75.3 | |
| 1937 | 1,633 | 729 | 1,419 | 500 | 86.9 | 68.6 | |
| 1938 | 700 | 381 | 602 | 221 | 86.0 | 58.0 | |
| 1939 | 1,043 | 338 | 696 | 204 | 66.7 | 60.4 | |
| 1940 | 1,333 | 359 | 499 | 154 | 37.4 | 42.9 | |

^aObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation
of the United States (Washington, D. C.: U. S. Government Printing Office, 1946-1940).

acturers, which was acting for the hosiery industry in the United States, and the Japanese Knit Goods Exporters Association. As a result of this agreement the plaintiffs who filed the original complaint requested a suspension of the investigation. Mr. Earl Constantine, Acting Director of the National Association of Hosiery Manufacturers, commented,

The quota agreement is in the nature of a gentleman's agreement, and its essential value rests on this fact. The spirit which has actuated the negotiation has been such as to assure the execution of its purpose and requirements by both parties, in spirit as well as letter. The quota reduces instead of expands the annual volume of imports from Japan, and will stabilize the American industry and its domestic market by avoiding sharply varying imports during the next three years.⁴²

This agreement stipulated that the Japanese were to export of hosiery to the United States to 1,500,000 pairs annually for three years beginning January 1,

During this three year period, the domestic industry in the United States agreed not to seek any increase in the rate of import duty on hosiery.⁴³

The domestic hosiery industry was concerned about imports and particularly imports from Japan during the thirties. Total imports were a very small fraction of domestic production, but the percentage of domestic production imported doubled from 1935 to 1937 (see Table

⁴²New York Times, April 21, 1937, p. 32.

⁴³U. S. Tariff Commission, Twenty-first Annual Report, p. 33.

). Table IV-7 brings out the increasing importance and volume of Japanese imports in a very short time. This increasing importance was the major concern of the domestic industry.

When comparing this voluntary quota to actual imports of Japanese hosiery in Table IV-7, it can be seen that the imports never exceeded the quota during the three year period. Imports were slightly under the agreed quota in 1937, and for 1938 and 1939 imports dropped to less than 60 percent of the 1937 level, which resulted in the Japanese imports averaging 60 percent of the three year agreed quota. Japan declared war on China in July, 1937, which increased the internal demand for textiles in Japan and emphasized textile production.

Velveteens and Corduroy

The need for a velveteens and corduroy agreement was first expressed when domestic producers of velveteens and corduroys submitted an application to the Tariff Commission, on November 5, 1936, requesting it to investigate the cost of production of cotton velveteens and corduroys under Section 336 of the Tariff Act of 1930.⁴⁴

Velveteen producers in the United States became concerned about imports in 1935 when total imports and imports from Japan began rapidly increasing. On December 27,

⁴⁴Ibid., p. 34.

5, Mr. Sayre of the State Department, discussed this problem with the Japanese Ambassador to the United States.

following is a summary of their discussion:

Imports of cotton velveteens from Japan have increased at such a rapid rate and have become so large in comparison that domestic producers have become very much alarmed. It is understood that they intend to appeal restrictive action against velveteens imported from Japan. Mr. Sayre was bringing these matters to the attention of the Ambassador because of his previous request that he be informed in advance if restrictive action against imports from Japan was to be contemplated. An investigation by the Tariff Commission under Section 336 would be particularly dangerous from the standpoint of the Japanese, since it is probably that such a cost of production study would show Japanese costs so much below American costs than an increase in duty would result, or possibly a shift in the American valuation of these imports as a basis for imposition of duty.⁴⁵

Japanese Ambassador agreed to bring the problem to the attention of his government.

There was no further action taken by the State Department or the textile industry until in late 1936, but during 1936, Japanese exports of velveteens continued to increase; United States imports of corduroys increased to 480,000 square yards in 1936 compared to 9,000 square yards in 1935. On November 5, 1936, the domestic producers of velveteens and corduroys filed their complaint with the Tariff Commission. The Commission began its investigation by scheduling a hearing on December 15, 1936, to hear the personal

⁴⁵U. S. Department of State, 1935, Vol. 3, p. 1047.

testimony of domestic producers and importers of velveteens and corduroys.⁴⁶

Velveteens and Corduroy Agreement

After the hearing by the Tariff Commission on December 15, 1936, the State Department encouraged representatives from the United States and Japanese velveteen and corduroy producers to meet and work out a plan to regulate Japanese exports to the United States. This was arranged and through these discussions an agreement was finalized on February 15, 1937, between the Japan Cotton Yarn Piece Goods Exporters Association for America and the American Producers of Velveteens and Corduroys.⁴⁷ The Exporters Association for America agreed to limit exports to the United States to two million square yards of velveteen and 700,000 square yards of corduroy per year for a two year period beginning March 1, 1937; the American Producers agreed to refrain from requesting the Tariff Commission to publish and send to the President its report on velveteens and corduroys, provided the Japanese exports were held within the agreed quota.

Velveteen imports increased rapidly in 1935 and 1936, and over 97 percent of these total imports came from Japan (see column 6, Table IV-9). United States imports of

⁴⁶U. S. Tariff Commission, Twenty-first Annual Report, op. cit., p. 34.

⁴⁷Printed in full in Appendix B.

COMPARISON OF DOMESTIC PRODUCTION AND
TOTAL IMPORTS OF VELVETEENS

| Year (1) | Domestic Production (Thousands of Square Yards) (2) | Imports ^a (Thousands of Square Yards) (3) | Percent of Domestic Production Imported Column 3 ÷ Column 2 (4) |
|-------------|--|---|--|
| 1935 | 3,795 ^b | 1,819 | 47.9 |
| 1939 | 5,201 ^c | 1,691 | 32.5 |

^aObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation of the United States (Washington, D. C.: U. S. Government Printing Office, 1935-1939).

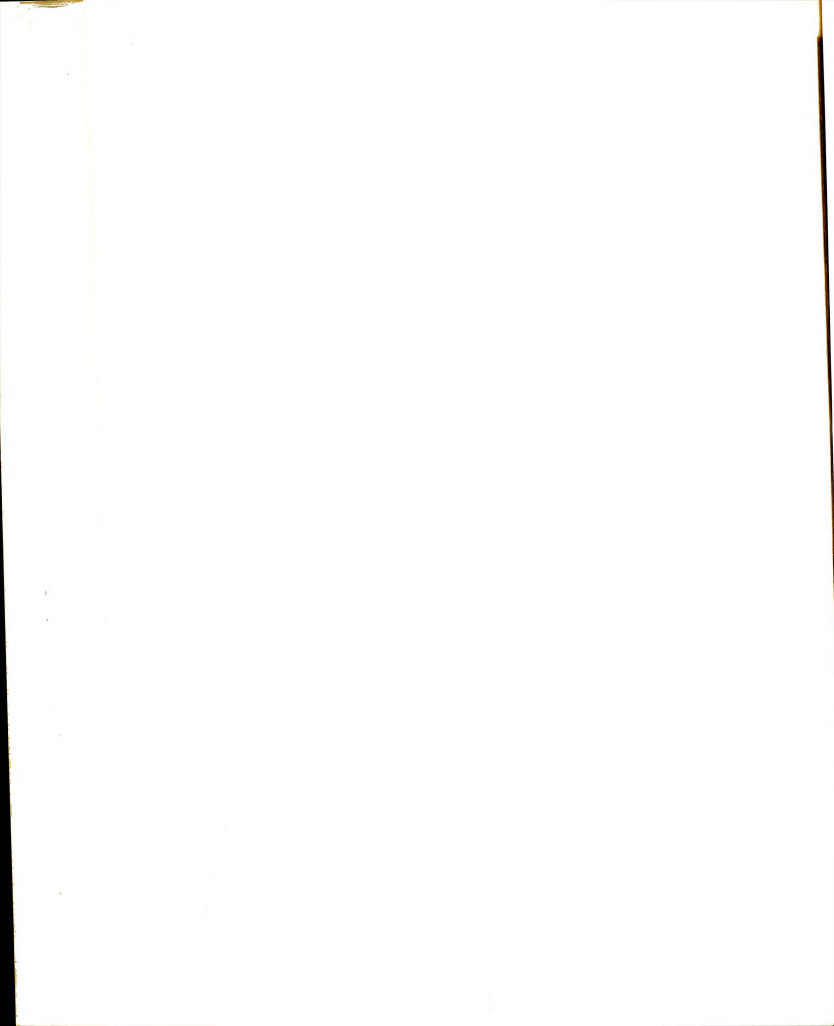
^bObtained from: Twenty-First Annual Report of the United States Tariff Commission (Washington, D. C.: U. S. Government Printing Office, 1937), p. 35.

^cObtained from: U. S. Department of Commerce, Census of Manufactures (Washington, D. C.: U. S. Government Printing Office, 1939).

COMPARISON OF VELVETEEN TOTAL IMPORTS AND
IMPORTS FROM JAPAN 1934-1940

| Year | Total (Thousands) | | Japan (Thousands) | | Percent of Total from Japan | |
|------|----------------------|----------------|----------------------|----------------|--------------------------------|----------------|
| | Sq. Yds. (1) | Dollars (2) | Sq. Yds. (3) | Dollars (4) | Sq. Yds. (5) | Dollars (6) |
| 1934 | 130 | | | | | |
| 1935 | 1,819 | 44 | | 84 | 64.6 | 36.4 |
| 1936 | 5,174 | 282 | | 1,794 | 98.6 | 95.0 |
| 1937 | 3,936 | 763 | | 5,145 | 99.4 | 97.5 |
| 1938 | 995 | 631 | | 3,909 | 99.3 | 96.5 |
| 1939 | 1,691 | 169 | | 971 | 97.6 | 91.1 |
| 1940 | 2,363 | 253 | | 1,677 | 99.2 | 95.7 |
| | | 375 | | 2,350 | 99.4 | 97.3 |

^aObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation
of the United States (Washington, D. C.: U. S. Government Printing Office, 1934-1940).



velveteens averaged about 2.5 million square yards in the late 1920's, and then declined to less than 60,000 square yards in 1932 and 1933. Imports previous to 1930 consisted mainly of the higher priced velveteens from Europe, whereas the imports in 1936 and 1937 were almost entirely the lower priced velveteens from Japan.⁴⁸

Corduroy production was around thirty million square yards in the middle thirties and increased to thirty-nine million square yards in 1939. Imports fluctuated relatively more than did domestic production. Total imports increased from 13,093 square yards in 1935 to 488,130 square yards in 1936 and up to 654,007 square yards in 1937. Total corduroy imports increased 475,037 square yards and corduroy imports from Japan increased 471,217 square yards in 1936. Of this large quantity increase in total imports, in 1936, most of it came from Japan, as indicated in Table IV-11. Column 6 shows that imports from Japan made up over 65 percent of the total imports between 1935 and 1940, with the exception of 1938.

Summary

International trade of cotton textiles was declining during the interwar period because the countries that were large textile importers had developed a cotton manufacturing industry of their own. During this time the Japanese cotton

⁴⁸U. S. Tariff Commission, Twenty-first Annual Report, op. cit., pp. 34-35.

COMPARISON OF DOMESTIC PRODUCTION AND
TOTAL IMPORTS OF CORDUROY 1935-1939

| Year (1) | Domestic Production ^a (Thousands of Square Yards) (2) | Imports ^b (Thousands of Square Yards) (3) | Percent of Domestic Production Imported (Column 3 ÷ Column 2) (4) |
|-------------|---|---|--|
| 1935 | 31,773 | 13 | --- ^c |
| 1937 | 30,217 | 654 | 2.2 |
| 1939 | 38,630 | 356 | 0.9 |

^aObtained from: U. S. Department of Commerce, Census of Manufactures
(Washington, D. C.: U. S. Government Printing Office, 1937-1939).

^bObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation
of the United States (Washington, D. C.: U. S. Government Printing Office, 1935-
1939).

^cLess than 0.1%.

COMPARISON OF CORDUROY TOTAL IMPORTS AND
IMPORTS FROM JAPAN^a 1934-1940

88

| Year | Total (Thousands) | | Japan (Thousands) | | Percent of Total from Japan | | |
|------|----------------------|----------------|----------------------|----------------|---|--|-----|
| | Sq. Yds. (2) | Dollars (3) | Sq. Yds. (4) | Dollars (5) | Sq. Yds. (Column 4 ÷ Column 2) (6) | Dollars (Column 5 ÷ Column 3) (7) | |
| 1934 | 48 | 14 | --- | --- | --- | --- | --- |
| 1935 | 13 | 4 | 9 | 1 | 66.2 | 25.0 | |
| 1936 | 488 | 92 | 480 | 87 | 98.4 | 94.6 | |
| 1937 | 654 | 143 | 576 | 120 | 88.1 | 83.9 | |
| 1938 | 142 | 38 | 52 | 10 | 36.6 | 26.3 | |
| 1939 | 356 | 81 | 236 | 42 | 66.3 | 51.9 | |
| 1940 | 355 | 69 | 296 | 50 | 83.4 | 72.5 | |

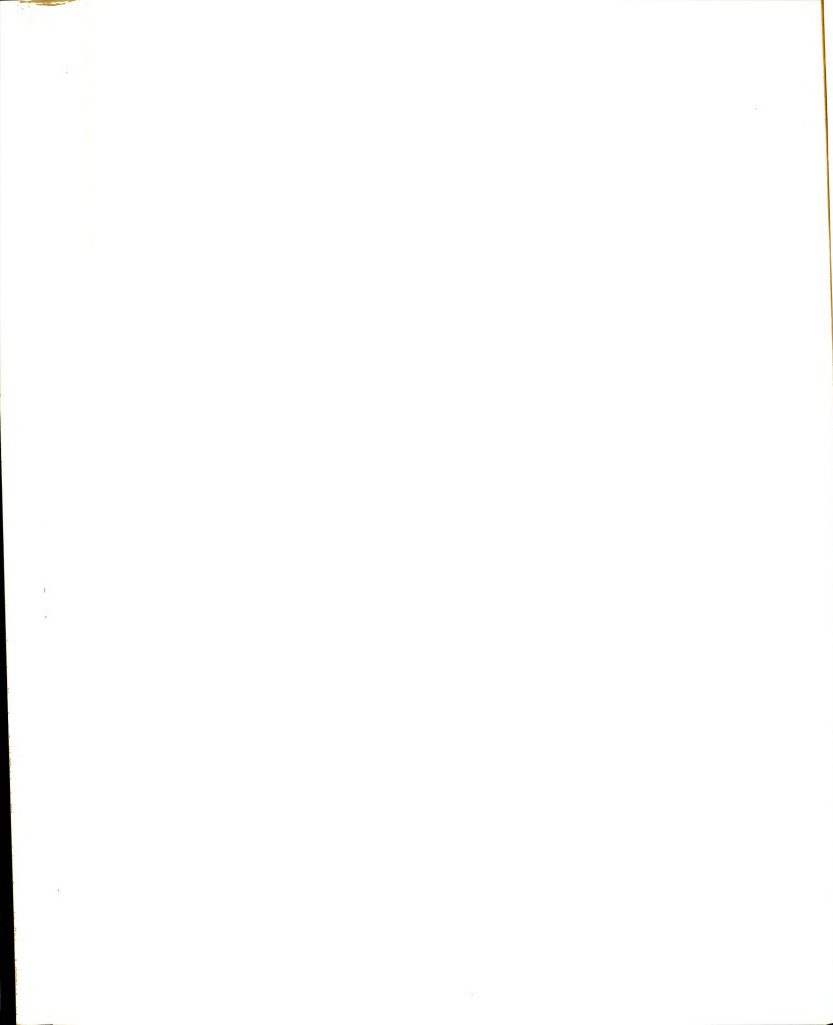
^aObtained from: U. S. Department of Commerce, Foreign Commerce and Navigation
of the United States (Washington, D. C.: U. S. Government Printing Office, 1934-1940).

manufacturing industry of their own. During this time the Japanese cotton textile industry had become an increasingly important competitor in world trade. As a result of these developments, the interwar trend of cotton textile exports from the United Kingdom and other European countries were declining in relative importance.

The volume of cotton textiles imported into the United States during the interwar period was much less than that exported, and was always less than three percent of the quantity produced in this country. There were, however, marked changes in total imports and in the sources and type of goods. Imports declined steadily from the record quantity of 206 million square yards in 1928 to twenty-eight million in 1932, and then increased to 144 million in 1937. Imports declined in 1938 and 1939 and then dropped off rapidly after World War II.⁴⁹

Prior to 1934, imports of cotton textiles came primarily from Europe and consisted mostly of better quality goods not directly competitive with domestically produced goods. From 1933 to 1937, Japanese imports rose rapidly, and from 1935 to 1939 most of the imports were from Japan and were of medium quality goods that competed directly with domestic goods.

⁴⁹U. S. Tariff Commission, Cotton Cloth, War Changes
Industry Series, Report No. 27 (Washington, D. C.:
S. Government Printing Office, 1947), p. 4.



Clearly, Japanese cotton textiles were a relatively small part of the United States domestic consumption. The major concerns of the domestic producers were: (1) the rate of increase of Japanese imports during the middle thirties was high; (2) Japanese imports competed directly with domestic goods; and (3) Japanese imports tended to concentrate on a small segment of the market. This concentration was occurring at a time when domestic production was declining. These conditions and actions tended to exaggerate the fear of domestic producers toward Japanese imports; however, concentrated imports in a few fabrics of the market proved disrupting for domestic producers. Because of the potential market segment concentration, the domestic cotton textile producers felt they needed protection from excessive imports and acted to obtain it.

It appears the Japanese were quick to voluntarily restrict exports of a specific commodity to the United States during the thirties, but before the terms of the voluntary agreement were acceptable to the United States, they would have to begin action that would threaten more severe or permanent import restrictions.

Japanese cotton textile exports appeared well on their way to capturing various segments of the market during the thirties. In the four above-mentioned instances their progress was checked by the voluntary acceptance of an annual quota. This concentration upon a small segment

of the market created alarm in the domestic market which one would never suspect from a general statistical analysis.

CHAPTER V

ANALYSIS OF UNITED STATES-JAPANESE TRANSACTIONS 1940-1962

From early in the 1940's to the mid-1950's international trade was very severely disrupted because of World War II and its aftermath. During the war private trade among nations almost came to a standstill, but with a return to peace-time conditions it was resumed quickly and on an enlarged scale. With respect to Japan in particular, the government of the United States recognized that the economic recovery and stability of that nation would depend to a considerable extent upon the resumption of its foreign commerce. Because of this recognition, trade with Japan was encouraged. Some domestic industries became concerned since they were of the opinion that they would be unable to compete on equal terms with various kinds of foreign imports, especially Japanese cotton textiles. The present chapter is concerned with the nature and extent of trade between the United States and Japan from 1940 to the early 1960's.

Wartime Changes

United States' cotton textile production increased during World War II because of increased needs of the

military and our allies, while Japan's production was restricted to military and minimal domestic needs. These events resulted in a reversal of the pre-war trend: Japan's production for exports was expanding while the United States' production was relatively more limited. This section will view the impact of the war on the textile industry of both nations.

United States

World production of cotton piece goods had reached a record high of thirty-five billion square yards in 1937, and declined to twenty-five billion square yards in 1944. United States' production increased from nine billion square yards in 1939 to a high of twelve billion square yards in 1942, and then declined to ten and one-half billion in 1944. From 1939 to 1944 a great increase in demand for cotton cloth occurred in the United States. Military demands were significant, increasing from an insignificant amount in 1939 to about three billion square yards in 1942, when it represented about one-fourth of this country's production. Thereafter, the quantity increased further, causing a growing scarcity in supply for civilian use during the war.¹

¹U. S. Tariff Commission, Cotton Cloth, op. cit., p. 6.

Japan

World War II resulted in a temporary end to the rapidly expanding and economically healthy cotton textile industry of Japan. A substantial contraction in Japan's cotton textile productive capacity took place during the war; from a high of twelve million spindles in 1937, capacity dropped to two million spindles by February, 1946, a decline of 82 percent. This reduction was primarily due to the scrapping of equipment to meet war needs for metal. As the textile machinery was scrapped, the buildings were converted to war industry, and as a result, the 271 spinning mills in existence in 1937 declined to forty-four mills in February, 1946.²

Since Japan had access to very limited supplies of raw cotton during the war, much of the textile machinery that was scrapped would have remained idle for lack of raw cotton. Two main problems faced the post-war cotton textile industry of Japan: first, a sharply reduced capacity, and second, an almost complete lack of raw materials.³

Immediately after World War II, Japan was slow to rebuild her cotton textile capacity, due to a shortage of steel, the restrictions placed on it by the post-war rehabilitation plan, and an uncertainty of her future export market. Even former territories and possessions

²J. R. Stewart, op. cit., pp. 9-10.

³Ibid., p. 10.

were free after the war to purchase cotton textile in the world market.

During the United States' occupation of Japan after World War II, the cotton textile industry progressed steadily within the limits specified by the Occupation Plan of 1947. This plan stated a maximum of four million cotton spindles, and in June, 1950, Japan possessed 3.9 million spindles. Because time was drawing near for signing of the peace treaty, this maximum restriction was relaxed in June, 1950. The cotton textile industry was then free to expand according to market demand. An export market was rapidly developing, cotton spindles were increasing rapidly, and by December, 1950, there were 4.3 million spindles in operation. Spindleage increased to 6.5 million in December, 1951, and to 7.5 million in December, 1952.⁴

The rehabilitation of Japan's textile industry aroused misgivings among cotton textile industries of other countries. Because of their pre-war experience with Japanese competition, other countries were fearful of a possible threat of renewed competition from a restored Japanese textile industry. England and the United States were the leading textile nations, and both were in a position where Japanese competition could cut into their export sales. England was more concerned about this potential problem

⁴Keizo Seki, op. cit., pp. 42-43.

than the United States, because the United States was controlling the Japanese economy and England was placing considerable emphasis on cotton textiles in her post-war recovery program.⁵

The Japanese post-war reconstruction program was criticized for placing too much emphasis on the textile industry. The cotton textile industry of the world feared that the restriction placed on Japanese heavy industries, because of their war potential, would lead to an over-expansion of light industries, particularly cotton textiles. Such a development could cause increased world competition in cotton textiles and similar problems that developed during the thirties.

The remainder of this chapter will be devoted to the analysis of the quantitative increase of the United States-Japanese foreign transactions during the fifties.

United States Imports During the Fifties

United States imports of all commodities increased during the 1950's, and this increase was closely related to G. N. P. (see column 5, Table V-1). The total dollar value of United States' imports was steady during the first half of the fifties and then increased by about 50 percent during the last half of the 1950's. United States G. N. P.

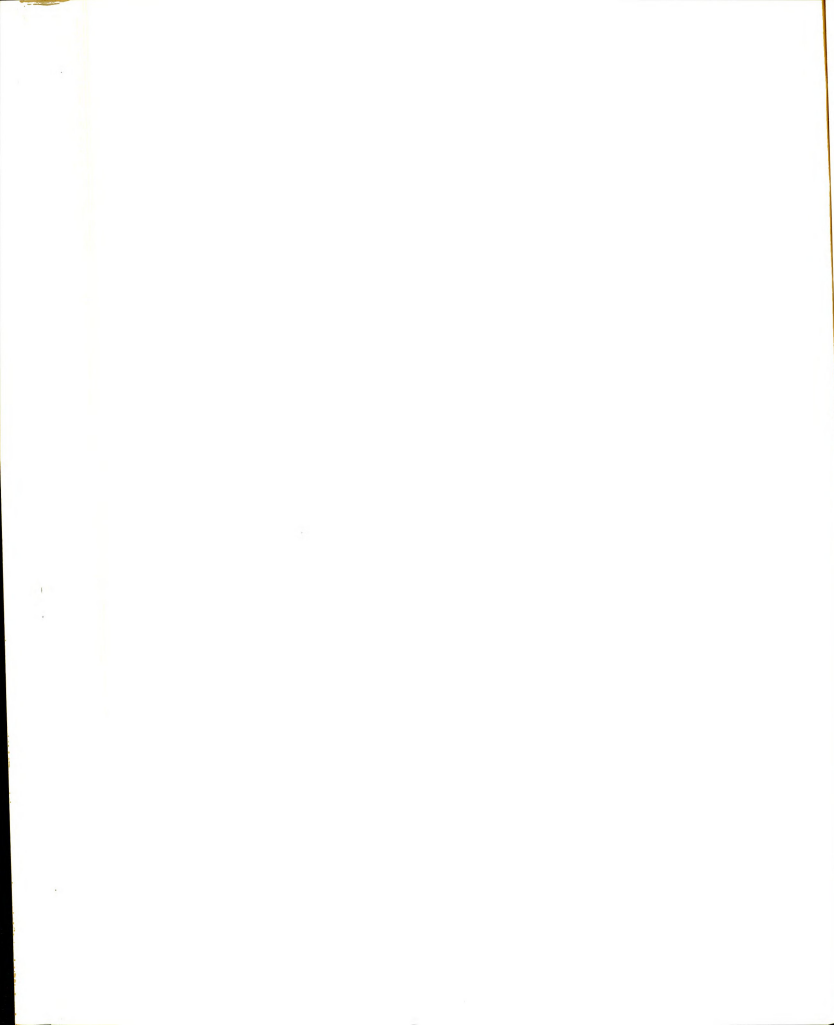
⁵J. R. Stewart, op. cit., p. 24.

COMPARISON OF UNITED STATES GROSS NATIONAL PRODUCT,
TOTAL IMPORTS, AND IMPORTS FROM JAPAN

| Year | G. N. P. ^a | Total Imports ^a | Imports from ^b Japan | Imports as a Percent of G. N. P. (Column 3 ÷ Column 2) Percent (5) | Percent of G. N. P. Imported from Japan (Column 4 ÷ Column 2) Percent (6) | Percent of Total Imports from Japan (Column 4 ÷ Column 3) Percent (7) |
|------|-------------------------|----------------------------|---------------------------------|--|---|---|
| (1) | Billions of Dollars (2) | Millions of Dollars (3) | Millions of Dollars (4) | | | |
| 1950 | 284.6 | 8,852 | 177 | 3.1 | .06 | 2.0 |
| 1951 | 329.0 | 10,967 | 200 | 3.3 | .06 | 1.8 |
| 1952 | 347.0 | 10,717 | 227 | 3.1 | .07 | 2.1 |
| 1953 | 365.4 | 10,873 | 260 | 3.0 | .07 | 2.4 |
| 1954 | 363.1 | 10,215 | 276 | 2.8 | .08 | 2.7 |
| 1955 | 397.5 | 11,384 | 416 | 2.9 | .10 | 3.7 |
| 1956 | 419.2 | 12,615 | 548 | 3.0 | .13 | 4.3 |
| 1957 | 440.3 | 12,978 | 602 | 2.9 | .14 | 4.6 |
| 1958 | 444.5 | 12,792 | 674 | 2.9 | .15 | 5.3 |
| 1959 | 482.7 | 15,207 | 1,018 | 3.2 | .21 | 6.7 |
| 1960 | 502.6 | 14,654 | 1,127 | 2.9 | .22 | 7.7 |
| 1961 | 518.2 | 14,713 | 1,076 | 2.8 | .21 | 7.3 |
| 1962 | 554.9 | 16,379 | 1,353 | 3.0 | .24 | 8.3 |

^aObtained from: U. S. Department of Commerce, Historical Statistics of the United States (Washington, D. C.: U. S. Government Printing Office), pp. 139, 537.

^bObtained from: U. S. Bureau of Census, United States Imports of Merchandise for Consumption, Report No. FTL20, 1950-1962.



increased slowly during the early 1950's, while the late fifties showed a more steady increase, as indicated in column 2 of Table V-1. Total imports were around \$10 billion during the first half of the fifties and then increased to the \$14 billion level in the late fifties. G. N. P. was around \$300 billion in the early fifties and increased to \$503 billion in 1960. Although G. N. P. and imports fluctuated during the fifties, imports as a percent of G. N. P. remained relatively stable, as indicated in column 5 of Table V-1. Total imports varied from 2.8 to 3.3 percent of G. N. P. during this time.

United States Imports from Japan

The dollar value of Japanese imports showed an increasing trend during the 1950's. Imports from Japan were around \$200 million in the period and increased to \$1.1 billion in 1960, as shown in column 4 of Table V-1. This was a substantial increase, but was still an insignificant share of G. N. P., as indicated in column 6. Japanese imports were .06 percent in 1950 and increased to about .25 percent in 1960: a four-fold increase.

The dollar value of Japanese exports to the United States was increasing relative to total imports during the 1950's. According to column 7 of Table V-1, Japanese goods became more important relative to total imports during this time. Japanese imports were around 2 percent of total imports in the early fifties and increased to about 8

percent in 1960. The yen value of the above figures would have the same relative comparison, as the dollar-yen exchange rate has remained stable since 1949.⁶

United States Imports of
Cotton Manufactures

The total dollar value of cotton manufactures imported into the United States increased from \$69 million in 1951 to \$252 million in 1960 (see column 3, Table V-2). When comparing cotton manufactures imported to total imports, we find the figure varying from a low of .6 percent in 1951 to a high of 1.7 percent in 1960 (see column 5, Table V-2). Imported cotton manufactures increased in relative importance to total imports during this time but never exceeded the 2 percent level.

United States Imports of Cotton
Manufactures from Japan

Cotton manufactures imported from Japan into the United States were around \$12 million in the early fifties (column 4, Table V-2). It increased rapidly in the mid-1950's to a high of \$84 million in 1956, from which it declined to \$73 million in 1960.

Japan's cotton manufactures imported into the United States during the fifties were a relatively small and insignificant part of total imports (column 6, Table V-2).

⁶Warren S. Hunsberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 23.

COMPARISON OF THE UNITED STATES TOTAL IMPORTS,
TOTAL IMPORTS OF COTTON MANUFACTURES,
AND COTTON MANUFACTURES IMPORTED
FROM JAPAN

| Year | Total Imports ^a (Millions of Dollars) | Cotton Manufactures Imported ^b (Millions of Dollars) | Percent of Total Imports That Are | | Percent of Total Imports That Are Cotton Manufactures from Japan (Column 4 ÷ Column 2) (6) |
|------|--|---|---|----------------------|--|
| | | | Total | From Japan (4) | |
| (1) | (2) | (3) | (5) | (6) | |
| 1951 | 10,967 | 69 | .6 | .1 | |
| 1952 | 10,717 | 59 | .6 | .1 | |
| 1953 | 10,873 | 73 | .7 | .2 | |
| 1954 | 10,215 | 76 | .7 | .2 | |
| 1955 | 11,384 | 123 | 1.1 | .5 | |
| 1956 | 12,615 | 154 | 1.2 | .7 | |
| 1957 | 12,978 | 136 | 1.0 | .5 | |
| 1958 | 12,792 | 149 | 1.2 | .6 | |
| 1959 | 15,207 | 202 | 1.3 | .5 | |
| 1960 | 14,654 | 252 | 1.7 | .5 | |
| 1961 | 14,713 | 204 | 1.4 | .5 | |
| 1962 | 16,379 | 282 | 1.7 | .6 | |

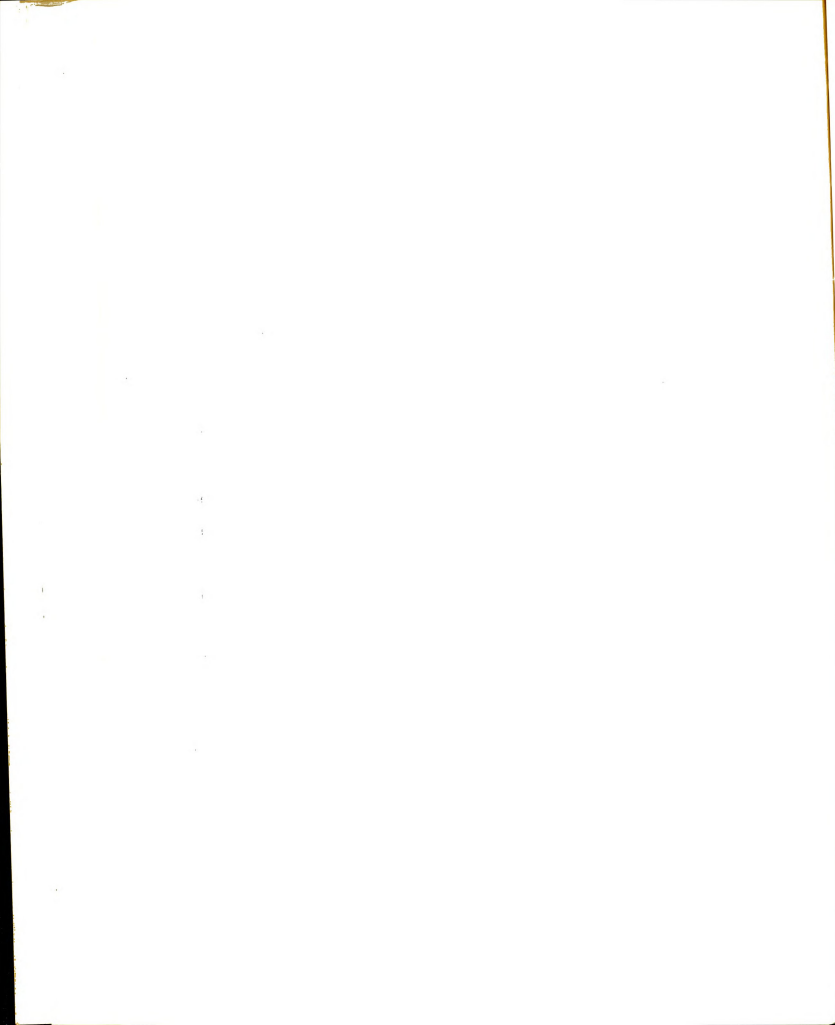
^aObtained from: U. S. Department of Commerce, Historical Statistics of the United States (Washington, D. C.: U. S. Government Printing Office), pp. 139, 537.

^bObtained from: U. S. Bureau of Census, United States Imports of Merchandise for Consumption, Report No. FT120, 1951-1962.

They comprised .1 percent during the early fifties, expanded to .7 percent in 1956, and declined to .5 percent in 1960. These figures show an increasing trend during the early and middle fifties and a slight decrease in the late fifties; however, the absolute percentage level is relatively insignificant.

When a comparison is made between total imports from Japan and cotton manufactures imported from Japan, there was a definite increasing trend in the early fifties and a declining trend in the later half of the decade (see column 5, Table V-3). There was a substantial change in cotton manufactures imported from Japan relative to total imports. Cotton manufactures were around 6 percent of total imports from Japan in the early fifties, increased to 15 percent in 1956, and declined to 7 percent in the late fifties.

Column 6 reveals that cotton manufactures from Japan increased substantially relative to total cotton manufactures imported. Less than 20 percent of the total cotton manufactures imported into the United States was from Japan in the early fifties. This relative share increased rapidly, especially in 1955, to a peak of 54.5 percent in 1956, and then declined to around 30 percent in 1960. During the mid-1950's United States' purchases of cotton manufactures from Japan substantially increased relative to purchases from other countries.



COMPARISON OF THE UNITED STATES TOTAL IMPORTS FROM JAPAN,
TOTAL COTTON MANUFACTURES IMPORTED, TOTAL COTTON
MANUFACTURES IMPORTED FROM JAPAN

| Year | Total Imports ^a from Japan (Millions of Dollars) | Cotton Manufactures Imported ^a (Millions of Dollars) | Percent of Total Imports from Japan That Are Cotton Manufactures (Column 4 ÷ Column 2) | Percent of Total Cotton Manufactures Imported from Japan (Column 4 ÷ Column 3) |
|------|---|---|---|--|
| (1) | (2) | (3) | (4) | (5) |
| 1951 | 200 | 69 | 12 | 17.4 |
| 1952 | 227 | 59 | 12 | 20.3 |
| 1953 | 260 | 73 | 19 | 26.0 |
| 1954 | 276 | 76 | 23 | 30.3 |
| 1955 | 416 | 123 | 60 | 48.8 |
| 1956 | 548 | 154 | 84 | 54.5 |
| 1957 | 602 | 136 | 66 | 48.5 |
| 1958 | 674 | 149 | 71 | 47.7 |
| 1959 | 1,018 | 202 | 77 | 38.1 |
| 1960 | 1,127 | 252 | 73 | 29.0 |
| 1961 | 1,076 | 204 | 70 | 34.3 |
| 1962 | 1,353 | 282 | 100 | 35.5 |

^aObtained from: U. S. Bureau of Census, United States Imports of Merchandise
for Consumption, Report No. FT120, 1951-1962.

United States Production and Imports of
Cotton Manufactured Goods

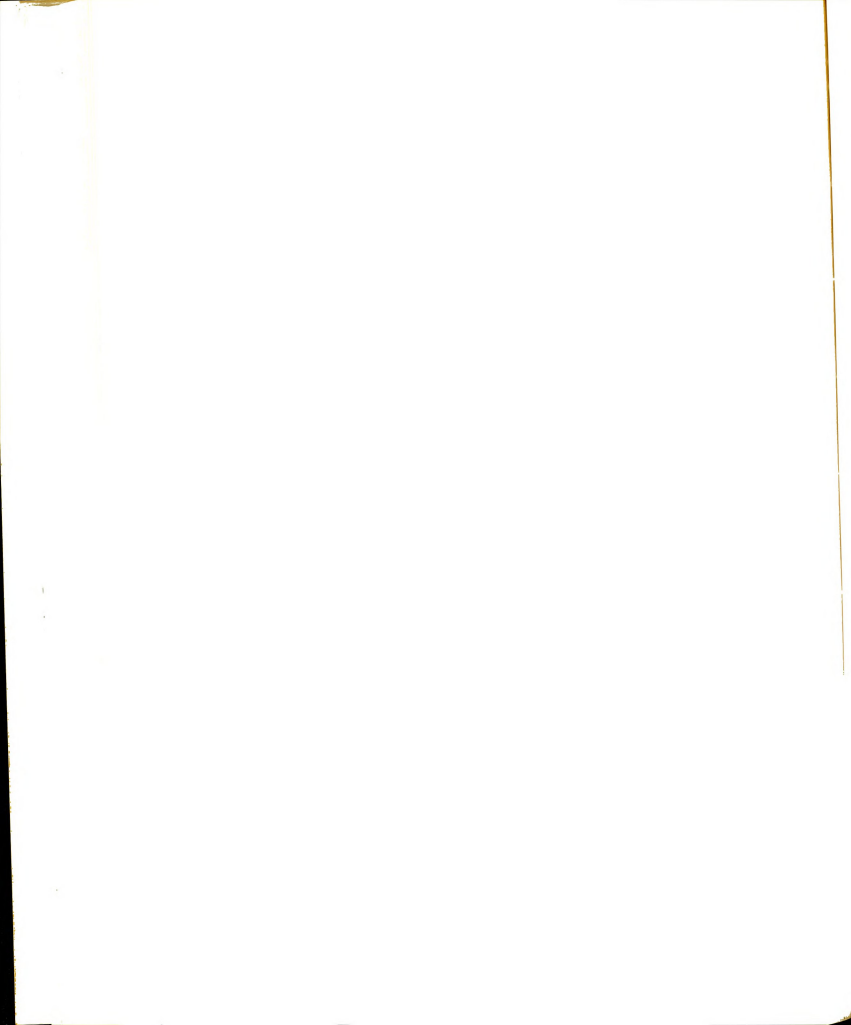
The production of cotton manufactured goods in the United States shows a slightly increasing trend during the late fifties and early sixties. This can be explained by the increase in population and an increase in the population's level of living.

Total imports of cotton manufactures were from 22 to 36 percent of cotton manufacture production during the late fifties and early sixties (see column 5, Table V-4). This reveals an increasing trend of imports relative to domestic production in the United States market.

Cotton manufactures imported from Japan did have a substantial increase in dollar value in 1955 and 1956, as stated earlier and in column 4 of Table V-3. When comparing this to United States production, imports of cotton manufactures from Japan were relatively stable at about 10 percent of domestic production (see column 6, Table V-4).

To summarize, total production of cotton manufactures increased slightly; cotton manufactures imported increased relatively more than total production; and cotton manufactures imported from Japan increased in proportion to United States' production. This comparison indicates that Japan's relative share of total imports of cotton manufactures was declining in the late fifties and early sixties.

Table V-5 through Table V-9 compares domestic production with imports of several specific cotton items



COMPARISON OF VALUE OF THE UNITED STATES COTTON MANUFACTURES
PRODUCED, TOTAL COTTON MANUFACTURES IMPORTED,
AND COTTON MANUFACTURES IMPORTED FROM JAPAN

| Year | U. S. Cotton Manufactures Produced ^a (Millions of Dollars) | Cotton Manufactures Imported ^b (Millions of Dollars) | Percent of U. S. Cotton Manufactured Products Imported (Column 3 ÷ Column 2) (5) | Percent of U. S. Cotton Manufactured Products Imported from Japan (Column 4 ÷ Column 2) (6) |
|------|---|---|---|---|
| (1) | (2) | Total (3) | (4) | (6) |
| 1958 | 686 | 149 | 71 | 10 |
| 1959 | 795 | 202 | 77 | 10 |
| 1960 | 753 | 252 | 73 | 10 |
| 1961 | 776 | 204 | 70 | 9 |
| 1962 | 782 | 282 | 100 | 13 |

^a Obtained from: U. S. Department of Commerce, 1963 Census of Manufactures, Textile Mill Products, Cotton Finishing Plants (Washington, D. C.: U. S. Government Printing Office, 1966), pp. 220-6.

^b Obtained from: U. S. Bureau of Census, United States Imports of Merchandise for Consumption, Report No. FT120, 1958-1962.



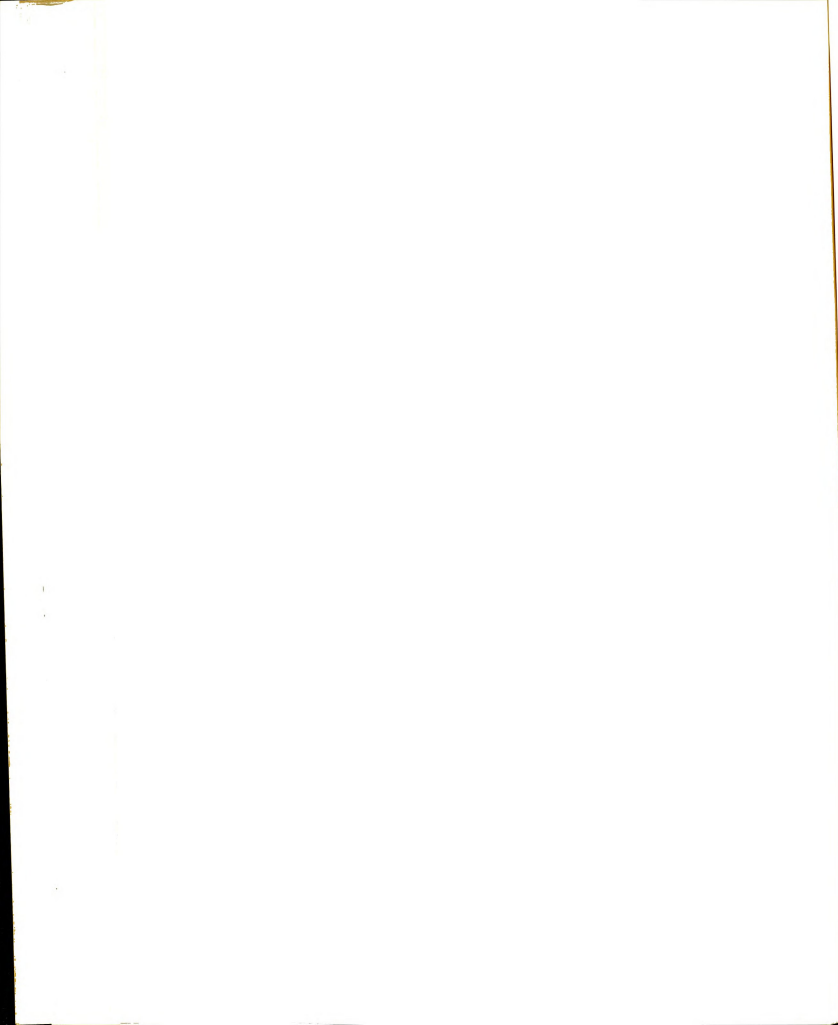
| Year | Production (Million Sq. Yds.) | Total Imports (Million Sq. Yds.) | Imports from Japan (Million Sq. Yds.) | Imports as a Percent of Production (Percent) (Column 3 ÷ Column 2) | Japan's Share of Total Imports (Percent) (Column 4 ÷ Column 3) |
|------|-------------------------------------|---|--|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1954 | 10,764 | 73 | 48 | 0.7 | 66 |
| 1955 | 10,973 | 133 | 100 | 1.2 | 75 |
| 1956 | 11,031 | 188 | 143 | 1.7 | 76 |
| 1957 | 10,268 | 122 | 87 | 1.2 | 71 |
| 1958 | 9,605 | 143 | 105 | 1.5 | 73 |
| 1959 | 10,296 | 240 | 99 | 2.3 | 41 |
| 1960 | 10,091 | 455 | 90 | 4.5 | 20 |
| 1961 | 9,802 | 254 | 90 | 2.6 | 35 |

^a Obtained from: Warren S. Hunsberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 298.

| Year | Production (Thousand Sq. Yds.) | Imports (Thousand Sq. Yds.) | Imports from Japan (Thousand Sq. Yds.) | Imports as Percent of Production (Percent) (Column 3 ÷ Column 2) | Japan's Share of Total Imports (Percent) (Column 4 ÷ Column 3) |
|------|--------------------------------------|-----------------------------------|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1954 | 4,322 | 5,157 | 3,145 | 119 | 61 |
| 1955 | 4,246 ^b | 8,600 | 6,796 | 203 | 79 |
| 1956 | N.A. | 8,324 | 6,898 | N.A. | 83 |
| 1957 | N.A. | 4,254 | 3,163 | N.A. | 74 |
| 1958 | N.A. | 4,157 | 2,797 | N.A. | 67 |
| 1959 | N.A. | 4,675 | 3,026 | N.A. | 65 |
| 1960 | N.A. | 4,900 | 3,087 | N.A. | 63 |
| 1961 | N.A. | 4,488 | 2,662 | N.A. | 59 |

^aObtained from: Warren S. Hunsberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 298.

^bNot Available.



| Year | Production (Million Sq. Yds.) | Imports (Million Sq. Yds.) | Imports from Japan (Million Sq. Yds.) | Imports as Percent of Production (Percent) (Column 3 ÷ Column 2) (5) | Japan's Share of Total Imports (Percent) (Column 4 ÷ Column 3) (6) |
|------|-------------------------------------|----------------------------------|--|--|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1954 | 182 | 6 | 4 | 3 | 67 |
| 1955 | 250 | 36 | 33 | 14 | 92 |
| 1956 | 217 | 83 | 77 | 38 | 93 |
| 1957 | 223 | 46 | 43 | 21 | 94 |
| 1958 | 256 | 50 | 47 | 20 | 94 |
| 1959 | 256 | 43 | 36 | 17 | 84 |
| 1960 | 265 | 61 | 38 | 23 | 62 |
| 1961 | 241 | 47 | 38 | 20 | 81 |

^aObtained from: Warren S. Hunsberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 298.



| Year | Production (Thousands) | Imports (Thousands) | Imports from Japan (Thousands) | Imports as Percent of Production (Percent) (Column 3 ÷ Column 2) (5) | Japan's Share of Total Imports (Percent) (Column 4 ÷ Column 3) (6) |
|------|---------------------------|------------------------|--------------------------------------|--|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1954 | 211,752 | 1,337 | --- | 0.6 | --- |
| 1955 | 211,000 | 11,738 | --- | 5.6 | --- |
| 1956 | 223,000 | 4,923 | 4,900 | 2.2 | 99.5 |
| 1957 | 229,000 | 5,035 | 4,860 | 2.2 | 97 |
| 1958 | 262,344 | 7,648 | 6,391 | 2.9 | 84 |
| 1959 | 243,000 | 5,990 | 5,128 | 2.5 | 86 |
| 1960 | 249,000 | 5,444 | 4,970 | 2.2 | 91 |
| 1961 | N.A. ^b | 6,109 | 5,306 | N.A. | 87 |

^aObtained from: Warren S. Hunsberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 298.

^bNot Available.

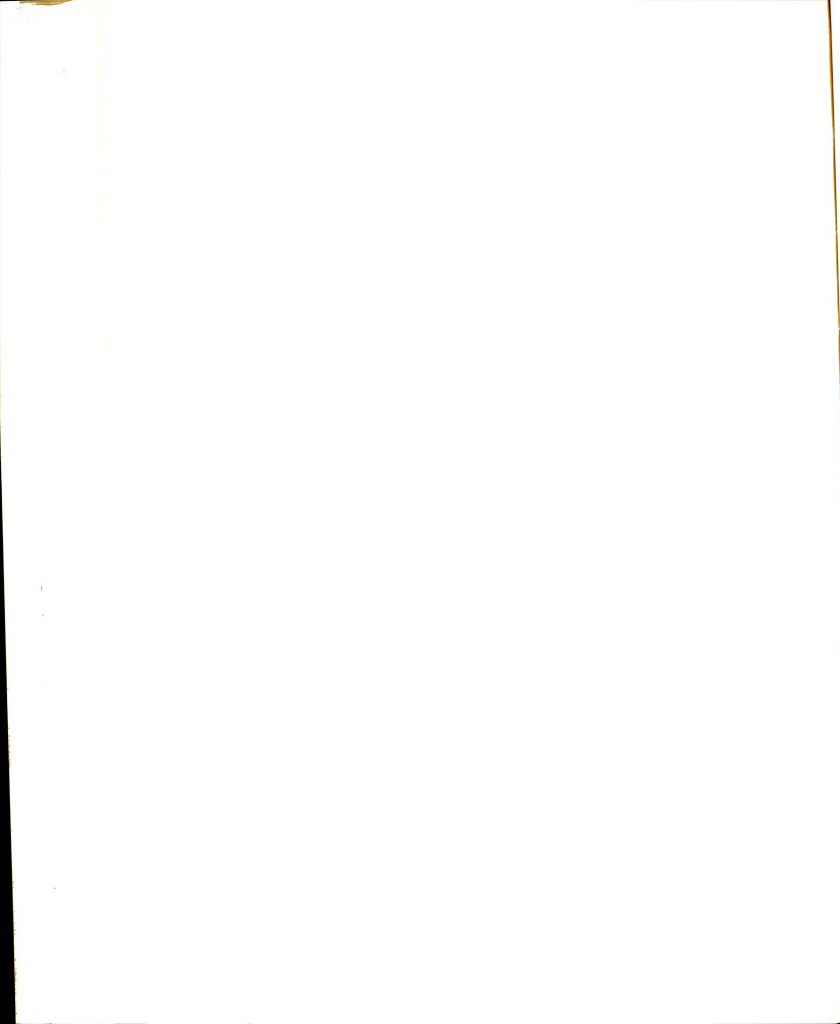
| Year | Production (Thousand Dozens) | Imports (Thousand Dozens) | Imports from Japan (Thousand Dozens) | Imports as Percent of Production (Percent) (Column 3 ÷ Column 2) | Japan's Share of Total Imports (Percent) (Column 4 ÷ Column 3) |
|------|------------------------------------|---------------------------------|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1954 | 6,569 | --- | 189 | --- | --- |
| 1955 | 10,066 | --- | 2,810 | --- | --- |
| 1956 | 10,800 | --- | 2,010 | --- | --- |
| 1957 | 12,500 | --- | 1,564 | --- | --- |
| 1958 | 12,400 | 3,147 | 2,135 | 25 | 68 |
| 1959 | 14,400 | 4,134 | 2,127 | 29 | 51 |
| 1960 | 14,200 | 4,276 | 1,871 | 30 | 44 |
| 1961 | 14,200 | 2,258 | 1,309 | 16 | 58 |

^aObtained from: Warren S. Hunsberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 299.

during the middle and late 1950's. Column 2 of Table V-5 reveals production of cotton cloth was from ten to eleven billion square yards. Total imports tended to increase through the fifties, while imports from Japan increased to a high of 143 million square yards in 1956 and then declined for the rest of the period. Imports were never greater than 2.5 percent of production during the fifties (see column 5, Table V-5), while Japan's share of total cloth imports tended to decline in the late fifties (see column 6, Table V-5).

Now turning to velveteens, production was over four million square yards in the middle fifties. Total imports increased to over eight million square yards in 1955 and 1956, and then declined to less than five million square yards from 1957 to 1961 (see column 3, Table V-6). Imports from Japan reached a high of around 6.8 million square yards in 1955 and 1956, and then declined to around three million square yards from 1957 to 1961, as indicated in column 4 of Table V-6. Japan's share of total imports reached a high of 83 percent in 1956 and declined to less than 60 percent in 1961 (see column 6, Table V-6).

Examining gingham, imports reached a high of 38 percent of domestic production in 1956 and declined to around 20 percent from 1957 to 1961 (see column 5, Table V-7), while column 6 shows from 62 to 94 percent of gingham imports originated in Japan. Sheet and pillow case imports were less than 6 percent of domestic



production in the late fifties and early sixties, as indicated in column 5 of Table V-8. Column 6 reveals that over 84 percent of the sheet and pillow case imports came from Japan. The limited data on cotton blouses shows that from 16 to 30 percent of domestic production was imported, as indicated in column 5 of Table V-9, while from 44 to 58 percent of the imports were of Japanese origin.

Cotton textile imports from Japan were highest in 1955 and 1956 and then tended to decline in the late fifties, while total imports continued to increase. Imports of cotton cloth and sheets and pillow cases were never greater than 6 percent of domestic production, while the limited data on velveteens show imports very high relative to production. In all instances of the specific types of cotton goods, Japan's share of United States' total imports was 75 percent and greater in the middle fifties, and the share declined in the late fifties and early sixties.

United States' Exports to Japan

United States' exports to Japan were increasing during the fifties, as indicated in column 2 of Table V-10. They were around the \$600 million level in the early fifties and increased to \$1.7 billion in 1961. United States' total exports of unmanufactured cotton⁷ varied from \$452

⁷Unmanufactured cotton is various types of raw cotton grouped together.

COMPARISON OF TOTAL EXPORTS TO JAPAN, TOTAL EXPORTS
OF UNMANUFACTURED COTTON, AND EXPORTS
OF UNMANUFACTURED COTTON TO JAPAN

| Year | Total Exports to Japan (1) | Total Exports of Unmanufactured Cotton ^a (2) | Percent of Unmanufactured Cotton to Japan ^a (3) | Percent of U. S. Exports to Japan that is Unmanufactured Cotton ^a (4) | Percent of Unmanufactured Cotton Exports that go to Japan (5) |
|------|-------------------------------------|---|---|--|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1951 | 593 | 1,146 | 182 | 30.7 | 15.9 |
| 1952 | 620 | 874 | 176 | 28.4 | 20.1 |
| 1953 | 668 | 521 | 116 | 17.4 | 22.3 |
| 1954 | 677 | 788 | 175 | 25.8 | 22.2 |
| 1955 | 642 | 477 | 121 | 18.8 | 25.4 |
| 1956 | 887 | 729 | 180 | 20.3 | 24.7 |
| 1957 | 1,227 | 1,059 | 217 | 17.7 | 20.5 |
| 1958 | 829 | 661 | 118 | 14.2 | 17.9 |
| 1959 | 931 | 452 | 93 | 10.0 | 20.6 |
| 1960 | 1,325 | 988 | 217 | 16.4 | 22.0 |
| 1961 | 1,731 | 884 | 222 | 12.8 | 25.1 |
| 1962 | 1,408 | 537 | 113 | 8.0 | 21.0 |

^aObtained from: U. S. Bureau of Census, United States Exports of Domestic and Foreign Merchandise, Report No. FT420, 1951-1962.

million to \$1.1 billion with no particular trend revealed (see column 3, Table V-10). Column 4 shows unmanufactured cotton exported to Japan varied from \$93 million to \$221 million during this time and revealed no particular trend. Unmanufactured cotton exports made up 30 percent of United States' exports to Japan in 1951 and declined to 8 percent in 1962 (see column 5, Table V-10). Exports of unmanufactured cotton to Japan were of less relative importance in the late fifties and early sixties than in the early and middle fifties. Of the unmanufactured cotton exported, 15 to 25 percent was exported to Japan, with a high of 25 percent in 1955 and 1956 (see column 6, Table V-10).

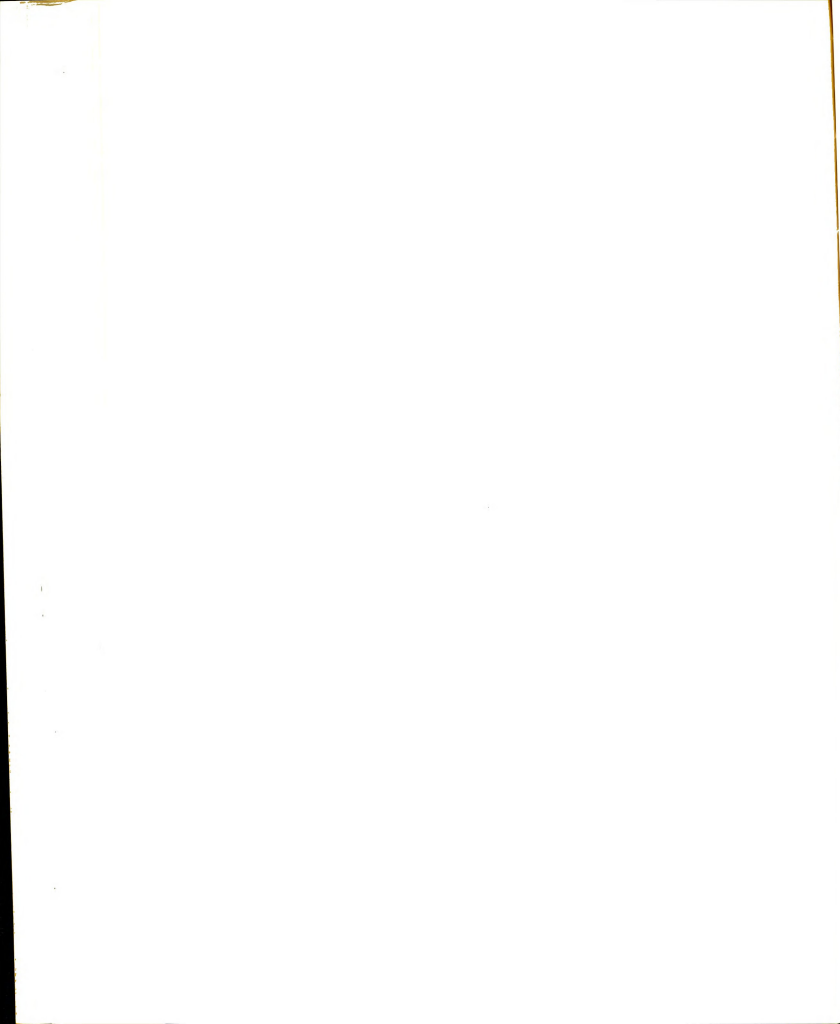
The State Department was faced with a conflict of interests within the domestic industries of the United States. This conflict came into existence when the United States exported increased amounts of unmanufactured cotton to Japan, and Japan increased her exports of cotton manufactured goods to the United States. Because of Japan's exports of cotton manufactures to the United States, she consumed more raw cotton, which was desirable from the point of view of the domestic cotton farmers. The domestic textile manufactures viewed this action differently, as this increase interfered with their domestic market. The State Department had to work with this dilemma during the thirties and again in the fifties and early sixties.

United States Balance of Trade with Japan

The United States had a surplus in her balance of trade with Japan during the fifties and early sixties, with the exception of 1959. United States' imports from Japan were less than 50 percent of her exports to Japan during the early fifties, as indicated in column 5 of Table V-11. In the late fifties and early sixties, United States' imports from Japan increased relatively more than did her exports to Japan, but the absolute surplus level was not reduced, because both United States' exports and imports to Japan were increasing in absolute terms.

When the balance of trade between the United States and Japan is viewed in terms of raw cotton and cotton manufactured goods, the United States has a surplus in its balance of trade every year (see column 4, Table V-12). United States' imports were increasing relative to exports, as cotton imports were less than 20 percent of cotton exports in the early fifties and greater than 30 percent in the late fifties and early sixties (see column 5, Table V-12).

Cotton manufactures imported into the United States from Japan did have a substantial increase in dollar volume during the fifties and early sixties, as indicated in column 3 of Table V-12; however, they never exceeded the dollar value of raw cotton exported to Japan.



UNITED STATES BALANCE OF TRADE WITH JAPAN

| Year | U. S. Exports to Japan ^a (Millions of Dollars) (2) | U. S. Imports from Japan ^b (Millions of Dollars) (3) | U. S. Surplus (Millions of Dollars) (Column 2 - Column 3) (4) | U. S. Imports as a Percent of Exports (Column 3 ÷ Column 2) (5) |
|------|---|---|--|--|
| (1) | | | | |
| 1951 | 593 | 200 | 393 | 33.7 |
| 1952 | 620 | 227 | 393 | 36.6 |
| 1953 | 668 | 258 | 410 | 38.6 |
| 1954 | 677 | 276 | 401 | 40.8 |
| 1955 | 642 | 416 | 226 | 64.8 |
| 1956 | 887 | 548 | 339 | 61.8 |
| 1957 | 1,227 | 602 | 625 | 49.1 |
| 1958 | 829 | 674 | 155 | 81.3 |
| 1959 | 931 | 1,018 | -87 | 109.3 |
| 1960 | 1,325 | 1,127 | 198 | 85.1 |
| 1961 | 1,731 | 1,076 | 655 | 62.2 |
| 1962 | 1,408 | 1,353 | 55 | 96.1 |

^aObtained from: U. S. Bureau of Census, United States Exports of Domestic and Foreign Merchandise, Report No. FT420, 1951-1962.

^bObtained from: U. S. Bureau of Census, United States Imports of Merchandise for Consumption, Report No. FT120, 1951-1962.

UNITED STATES BALANCE OF TRADE OF UNMANUFACTURED COTTON AND
MANUFACTURED COTTON GOODS WITH JAPAN

| Year | Unmanufactured Cotton Exports to Japan ^a (Millions of Dollars) (1) | Manufactured Cotton Imports from Japan ^b (Millions of Dollars) (2) | U. S. Surplus (Millions of Dollars) (3) | Cotton Imports as a Percent of Cotton Exports (Column 3 ÷ Column 2) (4) |
|------|--|--|--|---|
| 1951 | 182 | 12 | 170 | 7 |
| 1952 | 176 | 12 | 164 | 7 |
| 1953 | 116 | 19 | 97 | 16 |
| 1954 | 175 | 23 | 152 | 13 |
| 1955 | 121 | 60 | 61 | 50 |
| 1956 | 180 | 84 | 96 | 47 |
| 1957 | 217 | 66 | 151 | 30 |
| 1958 | 118 | 71 | 47 | 60 |
| 1959 | 93 | 77 | 16 | 83 |
| 1960 | 217 | 73 | 144 | 34 |
| 1961 | 222 | 70 | 152 | 32 |
| 1962 | 113 | 100 | 13 | 88 |

^a Obtained from: U. S. Bureau of Census, United States Exports of Domestic and Foreign Merchandise, Report No. FT420, 1951-1962.

^b Obtained from: U. S. Bureau of Census, United States Imports of Merchandise for Consumption, Report No. FT120, 1951-1962.

Conclusion

The post-war expansion of United States-Japanese trade has been phenomenal. In 1949 United States' exports to Japan stood at \$937 million, second in position after the \$3.7 billion worth of exports to Japan from Canada, and larger than the \$884 million to the United Kingdom or the \$749 million to West Germany. United States' imports from Japan were \$1.0 billion in 1949, which was third high after the \$3.0 billion from Canada and the \$1.1 billion from the United Kingdom.⁸

In the late fifties, the United States was the largest supplier of commodities to Japan and the biggest customer of Japanese products. In 1959 the United States took 29.8 percent of the total export sales of Japan, while Liberia was second with 6 percent of Japanese export sales. The United States was also the largest supplier of commodities, furnishing 30.9 percent of all Japanese imports, while second-ranking Australia made up only 8.1 percent of the total.⁹

The reason for the predominance of the United States in Japan's foreign trade is the vast change that has occurred in world market conditions since World War II. Japan's Far East market has almost completely disappeared;

⁸The Oriental Economist, Vol. 28 (June, 1960), p. 314.

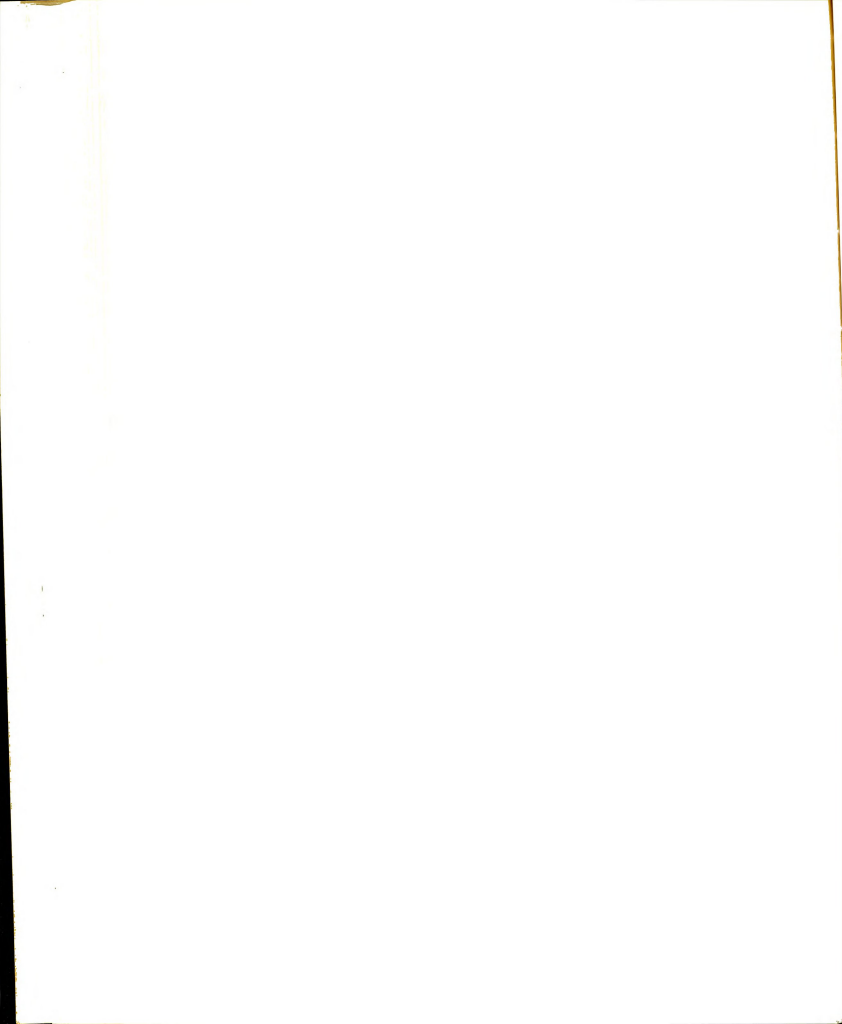
⁹Ibid.

for example, in 1959 exports to Korea, Tiawan, and Communist China were less than 3 percent of the total exports to these respective countries. At the same time, imports from these areas were less than 2 percent of these countries' international trade, which is an extreme change from the pre-war years when Japan dominated trade with these areas. The war changed the status of these former Japanese territories into independent nations, while in the case of China, a new and not altogether friendly Communist Regime came to power.¹⁰ These changing political conditions in the orient have increased the importance of the United States and Southeast Asia as markets and as sources of supply for Japanese products.

Japan's growth of trade with the United States was particularly significant during the 1950's. The United States Government encouraged this growth to aid Japan's post-war economic recovery and growth. These increasing Japanese exports to the United States were relatively insignificant compared to total imports, but there was a substantial concentration of certain types of cotton textiles. The domestic cotton textile industry became indignant over this increased foreign competition during the mid-1950's, and appealed to the government for protection. These two events--increasing Japanese exports

¹⁰ Ibid., pp. 314-315.

of cotton textiles and the domestic industry's reaction to the increase--create a dilemma that can be resolved by a voluntary export quota. The following chapter discusses the Japanese cotton textile voluntary export quota of the fifties.



CHAPTER VI

VOLUNTARY CONTROLS OF THE 1950'S

Introduction

From 1951 to 1954 Japanese cotton textile imports were expanding rapidly in the United States, but were at a low absolute level. The cotton textile industry of Japan was quickly recovering from World War II. During this time, United States cotton textile imports from other countries were also increasing. Even though total imports of cotton textiles were small relative to consumption, domestic producers cited increasing imports as the cause for their domestic problem of excess plant capacity and low profits.

Voluntary controls were used again in the 1950's between Japan and the United States to stabilize the increasing Japanese imports of cotton textiles. The United States domestic producers felt they needed protection from the lower priced Japanese goods.

This chapter will concentrate on the two voluntary textile agreements made between Japan and the United States during the 1950's. Emphasis is placed on how the textile industry and the State Department used the voluntary quota to satisfy both the American and Japanese textile industries.

The one-year 1956 agreement and then the five-year agreement of 1957 will be examined and discussed.

Reaction to Increasing Imports

When Geneva tariff negotiations began in February, 1955, the domestic textile industry feared the result would be lower tariffs for their products. In early December, 1954, the leading American trade associations representing textiles and other industries launched a major drive against lowering tariffs on goods imported from Japan. They argued that the history of Japanese competition prior to World War II clearly showed that Japan does not need lower import duties to compete effectively in the United States. The textile industry feared that the recent expansion of imported cotton goods from Japan would result in repetition of pre-war problems. The domestic industry also believed that lowering import tariffs to keep Japan away from communism was beyond the stated purpose of the trade agreements program, and was a costly and impractical method for solving that problem.¹

Although there was opposition from the domestic industry, United States' duties on about thirty cotton items were reduced during the Geneva tariff negotiations of 1955.² Domestic textile producers became more disturbed

¹New York Times, December 7, 1954, p. 58.

²Letter from Dr. C. T. Murayama, Managing Director, Japan Cotton Spinners Association, Tokyo, Japan, November, 1963.

as 1955 progressed, because imports continued to increase in the latter half of that year. To counteract this increase, the American Textile Industry appealed to Congress insisting that only restrictive measures against imports would save the industry from the lower priced Japanese goods. Congressmen rose to the occasion and delivered lengthy emotional speeches, using many personal testimonies from textile producers and expounding on the traditional arguments for protectionism.³

The Japanese became concerned about these reactions and proceeded to counteract them. In August, 1955, the Japanese government obtained the cooperation of their cotton goods' exporters to back a government drive to halt indiscriminate sales to the United States. This move was designed to meet the protest of the United States cotton textile producers against expanding Japanese imports of cotton goods to the United States.⁴

In October, 1955, there was a counter-wave of resentment by domestic textile interests toward an increasing stream of Japanese textiles coming into the United States.⁵ The relations between domestic producers and the government were made worse by this situation. The New York Times reports:

³New York Times, October 23, 1955, Section III, p. 1, and U. S. Congressional Record, 84th Cong., 1st Sess., 1955, Part 9, pp. 11240-11241.

⁴New York Times, August 17, 1955, p. 37.

⁵See columns 3 and 4, Table V-3.

. . . they (Japanese Government and Textile Industry) do not want further import restrictions on their goods. Last week, the Chief of Japan's Trade Bureau suggested that Japan itself restrict the quantity of cotton yard goods and garments exported to the United States. He gave as his reason the "adverse reaction" of American interests to Japanese cottons, as reported to him by Japanese consuls in the United States.⁷

The United States Government was under pressure from cotton manufacturers and also under further pressure from domestic cotton growers but of a different kind. The cotton farmers were faced with another bumper crop in 1955 which would add to the already large cotton surplus. In terms of dollar value Japanese imports of raw cotton from the United States were more than double the United States imports of cotton textiles from Japan in the early and middle fifties.⁸ Japan imported a large share of raw cotton from the United States, and the cotton growers feared this market would be reduced if the United States imposed import restrictions on cotton textiles.

In the last few months of 1955, bills were proposed in both Houses of the United States Congress that would result in unilateral restrictions on imports of cotton textiles. The supporters of the cotton textile industry also tried, though unsuccessfully, to introduce a unilateral quota as a rider to important legislation, first under the farm bill and then under the foreign-aid bill. In both instances the measure was lost by just a few votes in the Senate.⁹

⁷Ibid.

⁸Table V-7.

⁹U. S. Congress, Subcommittee on Foreign Trade Policy of the Committee on Ways and Means, Foreign Trade Policy, 1958, p. 893.

1956 Voluntary Agreement

On December 13, 1955, the Japanese Cabinet took action to limit exports of cotton textiles to the United States. The announcement included twenty textile items and stated that any exports after December 21, 1955 would require a government license. This action was taken in an attempt to discourage a campaign by American cotton manufacturers to impose a quota system on low priced Japanese imports, and is an example of the Japanese Government's ability to control exports.¹⁰

The United States Government was pleased with the announcement of the voluntary restrictive action taken by the Japanese Government. In a news conference on December 21, 1955, Secretary of State, John F. Dulles, responded to a reporter's question about the Japanese textile situation:

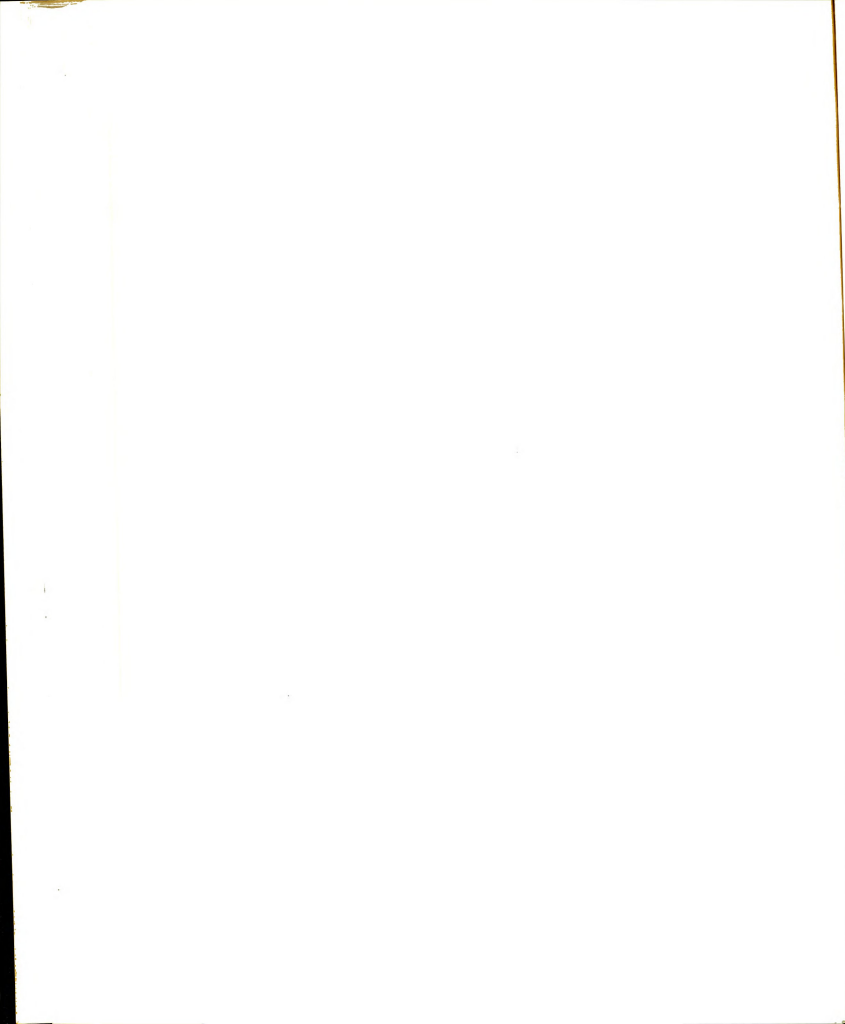
. . . the facts are that the Japanese Government is taking effective action to prevent excessive exports of textile goods to the United States, either directly or indirectly, and I would hope and believe that the situation can be taken care of in that way without the necessity of having quotas.¹¹

This action temporarily reduced the complaints of the domestic textile interest to Congress and the Administration.

No further details about Japanese export restrictions were made known until April 4, 1956, when the Japanese Government and textile industry announced they had voluntarily started to control their exports of cotton goods

¹⁰New York Times, December 14, 1955, p. 65.

¹¹New York Times, December 21, 1955, p. 14.



to this country beginning January 1, 1956. This communication proceeded to explain the sacrifice and economic impact upon their own textile industry, but made no mention of specific quantity restrictions.¹²

The Secretary of State waited until May 15, 1956, and then sent the following communication to the Ambassador of Japan: "The United States Government would appreciate receiving a statement from the Government of Japan which describes in more detail the voluntary controls imposed and sets forth the Japanese intentions with respect to the future of these controls."¹³ The Embassy of Japan immediately replied with the following voluntary restriction:

| <u>Commodities</u> | <u>Quantities</u> |
|---|-------------------|
| (1) Cotton fabrics: | |
| Total (thousand square yards) | 150,000 |
| (a) Print cloth (thousand square yards) | 20,000 |
| (b) Velveteen (thousand square yards) | 5,000 |
| (2) Cotton blouses (thousand dozens) | 2,500 |

They also indicated their present intention was to adopt a similar measure for 1957.¹⁴

¹²U. S. Department of State Bulletin, Vol. 34, No. 879, April 30, 1956, p. 728.

¹³U. S. Senate, Committee on Foreign Relations, Hearing on Imports of Cotton Textiles from Japan, 84th Cong., 2nd Sess., 1956, p. 27.

¹⁴Ibid.

Preliminaries to the 1957 Agreement

The Japanese announcement in December, 1955, voluntarily restricting her exports to the United States, did not satisfy Congress and the domestic producers. W. R. Bell, President of the Association of Cotton Textile Merchants, a group promoting quotas of Japanese imports, said on January 17, 1956, that the Association would continue to press for restrictions. He questioned the sincerity of the Japanese announcement and felt the restrictions would not be severe enough to aid the domestic industry.¹⁵

During the first two months of 1956, domestic textile producers made three separate requests to the Tariff Commission for investigation of cotton goods under the Trade Agreement Extension Act of 1951.¹⁶ On January 24, 1956, the Tariff Commission received an application to investigate velveteen fabrics from three domestic producers in the New England area. The National Association of Blouse

¹⁵New York Times, January 19, 1956, p. 47.

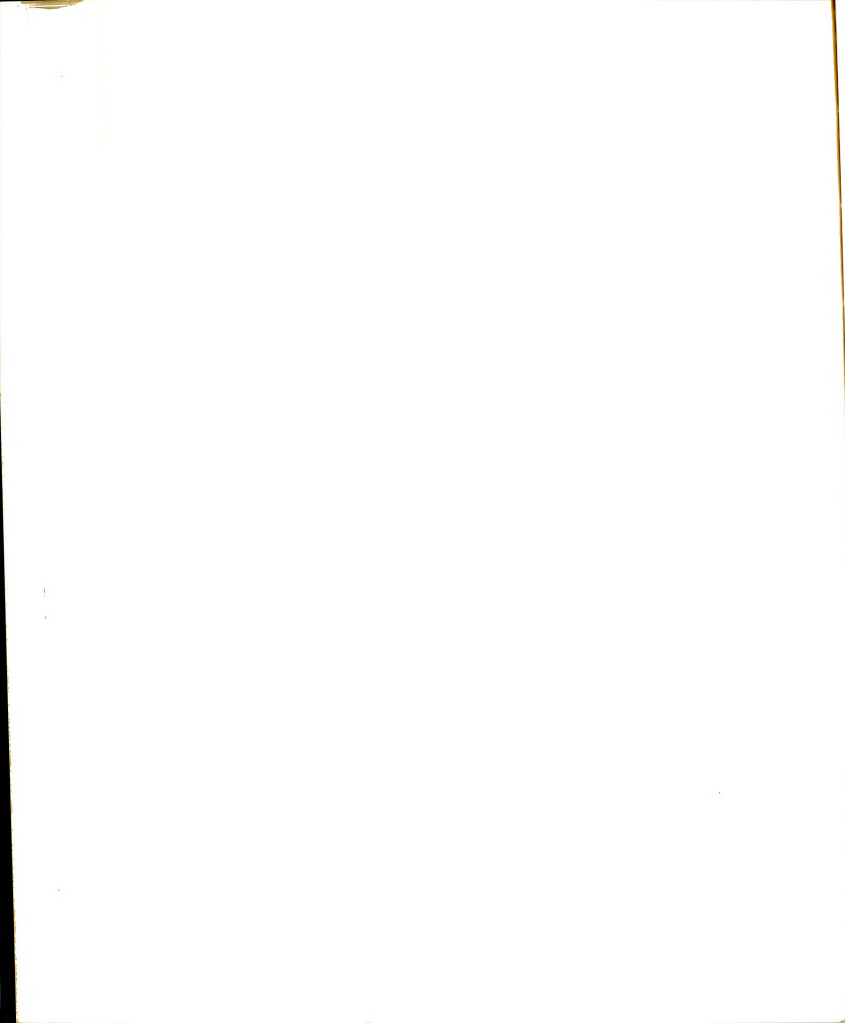
¹⁶"Section seven of the Trade Agreements Extension Act of 1951, . . . provides that the Tariff Commission, upon request of the President, upon resolution of either House of Congress, . . . upon its own motion, or upon application by any interested party, must promptly conduct an investigation to determine whether any product on which a trade-agreement concession has been granted is, . . . being imported in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products." U. S. Tariff Commission, Fortieth Annual Report, 1956, p. 3.

Manufacturers, Inc., originated an application to investigate women's and girls's cotton blouses on February 7, 1956; the commission also received an application on February 21, 1956, from Riegel Textile Corporation to investigate cotton pillow cases.¹⁷ These domestic producers were attempting to restrain the increasing flow of cotton textile imports.

Congress was also concerned about the increased imports of cotton textiles. Because of the continued increase of textile imports in early 1956, Senator Payne, on April 11, 1956, submitted a resolution directing the United States Tariff Commission to make an immediate and thorough investigation to determine what textiles the United States imports in such increasing quantities as to cause or threaten serious injury to the domestic textile industry. Senator Eastland also introduced a bill into the Senate, which, if it had been adopted, would have controlled the level of textile imports.¹⁸ Similar actions recorded in the House of Representatives threatened to place quota limitation on cotton textile imports. Congressmen from cotton textile producing areas expressed the feelings of their constituents who believed the only reasonable solution to increasing imports was unilateral quotas.

¹⁷Ibid., p. 6.

¹⁸U. S. Congressional Record, 84th Cong., 2nd Sess., 1956, Part 5, pp. 6034-6035.



Secretary of State John F. Dulles, believed it would be very undesirable to establish import quotas on Japanese textiles. The United States did not have a single import quota on manufactured products, and Dulles implied that to restrict trade at a time when the free world must depend on the expansion of trade for so much of its strength would severely weaken the United States and the free world's foreign trade program.¹⁹

Dulles also stated that he had personally advised representatives of the Japanese Government to restrain their exports and to avoid taking so much of the American market that its industry would be injured. He preferred to see domestic industry protected by voluntary action of the exporting nations, rather than by unilateral action of the United States.²⁰

From the political viewpoint, the State Department²¹ sought to promote international good will through increasing international trade, which was being accomplished by keeping trade restrictions to a minimum. At the same time, the State Department was obliged to give domestic industries protection against imports which seriously endangered or

¹⁹U. S. Department of State Bulletin, Vol. 31, No. 861, December 26, 1955, p. 1065.

²⁰U. S. Department of State Bulletin, Vol. 34, No. 884, June 4, 1956, p. 922.

²¹References to the State Department in this chapter refer to Assistant Secretary-Far Eastern Affairs and/or Assistant Secretary-Economic Affairs.

jeopardized an industry. Now the domestic textile industry was in unanimous agreement that the only reasonable solution to increased imports was quotas, and the State Department was concerned with promoting freer world trade. The Department promoted voluntary restriction as a compromise to the paradox it faced. The Department received much criticism from the cotton textile producing states because of the dual role it was attempting to play. The actions of the State Department become logical when they are viewed in terms of the broader goals of our countries foreign policy.

The 1956 voluntary restrictions of 150 million square yards, announced by Japan in May, 1956, did not include any limitation on gingham. Gingham imports increased rapidly in 1955, continued their upward trend in early 1956, and over 90 percent originated in Japan (see column 7, Table V-7). On August 8, 1956, the Japanese Ministry of International Trade and Industry limited shipments of gingham to the United States in 1956 to 70 million square yards. This action was taken by Japan to strengthen her position when the United States Tariff Commission held hearings in Washington in October, 1956, on a proposed increase in import duties on gingham.²²

The Association of Cotton Textile Merchants of New York called the 70 million square yard quota of gingham

²²New York Times, August 9, 1956, p. 31.

unreasonable and excessive since the gingham industry in the United States is relatively small.²³ This agreement permitted a maximum of 47 percent of the total allotment of 150 million square yards to be gingham; this gingham quota represented 24 percent of domestic production in 1955 (see Table V-7).

The State Department invited members of several textile trade organizations to a Washington meeting in mid-August, 1956. At this meeting the State Department encouraged the industry to produce data supporting their case that rising imports are causing serious harm. The State Department never used the word "quota," but talked in terms of an agreement with Japan that would voluntarily limit Japanese exports to the United States by specific categories of piece goods and garments.²⁴

No record was found by the author that the information resulting from this meeting was officially presented to the Japanese, but on September 27, 1956, the Japanese Government revealed in a note to the State Department the nature of its 1957 cotton textile restrictive export program. The Japanese note stated that the purpose of the program was to bring about orderly marketing by avoiding excessive concentration in any particular period of time or on any particular

²³Ibid.

²⁴Ibid., August 24, 1956, p. 27.

item, and to achieve broader diversification of cotton textile exports. An overall ceiling was planned; within this ceiling, individual quotas would be established for such items that tend to be exported in excess, thus causing undue hardship to a particular segment of the United States industry. The Japanese made clear what cooperation was expected of the United States Government. The following quote presents their demands of the United States:

The action now contemplated by Japan is based on the condition that all feasible steps will be taken by the United States Government . . . to prevent further restrictive action with regard to the importation of Japanese textiles into the United States.²⁵

On October 24, 1956, the Tariff Commission announced the completion of its report on cotton velveteen fabrics. The Commission found that velveteen fabrics were being imported into the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing similar or directly competitive products; the Commission unanimously agreed that escape clause relief was warranted in respect to cotton velveteen fabrics. They also found that in order to prevent future injury, the duty on imports of plain-back velveteens should be increased from 25 percent to 46.88 percent ad valorem and the duty on imports of twill-back velveteen increased

²⁵U. S. Department of State, American Foreign Policy (Washington, D. C.: U. S. Printing Office, 1956), p. 818.

from about 25 percent to 56.25 percent ad volorem.²⁶

Accordingly, the Commission recommended that the President modify the existing rates to comply with the Commission's findings.²⁷ It is customary for the President to act on a report within sixty days after it is formally presented to him.

In mid-November of 1956, progress toward a voluntary curtailment had come to a standstill due to the inability of the State Department and the Japanese Government to agree on the amount of Japanese cotton textiles imported into the United States in 1955. Their agreement was important because the two countries had concurred that the 1955 imports would be the basis for determining the 1957 voluntary curtailment. Further, the United States demanded a limit on each of the cotton goods classified into eight groups, which were sub-divided into fifty-one items, but Japan wanted to confine such detailed limits to a small number of items such as velveteen and gingham.²⁸

This delay in obtaining a voluntary agreement strengthened the demand of the United States textile manufacturers for higher tariffs. Since no progress was being

²⁶U. S. Tariff Commission, Cotton Velveteen Fabric Report to the President, October 24, 1956, p. 3.

²⁷U. S. Tariff Commission, Forty-first Annual Report, 1957, p. 9.

²⁸The Oriental Economist, Vol. 24, November, 1956, p. 558.

made on voluntary restrictions and the Tariff Commission had found velveteen producers injured by Japanese competition, the domestic cotton textile producers were expecting and demanding action for protection from imports.

By mid-December, 1956, the Tariff Commission's recommendation to increase tariffs on velveteen had been before the President about two months. On December 21, 1956, President Eisenhower announced publicly that he was going to take more time to determine whether to accept the recommendation. Because the President wanted to encourage Japan to voluntarily restrict her exports, postponement of a decision was the best alternative at this time. If he had decided to reject the Commission's recommendation, the United States bargaining position in the negotiations of voluntary restrictions would have been weakened. And if the President had concurred with the Tariff Commission's recommendation and issued a proclamation to raise the tariffs, the Japanese clearly stated that this action would be reason enough to permanently withdraw from the negotiation. Since the means for negotiation of a voluntary agreement were still open, postponement was the best and most timely decision.²⁹

The Japanese textile manufacturers publicly discounted the potential danger of increased United States tariffs on

²⁹New York Times, December 22, 1956, p. 25.

cotton textiles. They were prepared to lower their price on velveteen in the event that President Eisenhower raised the duty, and they were confident that they could remain the lowest seller in the United States even if the Tariff Commission's recommendation was adopted.³⁰

The Japanese were attempting to strengthen their bargaining position by threatening to lower prices, which would make the higher tariff ineffective. This suggests that the Japanese could produce cotton textiles so cheaply that nothing short of rigid quotas would limit their exports to the American market.

The Japanese had the advantage of lower production costs of cotton textiles, obtained through lower labor costs and capital efficiently combined with labor. In addition the United States Department of Agriculture was selling cotton abroad for six and one-half cents per pound less than it was in this country.³¹

Thus one industry (raw cotton production), in promoting its product, increased foreign competition for another American industry (cotton textiles). Each industry was independently attempting to promote and/or protect its own interests, and within this framework, the dilemma developed between raw cotton and cotton textiles.

The future outlook of the domestic cotton textile industry in 1957 was uncertain unless some restrictions

³⁰Ibid.

³¹Ibid.



were made on imports. The domestic industry continued to press for restrictions, and in January, 1957, the industry urged the President to raise the duties on velveteen imports. On January 3, 1957, Congresswoman E. N. Rogers remarked in the House of Representatives:

I am presenting at the White House a petition signed by some thousands of residents of Lowell, Mass., and surrounding communities, urging the President to decide in favor of the United States Tariff Commission's finding to raise the import duties on velveteen and, by so doing, save the jobs of hundreds of workers in the Merrimack Manufacturing Co., of Lowell, the city's oldest and until recent cutbacks in work caused by competition of imported velveteen, biggest mill.³²

Congresswoman Rogers was protesting the unfair discrimination, particularly in selecting one segment of the cotton textile industry: namely velveteen. Among Congresswoman Rogers remarks were letters to the President from Senator John F. Kennedy of Massachusetts and Senator Theodore F. Green of Rhode Island, expressing their hope that the President would accept the Tariff Commission's recommendation.

Five-Year Voluntary Agreement

The United States Government was informed on January 16, 1957, in a note from the Ambassador of Japan to the Secretary of State, about the details of the Japanese program for the control of exports of cotton textiles to the United States.³³ Effective January 1, 1957, the five-year

³²U. S. Congressional Record, 85th Cong., 1st Sess., 1957, Part 15, p. A33.

³³U. S. Department of State, American Foreign Policy, 1957, p. 1139.

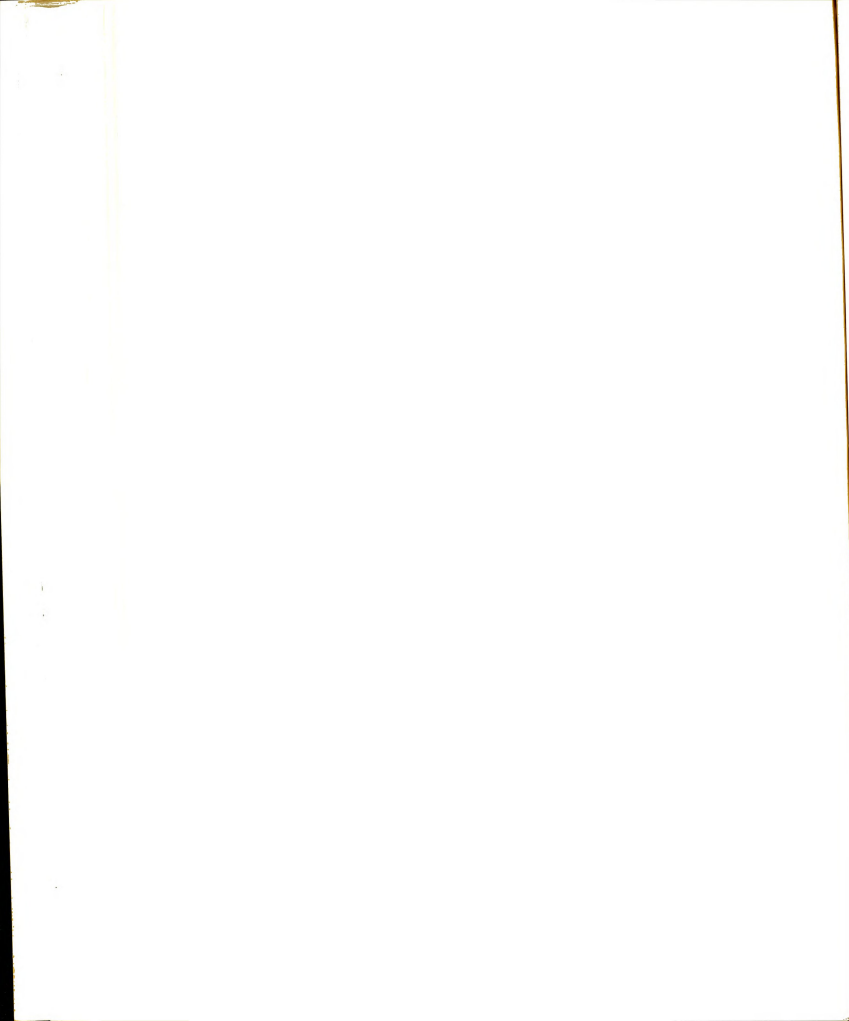
program placed an annual over-all ceiling of 235 million square yards on the export of all types of Japanese cotton manufactured goods to the United States, with a specific ceiling on many items.³⁴

The over-all limit of 235 million square yards was divided into five major groups which were subdivided into twenty-four categories of fabrics. The program provided for Japanese cotton textile exports to be distributed reasonably equally by quarters, as necessary to meet seasonal demands. The Japanese also agreed to take all feasible steps to prevent trans-shipment to the United States through third countries.³⁵

This Japanese program was developed in an effort to meet the problem that arose in 1955 when exports of Japanese textiles to the United States increased sharply. These exports were heavily concentrated in certain commodities such as blouses, velveteens, and gingham. Not only were the domestic producers of these items affected, but the entire industry became concerned because of the uncertainty as to where future Japanese exports might concentrate. This concern of the textile industry was expressed in several above-mentioned petitions filed with the Tariff Commission, and also requests to Congress and the Executive Branch for action to establish quotas on textile imports.

³⁴The voluntary agreement is printed in full in Appendix C.

³⁵See Appendix C.



The voluntary agreement was welcomed by the United States domestic producers and the Department of State as it created a feeling of optimism for the future. The Department of State issued the following statement:

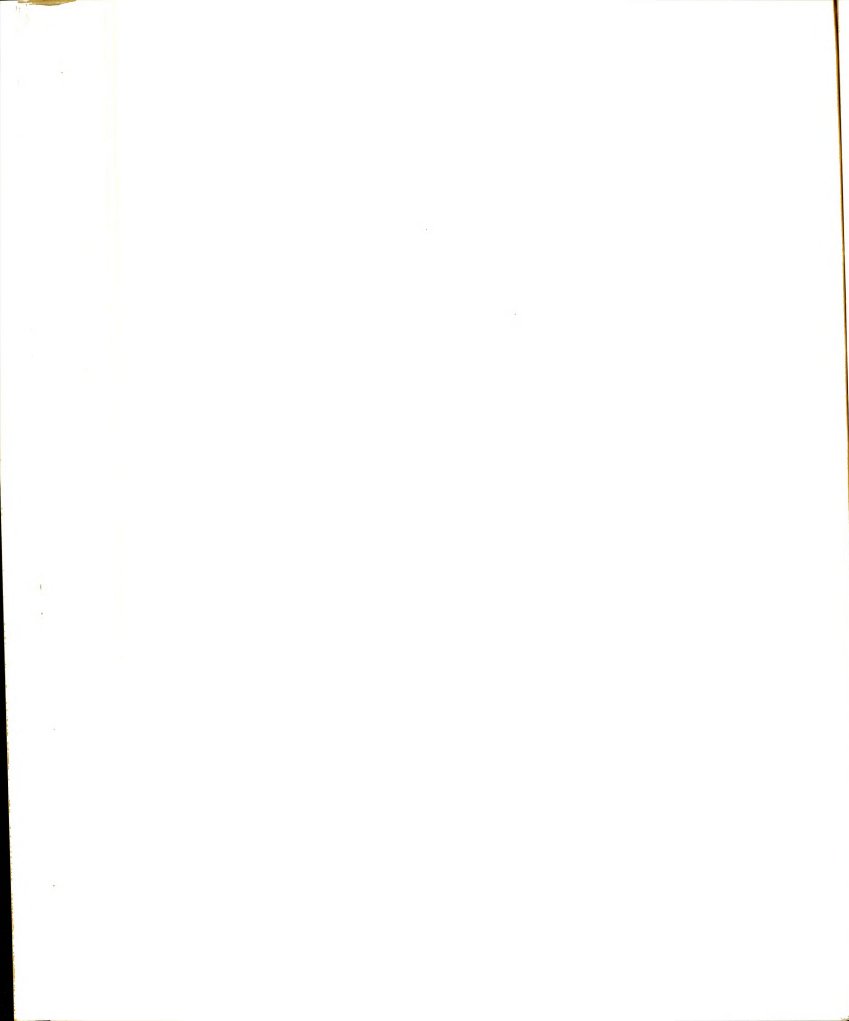
The action taken by Japan is a major step forward in the development of orderly and mutually beneficial trade between the United States and Japan. It is a constructive measure aimed at forestalling possible future injury to the United States cotton textile industry. . . . the program demonstrates an understanding by Japan of the importance of the orderly marketing of an item as significant to the economies of both countries as cotton textiles. It not only provides an over-all limit on the total volume of cotton textile exports to the United States, but perhaps even more important, it sets a pattern for the diversification of these exports over the entire area of cotton textile manufacturers.³⁶

The Department of State further expected the Japanese program would provide a basis on which the domestic industry could look to the future with the confidence and the knowledge that import competition from Japan would follow an orderly pattern.³⁷

The future outlook among the cotton textile representatives was much brighter because of the agreement. Prior to the agreement, they described the industry as being depressed, but after the agreement this pessimism was replaced with optimism. The industry welcomed these

³⁶U. S. Congressional Record, Part 1, p. 781.

³⁷Ibid.



voluntary quotas, after working for years for such action.³⁸

The principal development of the voluntary agreement was that it returned some form of stability to the domestic industry. After the settlement, the domestic industry contended they could proceed, with reasonable confidence, with long-range expansion plans, research and sales planning, without fear of being swamped with Japanese goods.³⁹

On January 22, 1957, President Eisenhower announced that he was rejecting the Tariff Commission's recommendation for a substantial increase in the import duty on velveteen. His reason for rejecting the recommendation was Japan's program for control of textile exports to the United States.⁴⁰

Japanese officials from their Embassy in Washington had publicly stated that if the President approved the increase on velveteen tariffs, Japan might have to reconsider its voluntary limitation.⁴¹ The President had postponed making a decision on an increase in the velveteen tariffs in October, 1956, as a means of improving the United States bargaining position during the negotiation of a voluntary agreement. Because a voluntary agreement had been

³⁸New York Times, January 20, 1958, Section III, p. 1.

³⁹Ibid.

⁴⁰Ibid., January 23, 1957, p. 43.

⁴¹Ibid.

announced that was satisfactory to both parties, the Tariff Commission's report and recommendation to the President served its usefulness in encouraging the Japanese to voluntarily restrict their exports.

Conclusion

The new quotas largely calmed the storm of American producer complaints. The President was able to reject the velveteen recommendation without domestic protests, and the gingham investigation was discontinued and dismissed at the applicant's request of January 29, 1957.⁴² Domestic producers felt the Japanese arrangement brought order to the pattern of imports which increased producer stability in the domestic market.

The total value of Japanese cotton manufacture imports into the United States dropped sharply in 1957 and from 1958 to 1961 fluctuated considerably below the 1956 peak year as shown in column 3, Table VI-1. From a study of Table VI-1, it shows gingham imports reached 77 million square yards in 1956 and were never above 47 million in the following five years, while velveteen imports had reached 6.9 million square yards in 1956 but in the next five years were less than 3.2 million.

The voluntary agreement announced in January, 1957, had annual ceilings which would apply for five years,

⁴²U. S. Tariff Commission, Forty-first Annual Report, 1957, p. 6.

TABLE VI-1
UNITED STATES IMPORTS OF COTTON MANUFACTURES

| Year | Total ^a (Millions of Dollars) | Japan | | Hong Kong | |
|------|--|------------------------------------|---|------------------------------------|---|
| | | Dollars ^a (Millions) | Percent of Total (Column 3 ÷ Column 2) | Dollars ^b (Millions) | Percent of Total (Column 5 ÷ Column 2) |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1956 | 154 | 84 | 55 | 1 | 1 |
| 1957 | 136 | 66 | 49 | 6 | 4 |
| 1958 | 149 | 71 | 48 | 17 | 11 |
| 1959 | 202 | 77 | 38 | 46 | 23 |
| 1960 | 252 | 73 | 29 | 64 | 24 |
| 1961 | 204 | 70 | 34 | 47 | 23 |

^a Obtained from: Table V-2.

^b Obtained from: Warren S. Hunsberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 325.

except for gingham and velveteens that had annual ceilings for two years. The agreement made quota changes possible after annual consultation. The agreement states:

Anticipating that changes may well occur in the United States textile market within the next five years, these ceilings shall be the subject of annual reviews in which the Japanese Government will consult with the United States Government for the purpose of arriving at such adjustments, upward or downward, in the quotas as may be warranted by changed conditions.⁴³

Consultations held late in 1957 made no changes for 1958. At the second annual consultation in the fall of 1958, Japan proposed a 5.5 percent increase in the total quota. American producers protested, but when the 1959 quotas were announced in April, 1959, they permitted a 5.2 percent increase. The same level was kept for 1960 and minor changes were made for 1961.⁴⁴

The five-year agreement stabilized Japanese imports at around \$70 million, which was considerably less than the 1956 high of \$84 million as shown in column 3, Table VI-1. Total imports also declined in 1957 but then continued to increase through 1960. This resulted in a decline of Japan's share of total textile imports from about 50 percent to 30 percent as shown in column 4, Table VI-1. During this same time Hong Kong began exporting cotton textiles to the United States, and her share of total

⁴³Appendix C.

⁴⁴Hunsberger, op. cit., p. 322.

imports increased from 1 percent in 1956 to 24 percent in 1960 (see column 6, Table VI-1). Japan's relative share of the United States market declined during the agreement while Hong Kong's increased rapidly.

The agreement caused some administrative difficulty in trans-shipments, especially through Hong Kong. The quotas were intended to cover all Japanese cotton textiles entering the United States. Some shipments arrived in the United States that Japan had not charged against the quota, but they would have been recorded into the United States imports statistics as having come from Japan. Japanese statistics would show these shipments going to Hong Kong or elsewhere; and Japan refused to charge these against her quota to avoid further reductions in shipments to the United States. The reason the Japanese Government did not charge these trans-shipments against their quotas was to avoid decreasing allocations for all other firms than the few that violated the rules.⁴⁵ This was found to be especially true for velveteens as is shown in Table VI-2.

Another problem was revealed in 1958 when it was discovered that the United States and Japan had different definitions for gingham. This issue was settled by both countries agreeing on a broader definition for gingham and then increasing the quota (see columns 2, 3, and 4, Table VI-2).⁴⁶

⁴⁵Ibid.

⁴⁶Ibid., p. 323.

TABLE VI-2

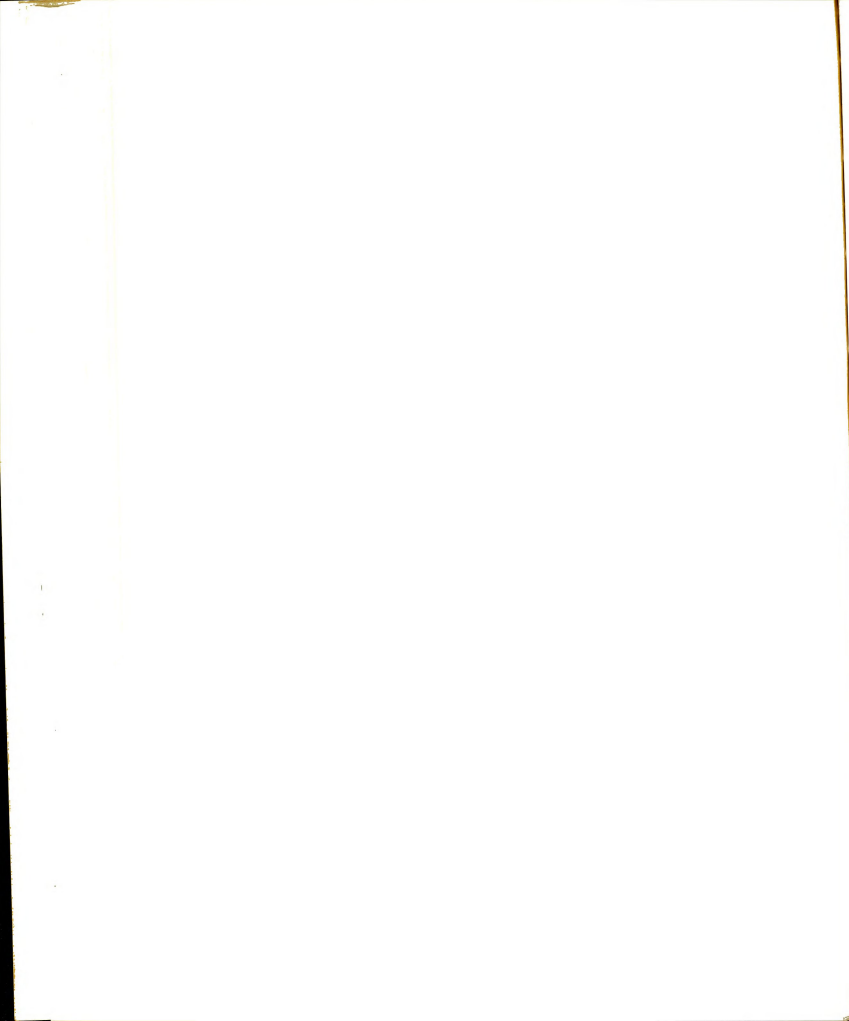
COMPARISON OF UNITED STATES IMPORTS FROM JAPAN AND VOLUNTARY QUOTA

| Year | Gingham | | Velveteen | | | |
|------|--|--|---|--|--|---|
| | Quota ^a (Millions of Square Yards) | Imports ^b (Millions of Square Yards) | Percent Imports are of Quota (Column 3 ÷ Column 2) | Quota ^a (Millions of Square Yards) | Imports ^c (Millions of Square Yards) | Percent Imports are of Quota (Column 6 ÷ Column 5) |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1956 | --- | 77 | --- | 5.0 | 6.9 | 138 |
| 1957 | 35 | 43 | 123 | 2.5 | 3.2 | 128 |
| 1958 | 35 | 47 | 134 | 2.5 | 2.8 | 112 |
| 1959 | 40 | 36 | 80 | 2.5 | 3.0 | 120 |
| 1960 | 40 | 38 | 95 | 2.5 | 3.1 | 124 |
| 1961 | 44 | 38 | 86 | 2.5 | 2.7 | 108 |

^aObtained from: Warren S. Hunsberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 320.

^bObtained from: Table V-7.

^cObtained from: Table V-6.



The voluntary agreements of the 1950's appeared to improve Japanese-American commercial relations. They also appeared to be the key to keeping imports within politically tolerable limits and the United States did not officially have to increase tariffs or place quotas on textile imports. Japan did restrict her exports within the agreed limits, with the exceptions that have been discussed, but the domestic producers were not completely satisfied because of the increase in cotton textile imports from countries other than Japan. A need had developed for a broader agreement in the 1960's, and that is the subject of the next chapter.



CHAPTER VII

VOLUNTARY CONTROLS OF THE 1960'S

The voluntary quotas of the 1950's controlled the flow of Japanese cotton textiles to the United States, but the limited imports from Japan did not satisfy the American consumer demand for them as indicated in the following Japanese Embassy release:

Another problem came from American importers and consumers, among whom there is an evergrowing demand for Japanese cotton goods because of their reasonable prices and good quality and design. The Embassy of Japan in Washington, for instance, has received innumerable requests from American importers for allotments of more Japanese cotton goods.¹

The American buyers of Japanese cotton textiles had the problem of maintaining a minimum volume of purchases to economically justify their presence in Japan. When the Japanese quotas kept the American buyers from obtaining the quantity desired, however, they looked for a supplier that could fulfill their needs, which was usually Hong Kong.²

Because of the domestic demand for cotton manufactured goods, imports increased in the late 1950's

¹U. S. Congressional Record, 85th Cong., 2nd Sess., 1958, Part 5, p. 6947.

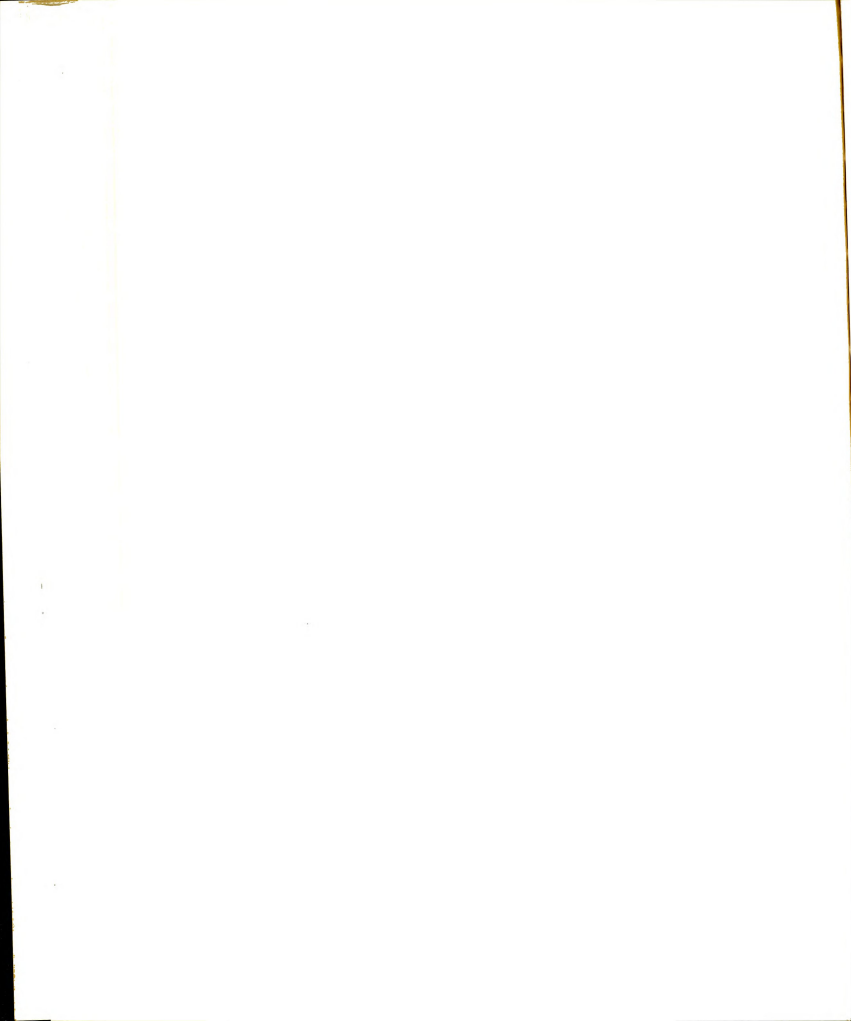
²Hunsberger, op. cit., pp. 324-325.

(see column 2, Table VI-1), and because of the efficient buying policy of the American firms, most of the increase came from Hong Kong and other Asian countries. Thus, the bilateral agreements of the 1950's did discriminate against Japan as a source of supply, but did not provide the desired protection for the domestic industry. In the minds of the domestic producers, a need had developed for a broader agreement: an agreement that would involve many or all of the cotton textile exporting nations of the world, thereby preventing excessive disruption of the cotton textile industry in the importing nations.

This chapter will concentrate on the character and rationale of the two multilateral cotton textile agreements in the early 1960's. Emphasis is placed on how the domestic textile industry and State Department used the multilateral agreement to satisfy both the American and exporting countries' textile industries.

Quota Request and Japanese Reaction,
1959-1960

As cotton textile imports continued to increase in 1959 and 1960, domestic producers took action to limit these imports. Representatives from the National Cotton Council urged Secretary of Agriculture Ezra Taft Benson to start action designed to limit imports of cotton textiles. They said that these imports threaten the future of the domestic textile industry and the effectiveness



of government programs to stabilize the industry. They encouraged Mr. Benson to determine the extent of the interference of the cotton program. The Association of Cotton Textile Merchants of New York Supported the petition filed by the National Cotton Council and encouraged the Government to investigate the effect that cotton textiles and cotton apparel imports would have on the Federal Cotton program.³

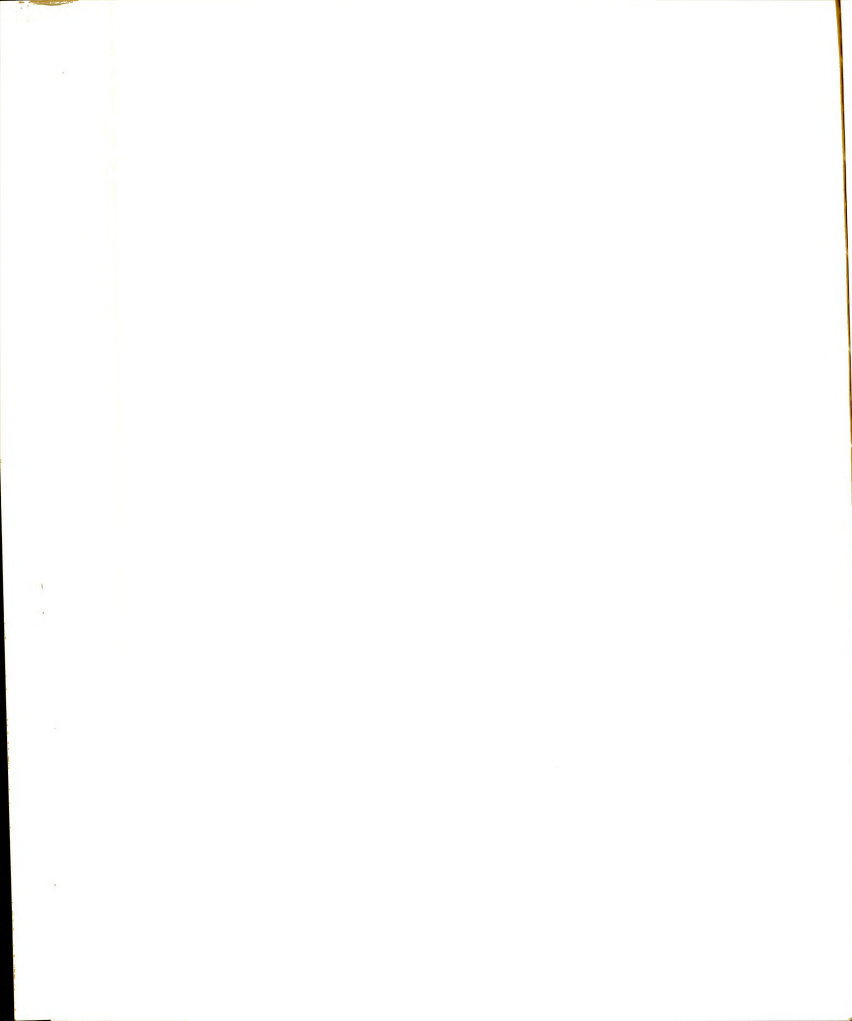
Whenever the United States took action to further reduce cotton textile imports, it became a national issue in Japan, both economically and politically. Mr. T. Murayama, research director of the All-Japan Cotton Spinners Association, responded in October, 1959, to the Cotton Council petition as follows:

The Japanese industry is dissatisfied with the present 247,200,000 square yard level in its voluntary quota system with the United States. If United States Secretary of Agriculture Ezra Taft Benson heeds the petition of the United States National Cotton Council to take relief measures against Japanese textile imports, the Japanese industry will consider that it is no longer obliged to serve the voluntary quota system.⁴

Dissatisfaction grew within the domestic textile industry. The President requested on November 16, 1959, that the Tariff Commission investigate articles containing cotton. The purpose of this investigation was to determine whether articles containing cotton are being imported into the

³New York Times, July 9, 1959, p. 39.

⁴Ibid., October 8, 1959, p. 57.



United States under conditions and in such quantities that would interfere with the United States export subsidy program of cotton products.⁵

While the Tariff Commission was investigating cotton textile imports, Congressmen from Textile Manufacturing areas were encouraging congressional action. Congressman Lane from Massachusetts discussed the issue on the House floor:

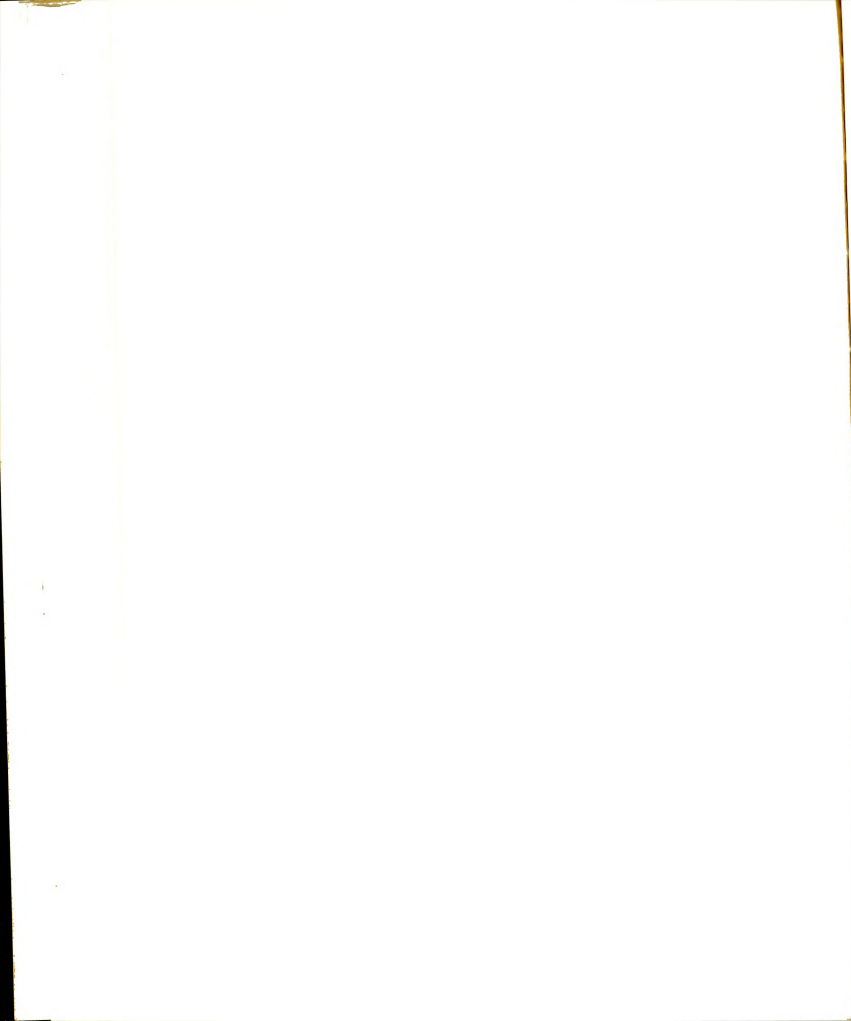
Cotton fabric imports have jumped from 122 million square yards in 1957, to 180 million square yards in 1959. . . . We who represent the textile manufacturing communities have been trying to open the eyes of the administration to the need for adequate tariffs and quotas to protect our domestic industries and workers from this invasion for many years. . . . We, therefore, urge the administration to establish import quotas (on cotton fabric imports). . . .⁶

On June 27, 1960, the Tariff Commission reported to the President on the results of its investigation of articles containing cotton. The Commission found that imports of articles containing cotton were not interfering with the Department of Agriculture cotton export subsidy program. Because of the negative findings, the Tariff Commission, therefore, did not make any recommendations to the President for increasing tariffs or imposing quota restrictions on articles containing cotton.⁷ The President announced

⁵U. S. Tariff Commission, Forty-fourth Annual Report (Washington, D. C.: U. S. Government Printing Office, 1960), p. 26.

⁶U. S. Congressional Record, 86th Cong., 2nd. Sess., 1960, Part 2, pp. 2250-2251.

⁷U. S. Tariff Commission, Forty-fourth . . . , op. cit., p. 26.



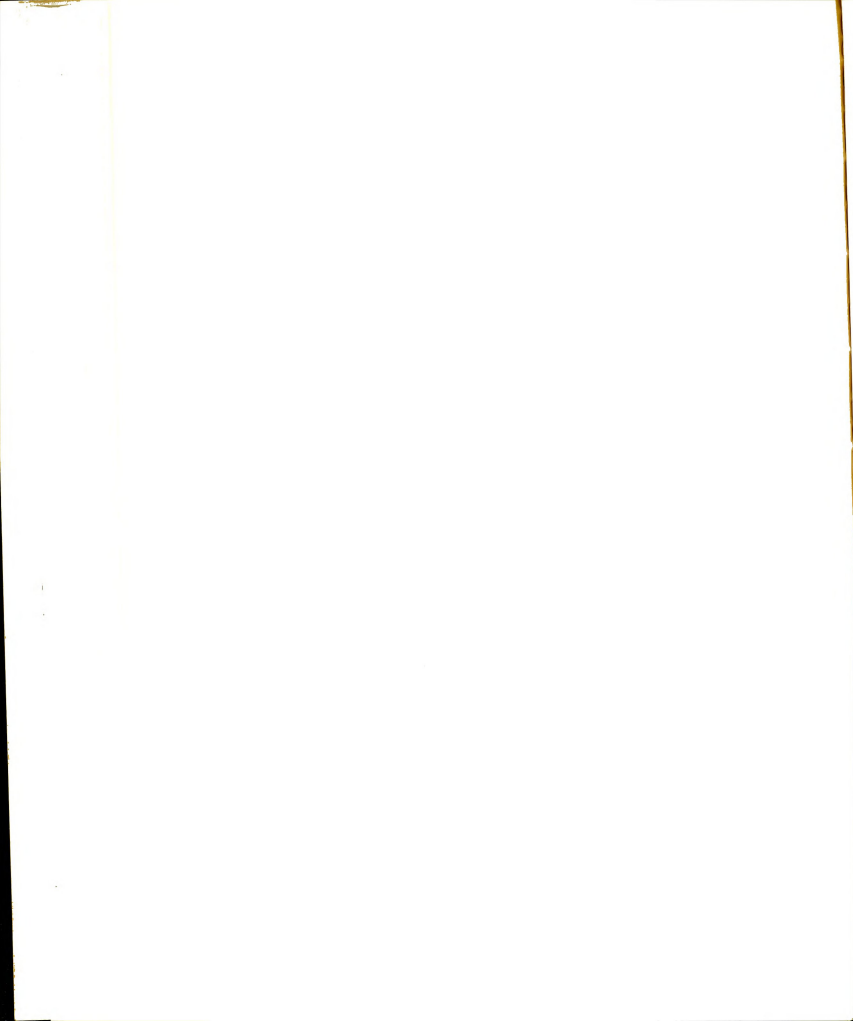
on August 23, 1960, that he had accepted the Tariff Commission's report on June 27, 1960.

Cotton Textile Imports from Hong Kong,
1959-1960

There was a natural focus of attention on Hong Kong exports of cotton textiles to the United States in the late 1950's because of their rapid expansion (see Table VI-1). It seemed logical in the United States to request Hong Kong voluntarily to restrict her exports of cotton textiles to the United States. In 1959, the United States sent Mr. Henry Kearns, Assistant Secretary of Commerce, to Hong Kong to encourage their exporters to regulate their sales to the United States. Mr. Kearns also warned that if they failed to follow orderly marketing procedures, the United States would be forced to apply unilateral restrictions.⁸

Reactions to Mr. Kearns's visit to Hong Kong produced varied opinions. While the Hong Kong government supported a quota system, opinions from the textile industry were split. A group of textile producers, representing about 30 percent of the total Hong Kong production and about 80 to 85 percent of their exports to the United States, formed a new trade organization and arranged, with their government, restrictions of exports of the United States. This offer was presented to the United States in December,

⁸New York Times, January 19, 1960, p. 49.



1959, but the majority of Hong Kong textile producers felt there was no justification for assuming that the United States government would enforce restrictions unilaterally.⁹

American producers thought the level proposed by Hong Kong was too high and the coverage far too narrow. The United States did not accept Hong Kong's offer, with hope that an offer more favorable to them would be forthcoming. This refusal by the United States did not produce a better offer; instead, the Hong Kong producers were insulted by the American reaction to their offer and refused to apply any restrictions.¹⁰ As a result of this breakdown in negotiations, cotton textile imports from Hong Kong increased 39 percent from 1959 to 1960 (see column 5, Table VI-1).

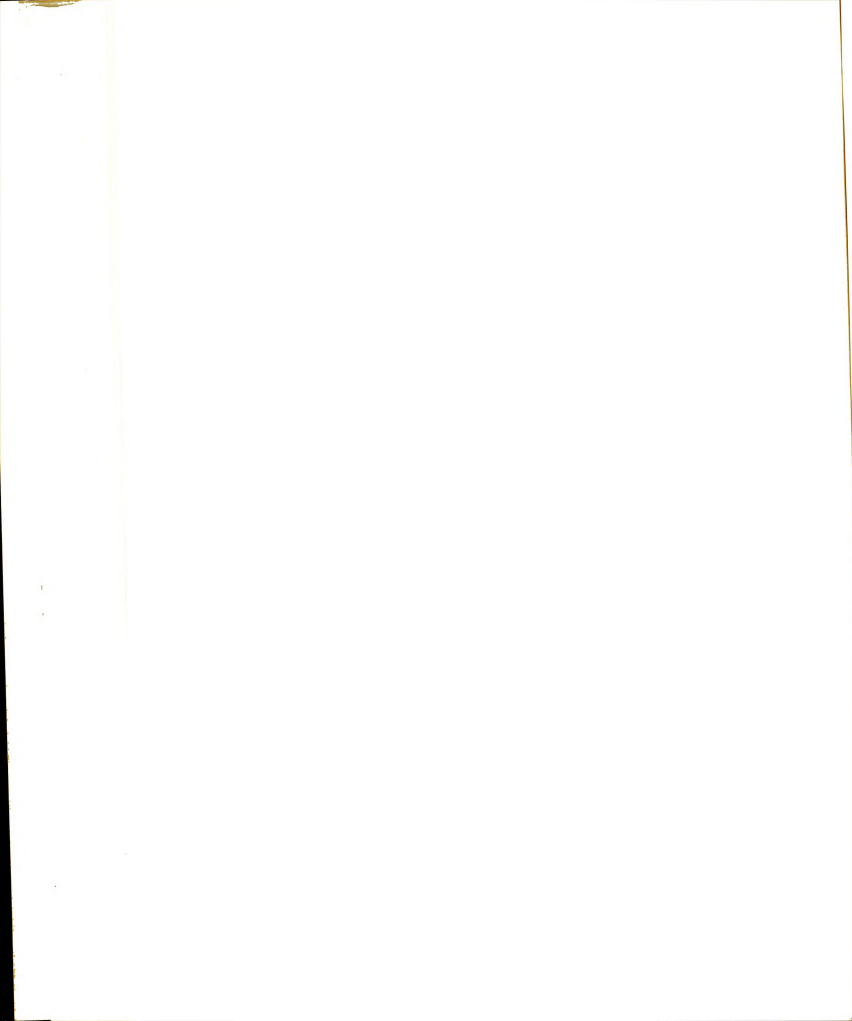
1961 Quota Requests and the Seven-point
Cotton Textile Plan

When the new administration took office in early 1961, it was immediately confronted with intense pressure to do something for the textile industry. The industry was becoming more aggressive in its demands for mandatory quotas, making it clear that bilateral negotiations with various countries for voluntary restriction on exports was not an acceptable alternative.¹¹

⁹Ibid., January 27, 1960, p. 45.

¹⁰Ibid.

¹¹Ibid., March 24, 1961, p. 45.



At the annual convention of the American Cotton Manufacturers Institute, in March, 1961, a number of textile executives expressed optimism that the textile industry would obtain import quotas on textile imports, which had been bothering the industry for years.¹² During this same month, Congressmen from textile-producing states urged President Kennedy to impose import quotas by country and by category of products. The President was presented with a statement, signed by sixteen Congressmen, which read in part:

The seriousness of the impact upon the domestic textile industry of the importation of foreign textiles into the United States is such as to have become one of grave concern to the members of the House of Representatives from the forty-three states having textile installations in them.¹³

President Kennedy moved promptly after taking office in an attempt to find an acceptable solution for the cotton textile industry. In mid-February, 1961, he appointed Secretary of Commerce, Luther H. Hodges, a former textile manufacturer, to head a cabinet level committee to recommend action in solving the cotton textile import problem. On May 2, 1961, the President announced the following seven-point plan based on the Cabinet Committee report:

First, I have directed the Department of Commerce to launch an expanded program of research, covering new products, processes, and markets. This

¹²Ibid.

¹³Ibid., March 28, 1961, p. 57.

should be done in cooperation with both union and management groups.

Second, I have asked the Treasury Department to review existing depreciation allowances on textile machinery. Revision of these allowances, together with adoption of the investment-incentive credit proposals contained in my message to the Congress of April 20, 1961, should assist in the modernization of the industry.

Third, I have directed the Small Business Administration to assist the cotton textile industry to obtain the necessary financing for modernization of its equipment.

Fourth, I have directed the Department of Agriculture to explore and make recommendations to eliminate or offset the cost to United States mills of the adverse differential in raw cotton costs between domestic and foreign textile producers.

Fifth, I will shortly send to the Congress a proposal to permit industries seriously injured or threatened with serious injury as a result of increased imports to be eligible for assistance from the Federal Government.

Sixth, I have directed the Department of State to arrange for calling an early conference of the principal textile exporting and importing countries. This conference will seek an international understanding which will provide a basis for trade that will avoid undue disruption of established industries.

Seventh, in addition to this program, an application by the textile industry for action under existing statutes, such as the escape clause or the national security provision of the Trade Agreements Extension Act, will be carefully considered on its merits.¹⁴

This plan offered several methods of attacking the problem and indicated that the President wanted to find a way to aid the industry without using unilateral restrictions. One of the proposed means (Part 6) was a recommendation for an international agreement regulating international trade of textiles so as to safeguard the existence of

¹⁴White House Press Release, May 2, 1961.

established industries. On May 16, 1961, Under Secretary for Economic Affairs, George W. Ball, began a world tour for the purpose of holding exploratory conversations with government officials of the leading cotton textile importing and exporting countries. Through these exploratory discussions, there developed an international conference to discuss trading of cotton textiles.¹⁵

This conference enabled a nation confronted by disruptive imports of manufactured goods to present its problem to a conference of its principle trading partners, rather than resorting to unilateral action. From this conference came an agreement that was a valuable new tool for nations to cope with disruptive imports of cotton textiles. Under the Geneva Agreement exporting nations were required to restrain their cotton textile exports to avoid disrupting domestic market in other countries. At the same time, the agreement promoted international trade by insuring that exporting nations will have a growing opportunity to increase their exports.¹⁶

Short-Term Multilateral Agreement

In July, 1961, on the initiative of the United States Government, the above mentioned General Agreement on Tariffs and Trade (GATT) conference was held in Geneva by the major

¹⁵U. S. Department of State Bulletin, Vol. 44, No. 1144, May 29, 1961, p. 825.

¹⁶New York Times, November 20, 1961, p. 30.

cotton textile trading countries. Out of this conference on international trade in cotton textiles came a short-term agreement, in this case for one year beginning October 1, 1961. This agreement included a provision for interested governments to come together in Geneva later in the year for the purpose of negotiating a more permanent arrangement.¹⁷

The United States requested the meeting of high level officials of countries particularly interested in imports and exports of cotton textiles to seek an agreement for the development of trade in cotton textiles. The participating countries recognized that to have an acceptable agreement of trade, importing nations would need some means of protection against excessive imports. In defining "excessive," the participating countries referred to a previous definition of "market disruption" that was made in a GATT meeting held in Tokyo in 1959. It is defined as situations generally containing the following elements in combinations:¹⁸

- (1) A sharp and substantial increase or potential increase of imports of particular products from particular sources;
- (2) These products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;

¹⁷GATT Press Release 601, July 26, 1961.

¹⁸See Annex A, Appendix D.

- (3) There is serious damage to domestic producers or threat thereof;
- (4) The price differentials referred to in paragraph (2) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

The Short-Term Agreement was designed primarily as a temporary measure while negotiating for a more permanent agreement. The basis for this accord was expressed as follows:

- (1) To significantly increase access to markets where imports are at present subject to restriction;
- (2) To maintain orderly access to markets where restrictions are not at present maintained; and
- (3) To secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets.¹⁹

The agreement basically provided means by which an importing country could limit its imports from a specific country or by a specific category when they become disruptive.

After January 1, 1962, provisions were made for exporting countries to increase their exports to countries restricting their imports.²⁰

The United States joined fifteen other nations in accepting the International Cotton Textile Agreement on September 7, 1961.²¹

¹⁹ Appendix D.

²⁰ Ibid.

²¹ Other participants were France, Belgium, the Netherlands, West Germany, Italy, Australia, Austria, Canada, India, Pakistan, Japan, Portugal, Spain, Sweden and Britain. New York Times, September 8, 1961, p. 42 and October 24, 1961, p. 48.

In administering the rights and responsibilities of the Short-Term Agreement, the United States government was faced with the problem of regulating imports from non-participating nations. This problem was corrected when a bill, H. R. 10788, providing the authority for action against non-signers to the GATT arrangement, was introduced in March, 1962 and enacted in June, 1962. During the interim period, from October 1, 1961, till the final passage of H. R. 10788, the United States was powerless to act against market disrupting imports from non-participating countries. There was a substantial amount of such imports, which could have been identified as transshipment, taking advantage of the loophole.²²

It is interesting to observe how GATT, an organization devoted to expanding international production and exchange of goods by reducing tariffs and other trade barriers, allows a member country to increase its trade barriers for cotton textiles from non-participating countries. Under the Short-Term Agreement, participants agree to take action to prevent circumvention of the agreement by non-participants.²³ Under GATT, a country is allowed, in fact encouraged, to increase their trade barriers toward non-participating

²²R. B. Brandis, "The International Textile Agreement," Paper read before the meeting of the Southern Economic Association, Roanoke, Virginia, November 16, 1963, pp. 5-6.

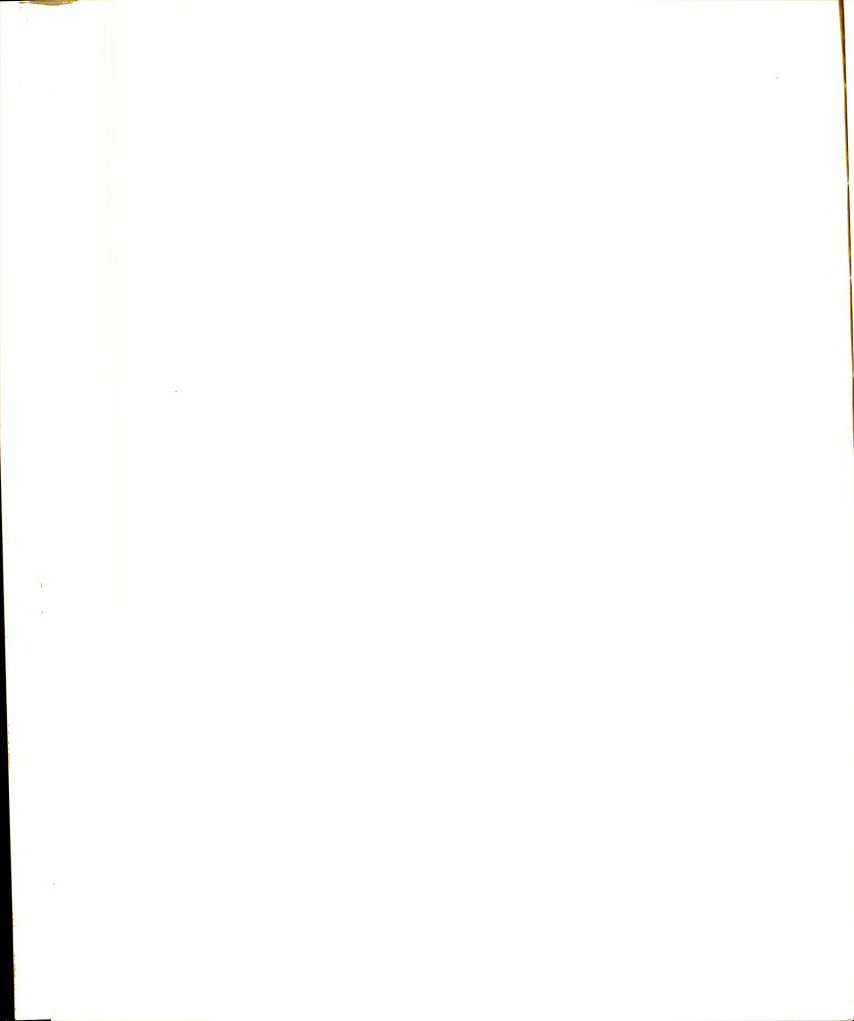
²³Appendix D.

nations when it is disrupting to a GATT agreement, and this action is also a deviation from free trade.

Short-Term Bilateral Agreement
with Japan

The Short-Term Multilateral Agreement had a provision for countries to negotiate mutually acceptable bilateral agreements. Because the five-year voluntary agreement between the United States and Japan expired on December 31, 1961, the two countries opened a discussion on the controversial issue of Japanese cotton textile export quotas to the United States. This meeting was held in August, 1961, a few weeks after the Short-Term Multilateral Agreement was written. The Japanese expressed great dissatisfaction that no consideration was given them for the voluntary restriction program they had been following several years prior to the Short-Term Multilateral Agreement. As a result of the Japanese five-year voluntary export restrictions, their share of the United States imports of cotton textiles decreased from 55 percent in 1956 to 29 percent in 1960 as shown in column 4 of Table VI-1. Under these conditions, the United States and Japan met to discuss a bilateral agreement.

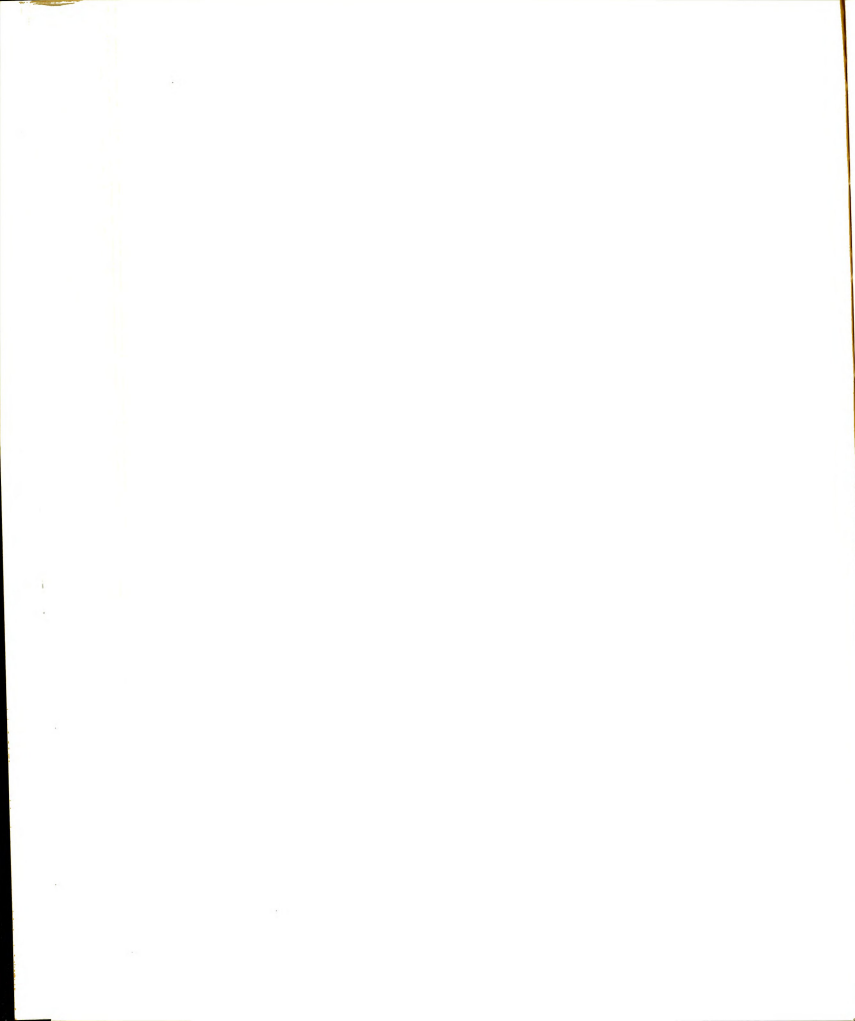
The Japanese cotton textile producer's and exporter's were dissatisfied over the Short-Term Multilateral Agreement and demanded that their government press for a 30 percent increase over their 1960 quota in cotton textile



exports to the United States. They based their complaint on their shrinking share of cotton textile imports to the United States. They strongly urged the United States to increase the quota from Japan, on grounds that shipments from Hong Kong and other countries had substantially increased in the past four years, while Japan had voluntarily curtailed her exports to the United States. However, the United States textile producers were requesting their government to make a maximum offer of 5 percent increase over the 1960 agreement.²⁴ These were the original demands of Japan and the United States when they opened discussions for another bilateral agreement in 1961.

During these negotiations, Japan used the Short-Term Multilateral Agreement as a means for improving her bargaining position in the bilateral agreement with the United States. One of the Japanese negotiators stated that Japan would accept the multilateral agreement only if she could obtain a reasonable share of the United States market in her bilateral agreement. Although both Japan and the United States participated in the Geneva Conference, the multilateral agreement was still subject to official ratification by each country. The comments by Japanese officials in reaction to the United States bilateral

²⁴New York Times, September 9, 1961, p. 26.



offer indicated a strong reluctance to accept the multi-lateral agreement.²⁵

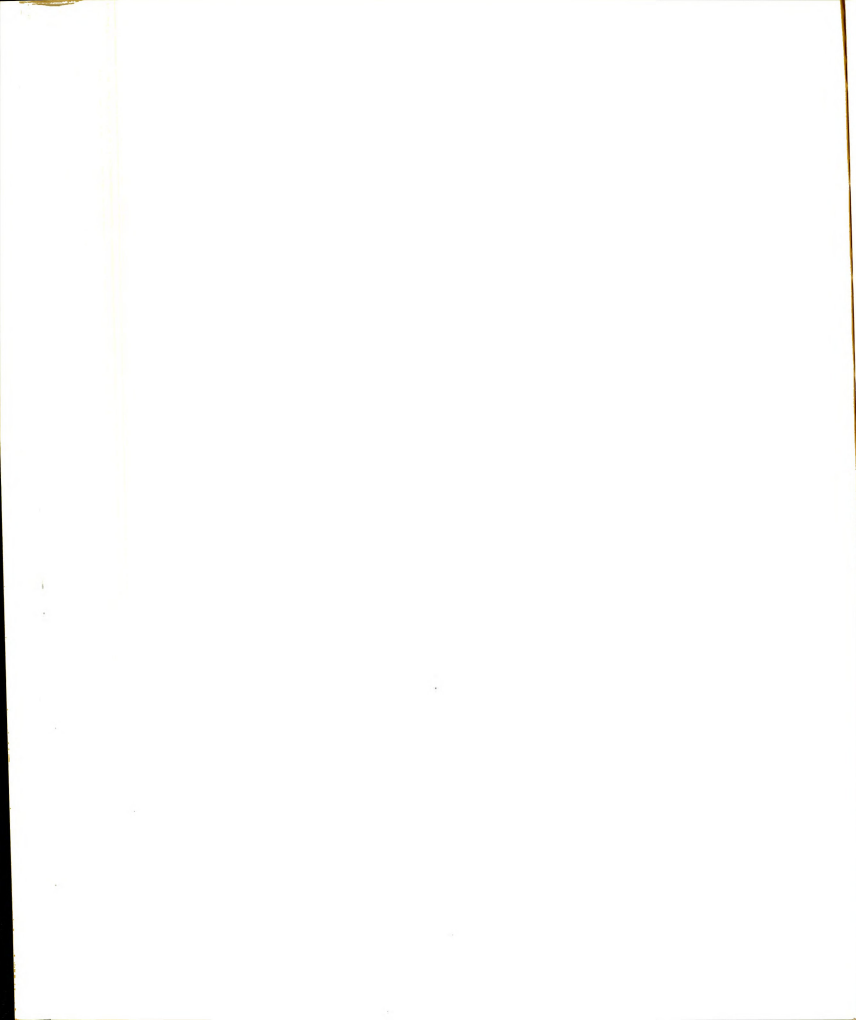
After a series of negotiations and maneuvers on both sides, a one-year agreement was reached on September 9, 1961.²⁶ The agreement began on January 1, 1962 and increased Japanese exports of cotton textiles to the United States by 8 percent over the 1960 agreement. Japanese voluntary quota of textile exports increased from about 255 million square yards per year to 275 million square yards per year.²⁷

There was a wide representation of interests among the delegates from each country at the bilateral negotiation. Japan was represented by government officials and representatives from textile trade organizations, while the United States delegation included government officials from the Departments of State, Commerce, and Labor, three trade organization officials, several manufacturing representatives, and two union officials. With so many interests represented, the United States delegation, when agreeing on an offer, could be relatively sure of the cooperation and support from the domestic industry and general public. At the same time, when the Japanese made an offer, the United

²⁵Ibid., August 22, 1961, p. 43.

²⁶"Foreign Trade," The Oriental Economist, Vol. 29, October, 1961, p. 607.

²⁷New York Times, September 9, 1961, p. 26.



States could be confident that if it was accepted, the Japanese would carry through with their agreement.²⁸

This bilateral agreement for 1962 left almost everyone dissatisfied. The Japanese textile exporters felt their government had bowed to United States pressure in accepting a new bilateral agreement that provided for only an 8 percent increase. They believed they had a right to a larger part of the United States market, while the United States manufacturers believed they could give up only a limited share of their domestic market as a concession to the Japanese but not as an inherent right. Directors of the American Cotton Manufacturers Institute were dissatisfied with an increase in the over-all Japanese import quota, which was the third increase since the 1957 five-year voluntary agreement. The directors felt it was unfair for the Japanese to request another increase when the United States market had been contracting.²⁹

Long-Term Multilateral Arrangement

Concurrently Geneva negotiations opened in October, 1961 for the specific purpose of devising a long-term multilateral arrangement for the regulation of world trade in cotton textiles. This meeting was promoted by the United States, but was under the auspices of the General Agreement

²⁸ Ibid., p. 31.

²⁹ Ibid., September 11, 1961, p. 35 and October 17, 1961, p. 53.



on Tariffs and Trade. The arrangement sought at this meeting was based on a new form of trade restriction known as the "market disruption principle," which was used for the first time in the Short-Term Multilateral Agreement. This principle deals with the problem of developing countries exporting manufactured goods in quantities and at prices considered to be competitively damaging to developed countries.³⁰

An important development of the GATT meeting was the creation of a sub-committee commissioned to work out a basic draft for a long-term arrangement, which would be discussed when the full committee reconvened in January, 1962.³¹ On February 9, 1962, the full committee of nineteen participating cotton textile exporting and importing nations concluded the drafting of the Long-Term Cotton Textile Agreement. This agreement, similar to the earlier short-term arrangement, was for a period of five years beginning October 1, 1962.³² The United States formally accepted this agreement on September 25, 1962.³³

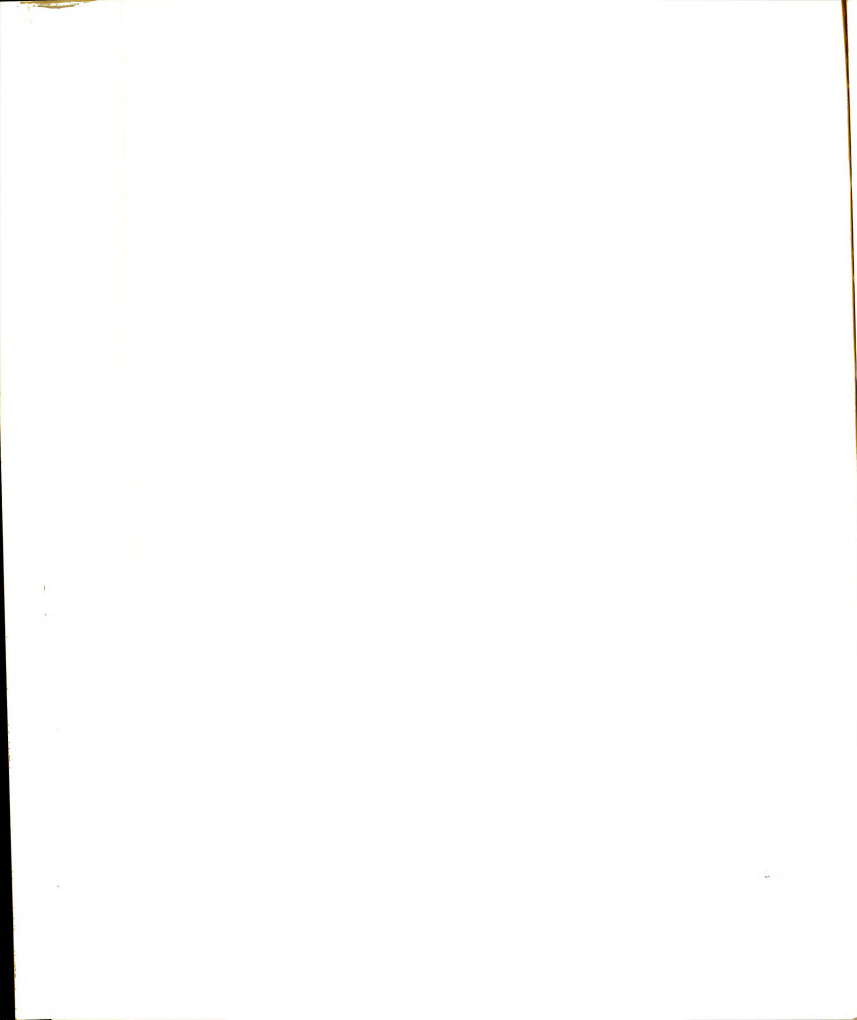
Article 2 of the Long-Term Cotton Textile Agreement specified that countries having any previous restrictions

³⁰Ibid., October 24, 1961, p. 49.

³¹Ibid., December 21, 1961, p. 45.

³²White House Press Release, February 16, 1962.

³³New York Times, September 26, 1962, p. 61.



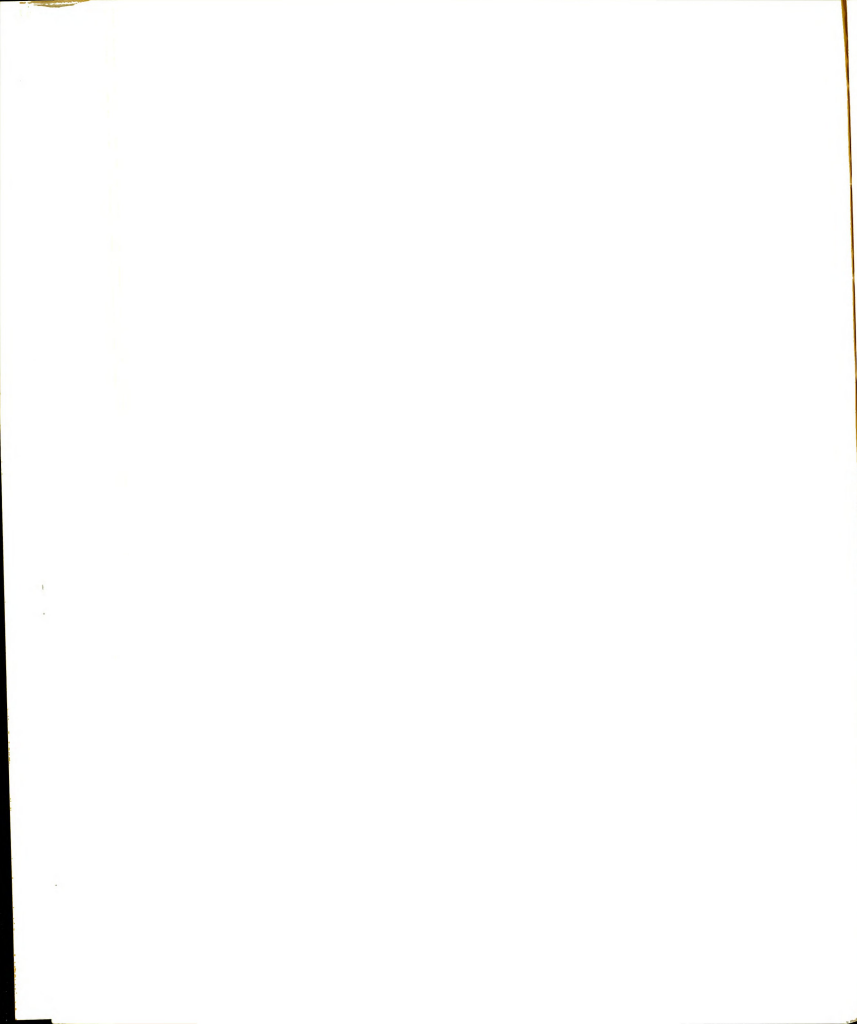
inconsistent with GATT promise to "relax those restrictions progressively each year with a view to their elimination as soon as possible."³⁴ Thus, by the termination of the Long-Term Arrangement in 1967, Austria would permit up to a 95 percent increase in cotton textile imports, the European Economic Community could increase 88 percent, and Scandinavian countries could increase 15 percent. Markets would expand for the textile exporting nations of the world, but these percentage increases are less impressive quantitatively due to a low base year.³⁵

Article 3 of the Long-Term Agreement allows an importing country to request an exporting country to restrain its exports when the importing country finds its cotton textile market being disrupted by imports. If the exporting country refuses to restrain its exports, the importing country is permitted under Article 3 to impose controls of its own.³⁶ If import controls are imposed, the arrangement specifies the level and that they must be increased if imposed for more than one year. The import control level for the first year must be at least as high as the first twelve months of the preceding fifteen months. If it is continued for the second year, the level must be the quota of the previous

³⁴Article 2, Appendix E.

³⁵Hunsberger, op. cit., pp. 330-331. No absolute levels were given.

³⁶Article 3, Appendix E.



twelve months plus a 5 percent increase. The arrangement specifies a 5 percent for each year beyond the second year.³⁷

This five-year Cotton Textile Agreement reached by nineteen nations³⁸ accounts for more than 90 percent of the free-world's trade in cotton textiles.³⁹ The arrangement formalizes an agreement by which expanding low cost cotton textile industries of countries like India and Japan will be able to continue to increase their exports during the five year period. They are permitted to substantially raise their sales to Western Europe, while their sales in the United States are held to a more modest increase.⁴⁰

Long-Term Bilateral Agreement

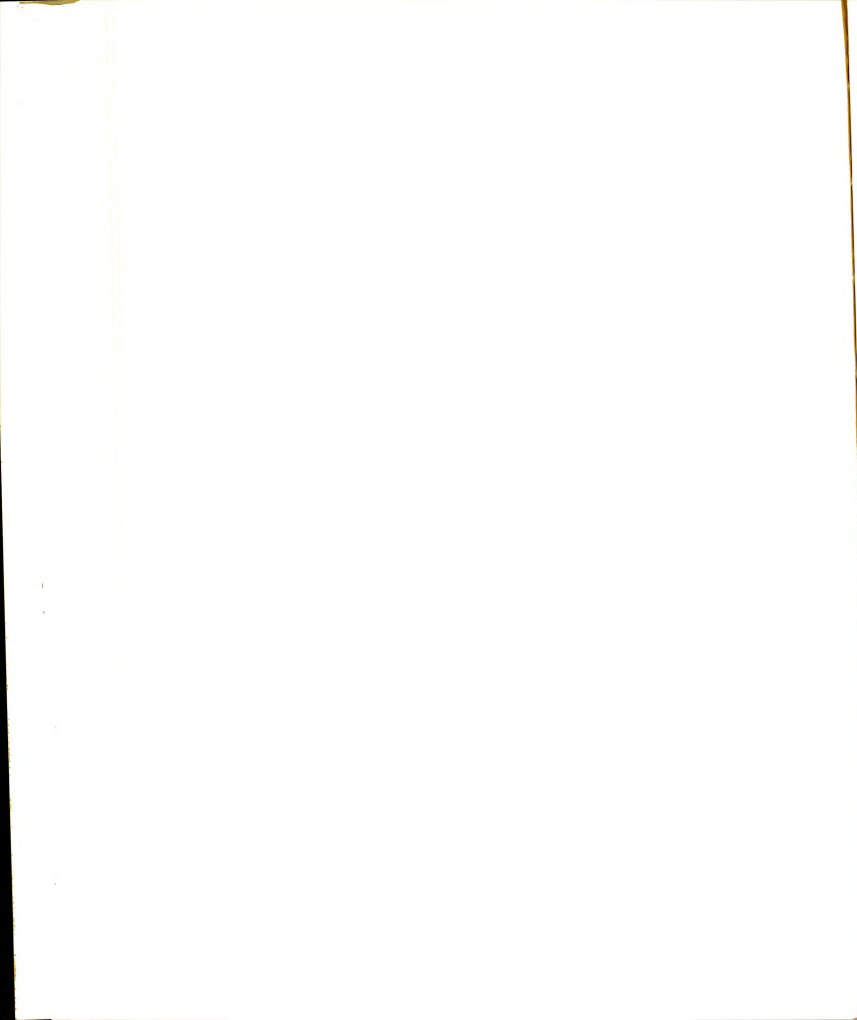
The new Long-Term Multilateral Agreement did not eliminate bilateral agreements; in fact, Article 4 states: "Nothing in this Arrangement shall prevent the application of mutually acceptable arrangements on other terms not

³⁷Annex B, Appendix E.

³⁸According to Appendix E, the 19 participating nations are Australia, Austria, Canada, Denmark, India, Japan, Norway, Pakistan, Portugal, Spain, Sweden, United Kingdom (also representing Hong Kong), United States and the six members of the European Common Market--Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands.

³⁹U. S., Congressional Record, 87th Cong., 2nd. Sess., 1962, Part 3, p. 3033.

⁴⁰Ibid., Part 20, p. A1156.



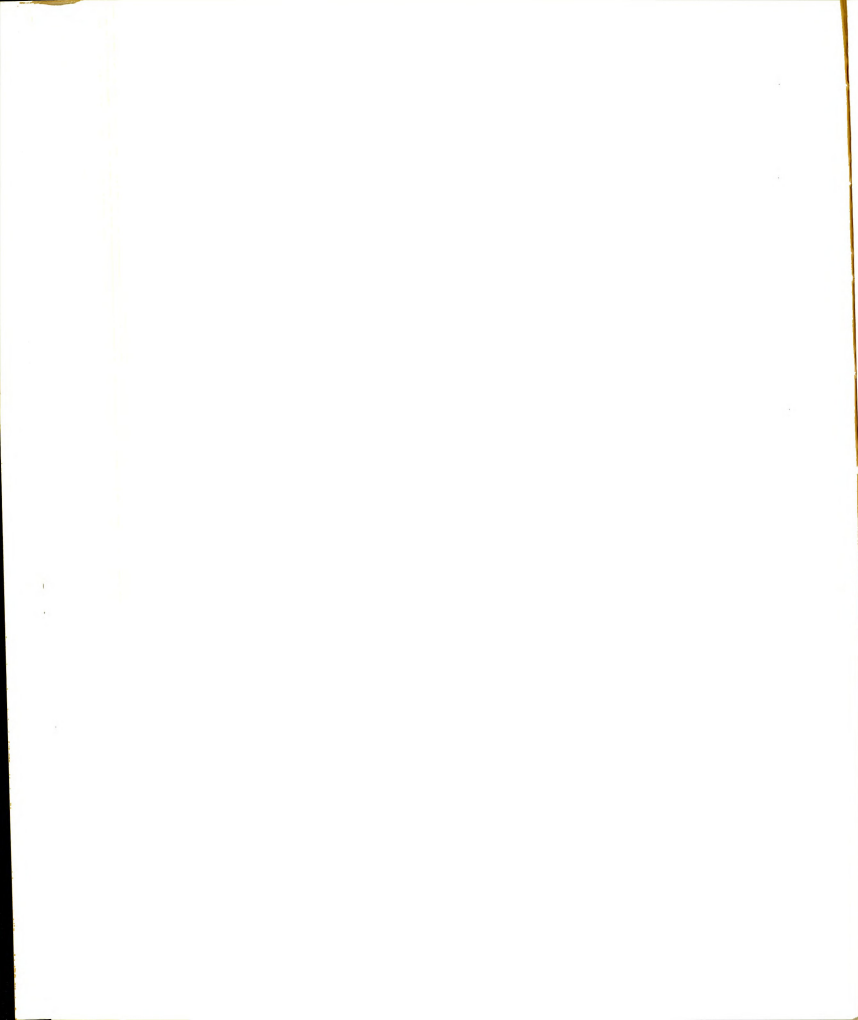
inconsistent with the basic objectives of this Arrangement."⁴¹ Armed with the Long-Term Multilateral Agreement, which had been formally accepted by both United States and Japan, United States negotiators went to Japan in December, 1962 to negotiate a new agreement to replace the Short-Term Bilateral Agreement that would expire December 31, 1962. During these negotiations, the United States delegations stirred up far more negative reaction from the Japanese cotton textile industry and public than during previous negotiations. Because of this public resentment toward the cotton textile controversy, the Japanese negotiators were not willing to compromise. The negotiations were bogged down and then revived several times during the eight months they were held.⁴²

The governments of the United States and Japan, on August 27, 1963, jointly announced a bilateral agreement covering trade in cotton textiles between the two countries for 1963 through 1965. The joint announcement was pre-arranged and the stated purpose of the three-year bilateral agreement was "to provide for the orderly development of trade in cotton textiles between Japan and the United States."⁴³ It allowed no increase in total imports from

⁴¹Article 4, Appendix E.

⁴²New York Times, February 23, 1963, p. 1 and August 7, 1963, p. 41.

⁴³U. S., Department of State Bulletin, Vol. 49, No. 1264, September 16, 1963, p. 440.



Japan in 1963 compared to 1962, but allowed a 3 percent increase for 1964 and 5 percent increase for 1965. These increases are less than those suggested under the Long-Term Multilateral Agreement, but did not violate the agreement under the terms specified in Annex B of Appendix E.

As it was much more difficult to obtain unanimity in thinking than in previous agreements, both sides expressed dissatisfaction over the final form it took. The Japanese Textile Importers Association criticized the agreement because of its new restrictive provisions that were not contained in previous bilateral agreements, and the Importers Association believed the new provisions could actually reduce Japanese exports to the United States below the 1962 level.⁴⁴ Mr. William H. Ruffin, President of American Textile Manufacturers Institute, expressed relief in August, 1963, over reaching an agreement with Japan and added:

We are disappointed that the Japanese have been given an increased share of the United States market for cotton textile products. It is discouraging that the Japanese Government has insisted upon, and our Government has granted, the privilege of concentrating on markets created by United States industry for such items as corduroys, gingham and certain types of apparel.⁴⁵

⁴⁴These added restrictive provisions were, increased number of items under the agreement, and a lower amount allowed to be transferred between groups.

⁴⁵New York Times, August 28, 1963, p. 49.

Mr. Ruffin felt that Japanese imports were an infringement on certain inherent rights of domestic producers.

Japan and the United States each viewed the multilateral agreement as a means of fulfilling nationalistic industrial goals, and as a result of this both countries were dissatisfied with it as a compromise. The lengthy negotiation for the Long-Term Bilateral Agreement with Japan indicated that the American industry regarded the Geneva Agreement as a means by which it could control foreign imports. At the same time, Japan, as well as other exporting nations, viewed the multilateral agreement as a mechanism by which she could slowly and steadily expand her cotton textile exports.⁴⁶

Other Bilateral Agreements

The United States appealed to Hong Kong in July, 1961 to restrict its exports of cotton textiles to the United States after negotiations for a bilateral agreement failed in 1960. George W. Ball, Under Secretary of State for Economic Affairs, visited Hong Kong and asked their cooperation in bringing their high level of textile exports under control. Mr. Ball went further, saying that unless Hong Kong voluntarily reduced her exports to the United

⁴⁶ Ken Saito, "The Japan-U. S. Textile Pact," Far Eastern Economic Review, Vol. 41, No. 11, September 12, 1963, p. 695.

States, the domestic industry might force the government to impose unilateral restrictions.⁴⁷

United States and Hong Kong government officials, in April, 1962, held another series of meetings to discuss cotton textiles. Again the United States requested them to restrain their exports of various categories of cotton textiles, but Hong Kong continued to be opposed to voluntary controls and refused to establish them.⁴⁸

However, in November, 1963, Hong Kong reversed its long standing refusal to limit exports to the United States and as a consequence the governments of Hong Kong and United States were able jointly to announce an agreement affecting thirty-five categories of cotton textile exports to the United States for one year beginning October 1, 1963. The detailed terms of the agreement are printed in Appendix F. The purpose of this agreement was to provide orderly exports of cotton textiles from Hong Kong to this country during the second year of the Long-Term Multilateral Agreement.⁴⁹

The United States announced on May 8, 1964, a two- and one-half year cotton textile agreement with India.

⁴⁷New York Times, July 4, 1961, p. 23.

⁴⁸U. S., Department of State Bulletin, Vol. 46, No. 1195, May 21, 1962, p. 848.

⁴⁹Ibid., Vol. 49, No. 1277, December 16, 1963, p. 993.

The agreement limits India's exports to five major categories of fabrics which account for most all of her exports to the United States. India's exports to the United States were reduced about 18 percent for the first six-month period under the agreement, and then allowed to increase 2 1/2 percent the first twelve-month period and another 5 percent during the second twelve-month period.⁵⁰

Great Britain's Experience with
Bilateral Agreements

The domestic cotton textile industry of Great Britain was experiencing problems similar to the United States industry in the fifties and early sixties. The British textile industry was facing shrinking demand in its traditional export markets during the fifties, while its imports from Hong Kong, India, and Pakistan were increasing. During this time the domestic textile industry with government encouragement and financial aid, was attempting a substantial technological modernization program. Due to these circumstances, the domestic producers felt they had the right to expect some protection from foreign competition while in their modernization program.⁵¹

Great Britain's domestic industry approached this problem from two angles. They appealed to their government

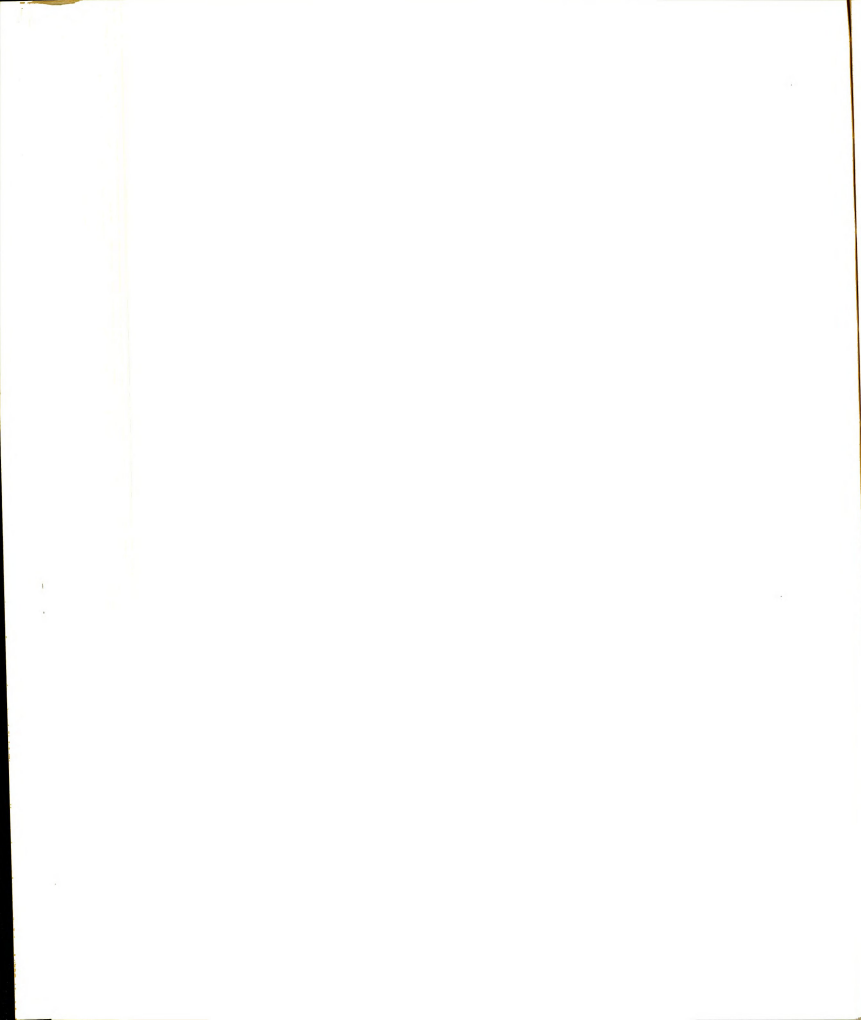
⁵⁰New York Times, May 9, 1964, p. 30.

⁵¹London Times, April 6, 1960, p. 23 and December 13, 1958, p. 7.

for protection from what they considered "unfair competition," and also set up discussion directly with the textile industry of Pakistan, India, and Hong Kong. From the political viewpoint, the British Government favored voluntary restrictions because she was committed to a free trade policy and wanted free entry of British goods into other countries, especially the United States. Because of this government policy and the continued worsening conditions in the British domestic textile industry in the middle fifties, the domestic producers with the assistance of their government, increased their efforts to negotiate voluntary restrictions that would stabilize imports. The exporting regions of India, Pakistan, and Hong Kong were extremely reluctant in agreeing to any voluntary restrictions for fear this control plan would be used more extensively by other countries.⁵²

The increased effort on the part of domestic producers and the British Government yielded three separate voluntary cotton textile agreements between the United Kingdom and Hong Kong, India, and Pakistan. The Hong Kong agreement stabilized Great Britain's imports at the 1958 level, while the Indian and Pakistan agreements allowed British imports to exceed their previous level by about

⁵²Ibid., March 19, 1958, p. 11 and April 8, 1958, p. 7.



20 percent. They were for a three-year period and some of the quotas were modified upward during the duration of the agreement.⁵³

During the British negotiation, there was the accepted and openly discussed principle that the agreements were only temporary, so the domestic industry could have an orderly adjustment. The stated objective of the Hong Kong agreement was not to reduce her existing trade with Britain, but temporarily to control the expansion of trade.⁵⁴ It is interesting to observe that the Hong Kong agreement was renewed for another three-year period in 1962 with increased demands from the domestic producers for their government to control imports of cotton textiles.⁵⁵ It is also of interest to observe how trade restricting agreements which interfere with the most efficient allocation of resources, are first defended as a temporary means of adjustment. But with time the domestic industry becomes more dependent on the protection, rather than more prepared to compete in the world market.

Conclusion

The cotton textile multilateral agreements of the 1960's were based on a different theory of trade restriction

⁵³Ibid., June 6, 1958, p. 6 and September 30, 1959, p. 8.

⁵⁴Ibid., October 10, 1958, p. 9.

⁵⁵Ibid., June 7, 1962, p. 8.

known as the "market disruption principle." A problem arose when several developing countries began to export textiles. These increased exports caused dissatisfaction in the domestic textile industry of developed countries, which usually has the productive capacity to supply their own domestic market. The "market disruption principle" was an attempt to deal with the delicate problem arising from the ability of newly developing countries to export manufactured goods at prices and/or in quantities considered to be competitively damaging to developed countries.⁵⁶

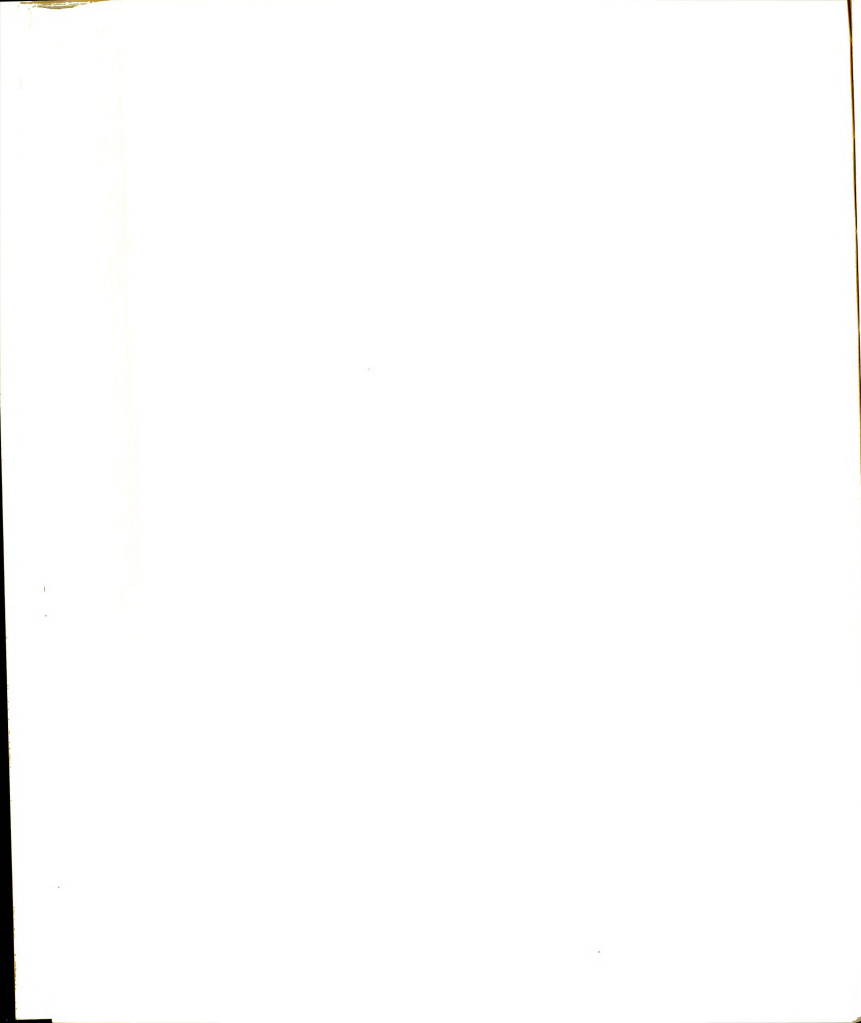
The United States' purpose in seeking a multilateral agreement was two-fold. First, our government wanted an arrangement that would pacify the domestic industry, giving them maximum safeguard against market disruption. And second, the United States wanted to reduce the barriers against imports of other developed countries, especially Europe.⁵⁷ The second purpose, not as widely publicized in the United States, was a more sound and permanent economic solution to the problem and was in line with the objectives of GATT.

There are similarities between the voluntary agreements of the 1950's and the bilateral agreements of the 1960's between the United States and Japan. All of the

⁵⁶New York Times, October 24, 1961, p. 49.

⁵⁷Ibid., February 16, 1962, p. 9.

agreements were written by the governments after several months of hard and detailed negotiations that involved proposals, counter-proposals, and compromises. After each arrangement was agreed on, the two governments made a joint announcement. In addition, the agreed level of trade was higher than the existing level, with provisions to increase the level of trade during the contract period.



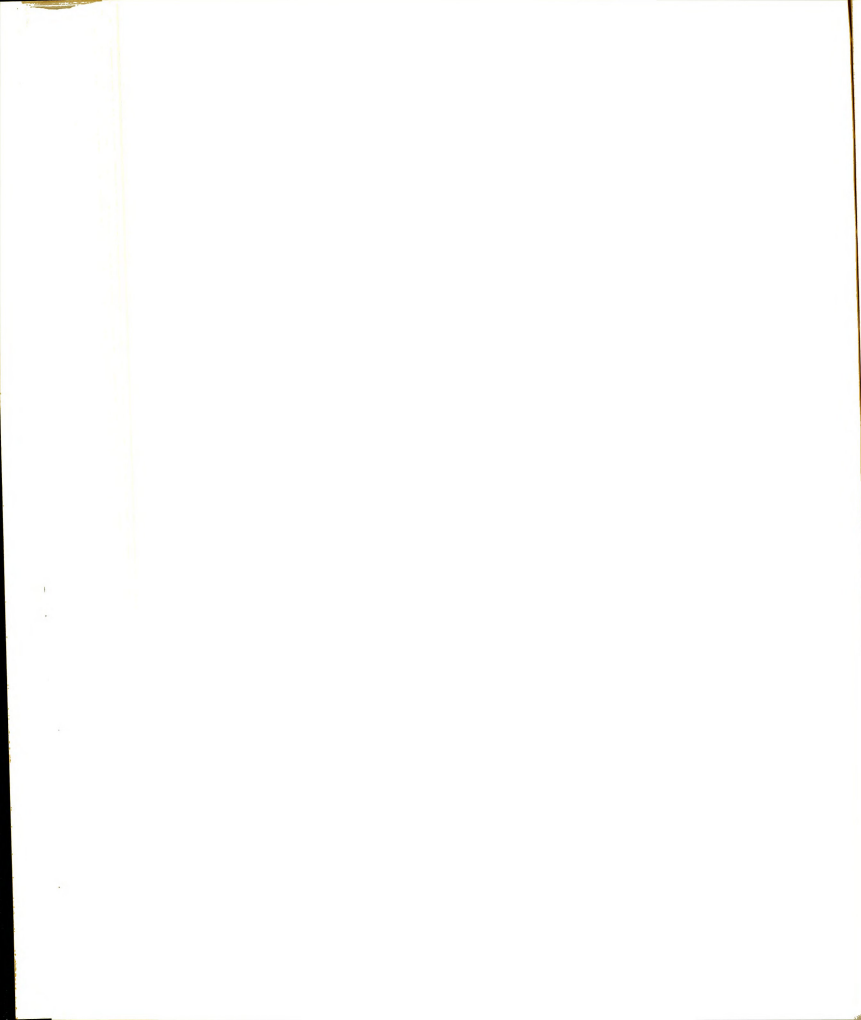
CHAPTER VIII

ANALYSIS OF VOLUNTARY AGREEMENTS

The preceding chapters have examined the various cotton textile voluntary agreements between the United States and Japan. This chapter will concentrate on analyzing the effects of the export restriction and compare it with possible alternatives. First the alternatives to the voluntary agreements will be analyzed, second the voluntary agreement will be compared with the commodity agreement, and this will be followed by discussing the paradoxical position of the United States within GATT.

Alternatives to Voluntary Agreements

In the first part of this chapter, an alternative to the voluntary agreements will be examined and compared with the agreements. This raises an interesting question: if the negotiations for the voluntary agreements had failed, what would have been the alternative consequences? To proceed one step further, an interesting comparison can be made to reveal if the alternatives were less restrictive, equal to, or more restrictive than the voluntary agreement.



Estimating the United States
Import Demand for Japanese
Cotton Velveteens

The purpose of this section is to obtain an elasticity of demand for a specific type of cotton cloth. This elasticity of demand will be used to obtain the quantity that might have been imported under the proposed tariff increase by the United States, and compare it with the actual imports under the voluntary quota.

Of all the Japanese cotton textile imports, cotton velveteen cloth has been quantitatively and politically important. Chapter IV reveals that in January, 1937, a velveteen and corduroy voluntary agreement was finalized between Japan and the United States' producers of cotton cloth. This agreement specifically limited velveteen imports to two million square yards per year.¹ In Chapter VI, the 1956 voluntary agreement specifically limited velveteen imports to five million square yards per year.² The 1957 five-year voluntary agreement specifically limited cotton velveteen imports into the United States to 2.5 million square yards per year.³ Because of the importance of velveteens during the negotiations and in the voluntary agreements, it has been selected as the specific type of cotton cloth for further analysis.

¹Chapter IV, p. 83.

²Chapter VI, p. 125.

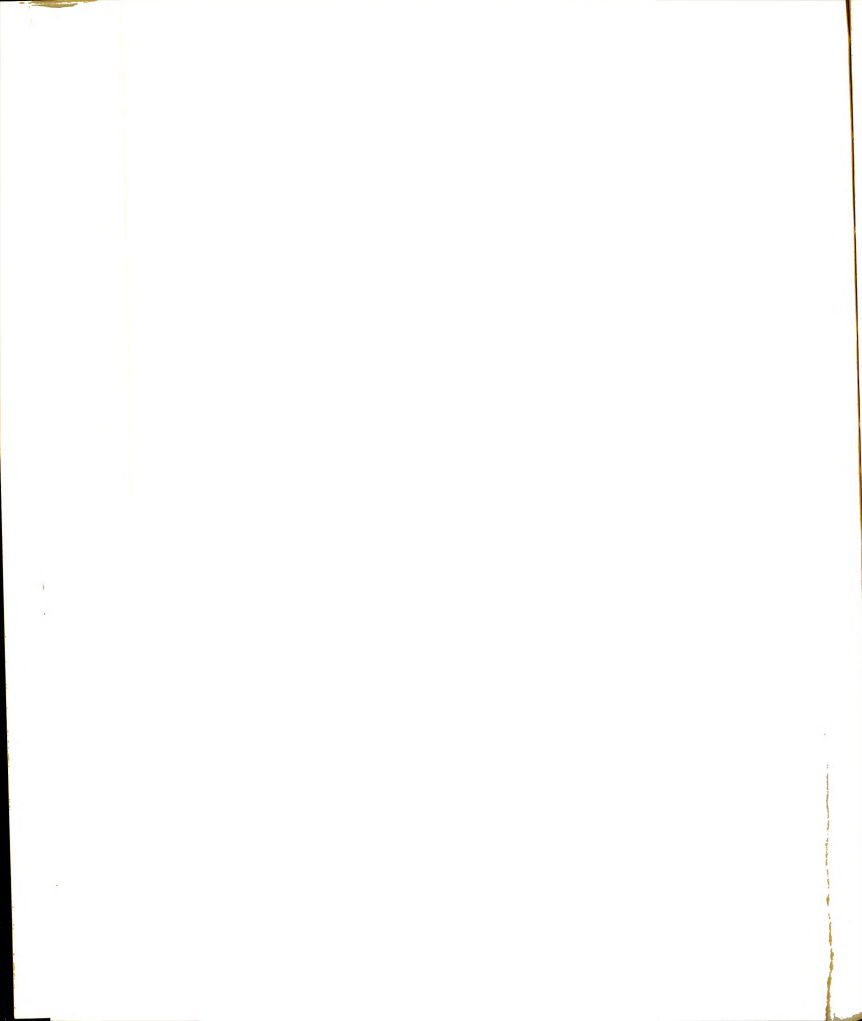
³Appendix C, p. 232.

The objective is to measure the elasticity of demand for a specific type of cotton cloth, namely cotton velveteens. This analysis will approach the problem by investigating the economic variables that would possibly influence the demand for velveteen imports. After this has been accomplished, a multiple linear regression and correlation model will be fitted to the data to obtain the elasticity of demand.

Factors Affecting the Import
Demand for Cotton Velveteens
in the United States

The dependent variable (Y), in the model, is defined as the quantity of cotton twill-back velveteens imported per year from Japan. The independent variables used to explain fluctuations in Y are:

- X_1 = Average annual price per square yard received by Japanese exporters of cotton twill-back velveteens imported from Japan.
- X_2 = Total United States population.
- X_3 = Annual National Income of the United States.
- X_4 = Annual Personal Income of the United States.
- X_5 = Annual Disposable Income of the United States.
- X_6 = Real National Income--National Income in current dollars (X_3) deflated by the Bureau of Labor Statistics Consumer Price Index (1957-1959 = 100).
- X_7 = Real Personal Income--Personal Income in current dollars (X_4) deflated by the Bureau of Labor Statistics Consumer Price Index (1957-1959 = 100).
- X_8 = Real Disposable Income--Disposable Income in current dollars (X_5) deflated by the Bureau of Labor Statistics Consumer Price Index (1957-1959 = 100).



- X_9 = Real Per Capita Disposable Income--Real Disposable Income (X_8) divided by Population (X_2).
- X_{10} = An index of the relative price of imports to domestically produced cotton products--An index of the average annual price per square yard of cotton twill-back velveteens imported from Japan (X_1), divided by the domestic Wholesale Price Index of Cotton Products (1957-1959 = 100).
- X_{11} = An index of the relative price of imports to domestically produced textiles and apparel--An index of average annual price per square yard of cotton twill-back velveteens imported from Japan (X_1), divided by the domestic Wholesale Price Index of Textiles and Apparel (1957-1959 = 100).
- X_{12} = An index of the relative price of imports to the domestic Wholesale Price Index--An index of average annual price per square yard of cotton twill-back velveteens imported from Japan (X_1), divided by the domestic Wholesale Price Index (1957-1959 = 100).
- X_{13} = An index of the relative price of domestically produced cotton products to domestically produced man-made fibers--Wholesale Price Index of Cotton Products divided by the Wholesale Price Index of Man-Made Fibers (1957-1959 = 100).
- X_{14} = An index of relative price of domestically produced cotton products to domestically produced textiles and apparel--Wholesale Price Index of Cotton Products divided by the Wholesale Price Index of Textiles and Apparel (1957-1959 = 100).

Factors Used in the Analysis

The analysis is based on the years 1951-1963. These years were selected because of the reasonably normal post-war economic conditions in the cotton textile industry of the world, and also because of the availability and continuity of data for this period.

Because of the high intercorrelation between some of the independent variables, the first part of the analysis was to select the best predictor variable from the groups that demonstrated high intercorrelation. Preliminary analysis showed that there was high intercorrelation between the following sets of independent variables: X_3 , X_4 , X_5 ; X_6 , X_7 , X_8 ; X_{10} , X_{11} , X_{12} ; and X_{13} , X_{14} . Out of the money income group (X_3 , X_4 , X_5), disposable income (X_5) had the highest simple correlation coefficient. Of the real income group (X_6 , X_7 , X_8), real disposable income was the best predictor.

Variables X_{10} , X_{11} , X_{12} compare the price of imports to the price of domestic products. Variable X_{10} , which compares the price of imports to the price of domestically produced cotton products, was the best predictor of imports. Variables X_{13} and X_{14} compare the price of domestically produced cotton products to domestically produced textiles. Variable X_{13} , which compares the price of domestically produced cotton products to domestically produced man-made fibers, was the best predictor of velveteen imports.

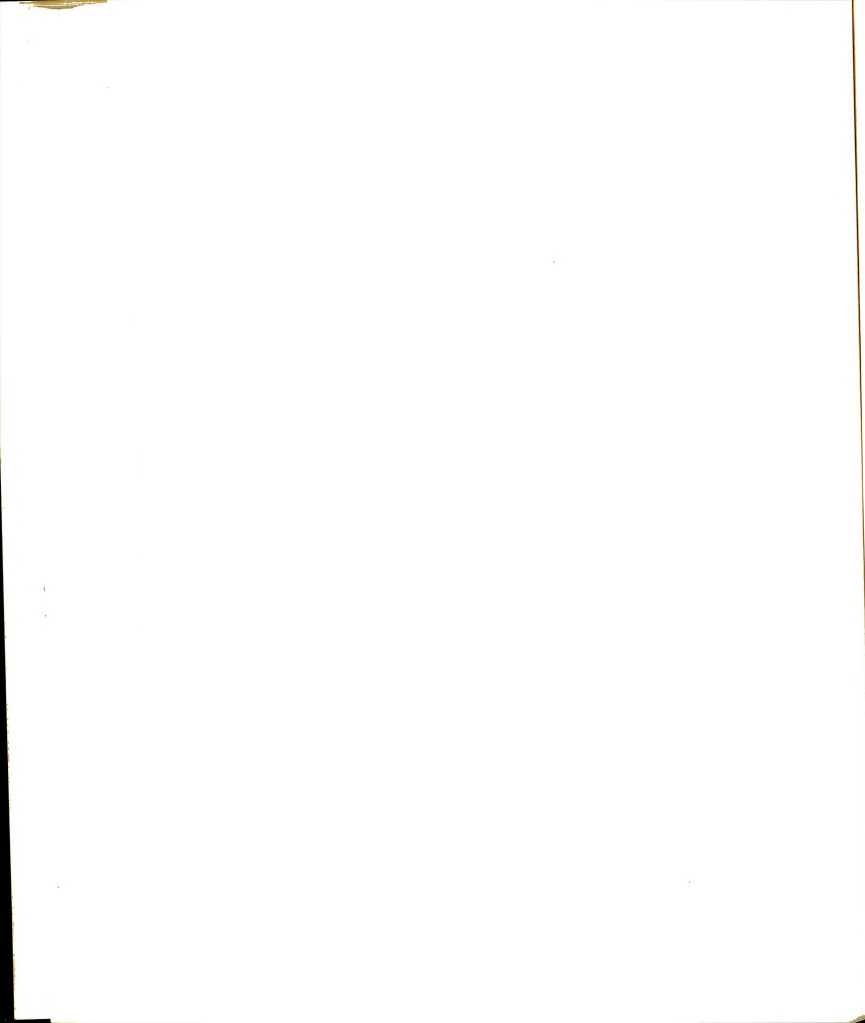
Preliminary analysis also revealed a high correlation between population (X_2) and real disposable income (X_8). These two variables were combined into real per capita disposable income (X_9), which eliminated the intercorrelation problem and this generated variable had a higher simple correlation coefficient with imports than the variables it was derived from.

1. The first part of the paper is devoted to a discussion of the
 2. various methods of determining the rate of reaction.
 3. The second part is devoted to a discussion of the
 4. various methods of determining the order of reaction.
 5. The third part is devoted to a discussion of the
 6. various methods of determining the activation energy.
 7. The fourth part is devoted to a discussion of the
 8. various methods of determining the equilibrium constant.
 9. The fifth part is devoted to a discussion of the
 10. various methods of determining the rate of reaction.

In summary, preliminary analysis has reduced the independent variables to the following:

- X_1 = Average annual price per square yard received by Japanese exporters for cotton twill-back velveteens.
- X_9 = Real Per Capita Disposable Income.
- X_{10} = An index of the price per square yard of cotton twill-back velveteens imported from Japan divided by the domestic Wholesale Price Index of Cotton Products.
- X_{13} = An index of the price of domestically produced cotton products divided by an index of the price of domestically produced man-made textile fibers.

The independent variables have been narrowed down to the above mentioned four, with the last two requiring further explanation. During the research it became apparent that the demand for cotton textile imports may depend on two substitution effects. There was a high degree of technical substitutability between Japanese cotton velveteen cloth and domestically produced cotton velveteen cloth. Also, the domestic textile manufacturers had the productive facilities to substitute man-made fibers for cotton fibers. Price data were used to measure these two substitution effects. Variable X_{10} measures this relation between imported cotton velveteens and domestically produced velveteens. Variable X_{13} measures the relation between domestically produced cotton products and domestically produced man-made fibers.



Results of Statistical Analysis

The data used in this multiple linear regression and correlation analysis is shown in Appendix G. Since an IBM 1130 computer was used to solve for the regression and correlation coefficients, all possible combinations of X_9 , X_{10} , X_{13} were tested with Y and X_1 . The set of statistically significant independent variables were price (X_1) and real per capita disposable income (X_9). Following is the statistical equation along with the correlation coefficients:

$$Y = -593,596 - 1,697,400X_1 + 1,320X_9$$

$$R = .69$$

$$r_{Y9} = .48$$

$$r_{Y1} = -.53$$

$$r_{19} = .07$$

Both regression coefficients and the correlation coefficient (R) are statistically significant at the 5 percent level. Also, the signs of the two regression coefficients are the same as economic theory would predict. Table VIII-1 shows the observed imports and the predicted imports from the statistical equation.

With a correlation coefficient (R) of .69, these two independent variables explain about 48 percent of the total variations of the cotton twill-back velveteen imports from Japan. As stated previously, the above equation is statistically significant; however, the

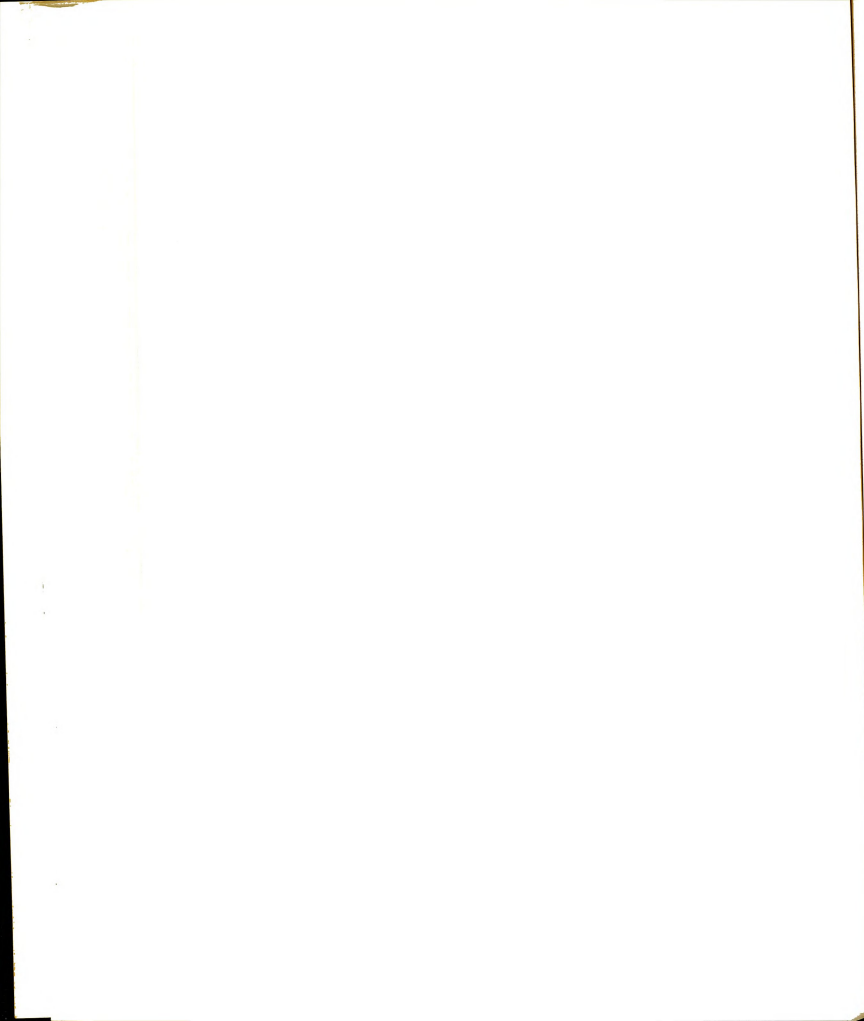
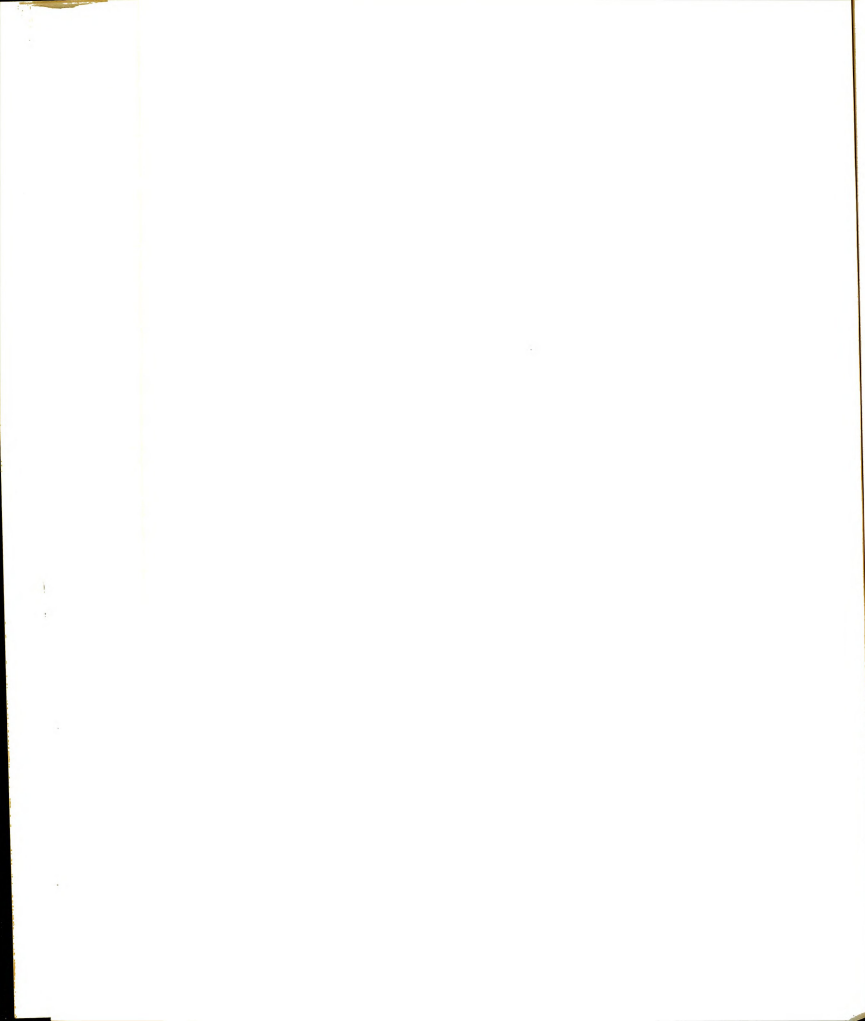


TABLE VIII-1
OBSERVED AND PREDICTED QUANTITY IMPORTED
OF COTTON TWILL-BACK VELVETEENS
FROM JAPAN

| Year (1) | Observed Imports ^a | Predicted Imports ^b |
|-------------|-------------------------------|--------------------------------|
| | Square Yards (2) | Square Yards (3) |
| 1951 | 387,348 | 118,155.8 |
| 1952 | 439,613 | 438,577.4 |
| 1953 | 220,914 | 418,879.0 |
| 1954 | 52,633 | 484,992.4 |
| 1955 | 1,280,526 | 729,255.4 |
| 1956 | 1,104,486 | 679,579.6 |
| 1957 | 996,189 | 825,073.0 |
| 1958 | 770,492 | 628,272.4 |
| 1959 | 563,272 | 713,890.2 |
| 1960 | 274,626 | 672,277.4 |
| 1961 | 597,374 | 626,735.4 |
| 1962 | 866,009 | 748,094.2 |
| 1963 | 873,303 | 832,567.0 |

^aColumn 2, Appendix G.

^bObtained from regression equation $Y = -593,596 - 1,697,400X_1 + 1,320X_9$.



numerical value of the correlation coefficient does indicate that it is low in predictability. We can be reasonably confident that each predictor variable in the equation does in fact influence the dependent variable. Nor is the correlation coefficient inflated by predictor variables that are not significant at the 5 percent level. This equation will be used in the subsequent analysis but the results must be interpreted with great caution because the model explains less than one-half the annual variation in the imports of twill-back velveteens from Japan.

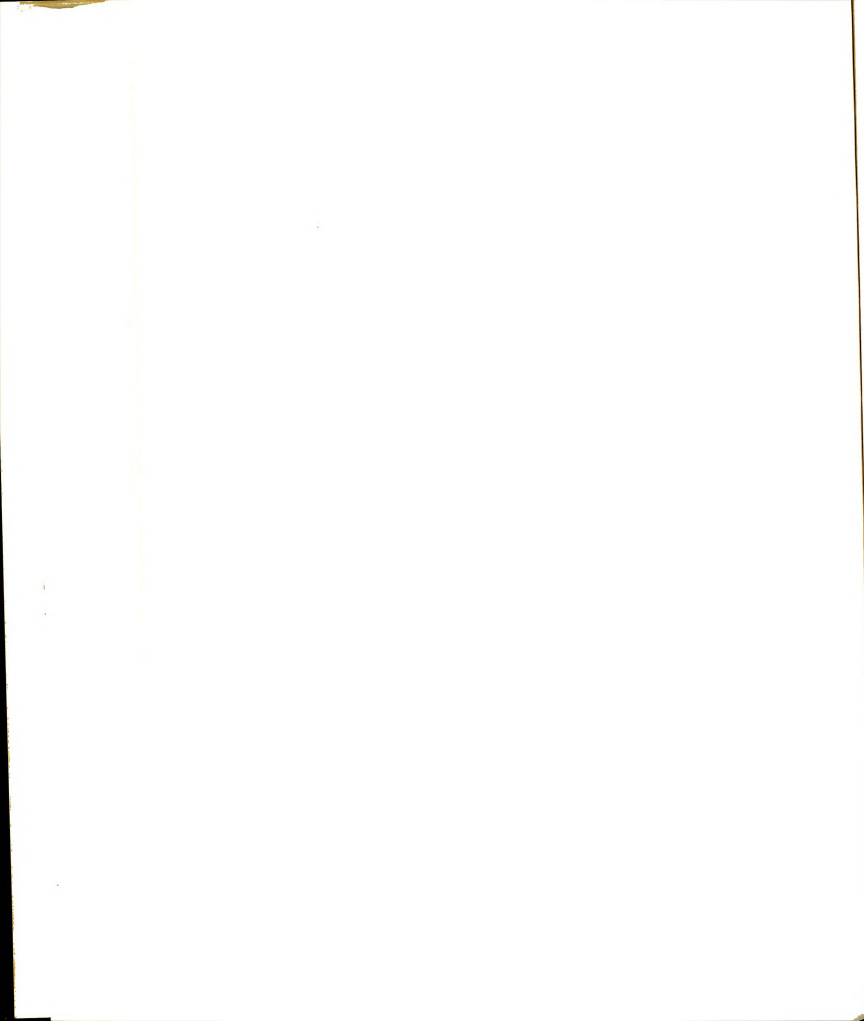
The formula for point elasticity of demand (E) used here is

$$E = \frac{\partial q}{\partial p} \times \frac{p}{q}$$

$\frac{\partial q}{\partial p}$ is the slope of the demand curve and is the regression coefficient (b_1) corresponding to X_1 . From the regression equation

$$\frac{\partial q}{\partial p} = -.1697 \times 10^7$$

The next step is to choose a point on the demand curve at which we shall measure the elasticity. For future analysis, we will need to know the point elasticity of demand at the average price received by Japanese exporters for 1956 and 1957. The average price for 1956 and 1957 is \$.632 and the corresponding quantity demanded, which is obtained from the regression equation is 751,412 square



yards.⁴ Therefore,

$$\frac{p}{q} = \frac{.632}{751,412} = .8410 \times 10^{-6}$$

and

$$E = (0.1697 \times 10^7) (.8410 \times 10^{-6}) = -1.427$$

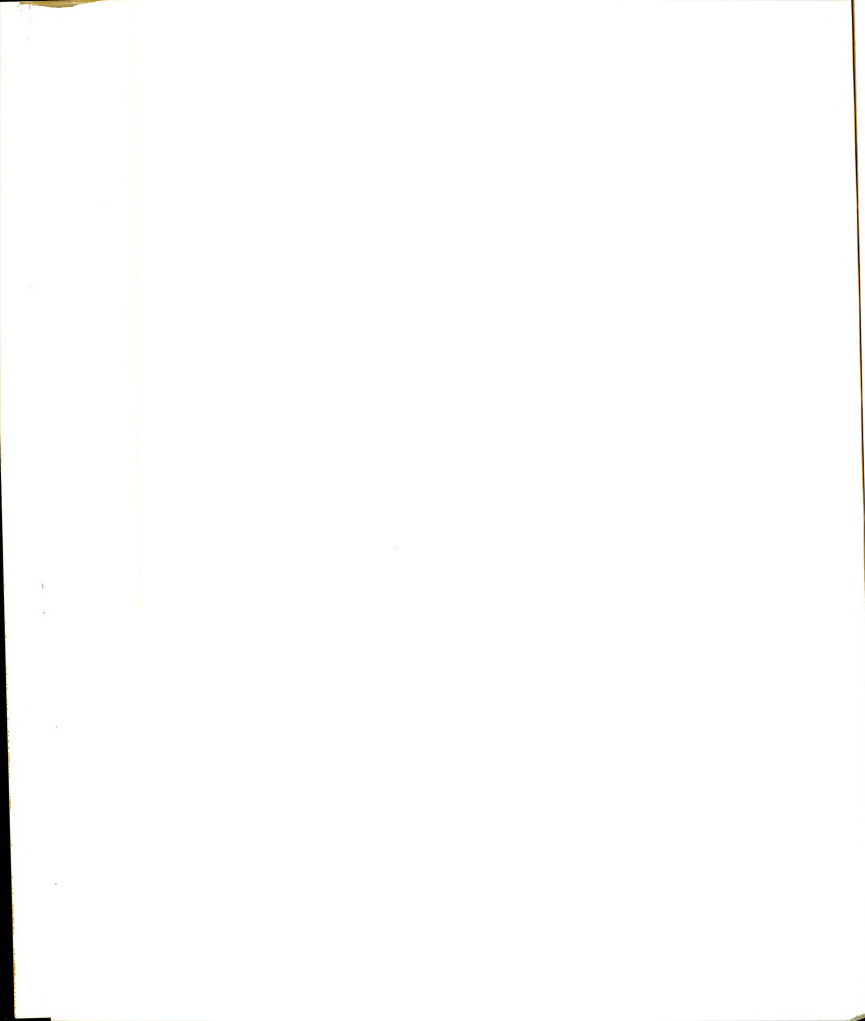
The derived price elasticity of demand could be biased because of the quotas. This bias results since the elasticity is derived from the regression equation, and the regression equation is derived from import data of annual quantities that is influenced by the voluntary restriction after 1956. It is not clear as to how or which way the elasticity will be influenced because of the quota, but when quantity controls are present, they could affect the elasticity.

Comparing Alternatives

During the negotiations of the 1957 five-year voluntary agreement, the Tariff Commission recommended an increase in the ad valorem tariff on cotton twill-back velveteens from the existing average of 26 percent to 56 percent.⁵ The question that will be answered in this section is, would this threatened tariff increase have been more or less restrictive than the voluntary agreement?

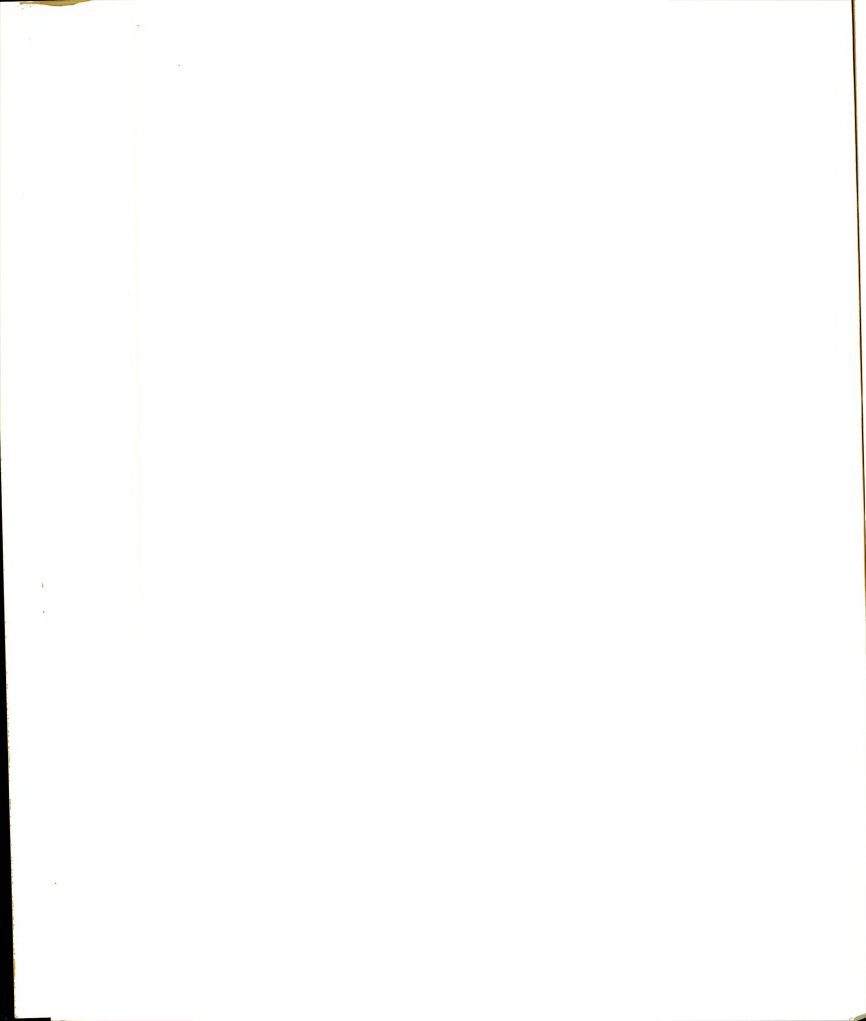
⁴Price figure obtained from Appendix G.

⁵Chapter VI, p. 132.



In making the above comparison, it will first be necessary to establish the percent increase in the price of imports if the higher tariff would have been adopted. Incorporating the price elasticity obtained in the previous section, a numerical quantity of Japanese velveteen imports can be obtained that would have been demanded in 1957 under the increased tariff. This quantity imported under the assumed increased tariff will be compared with the actual imports from 1957 under the voluntary agreements to determine which was more restrictive.

To obtain the numerical quantity demanded under the assumed tariff increase, another assumption is made. The following analysis will assume that the supply of Japanese cotton velveteens to the United States is perfectly elastic because of the behavior of Japanese cotton exports to this country. Chapter V reveals how rapidly Japanese cotton textile exports have increased to the United States. Column 3 of Table V-12 shows how quickly total cotton imports could increase. They increased almost four times from 1954 to 1956. Tables V-5, 6, 7, 8 and 9 reveal how rapidly specific types of cotton textile imports were increased in the United States. Column 3 of Table V-6 reveals the fluctuations of Japanese cotton velveteen imports into this country. These velveteen imports more than doubled from 1954 to 1955. Because of these large changes in quantity of Japanese imports within a

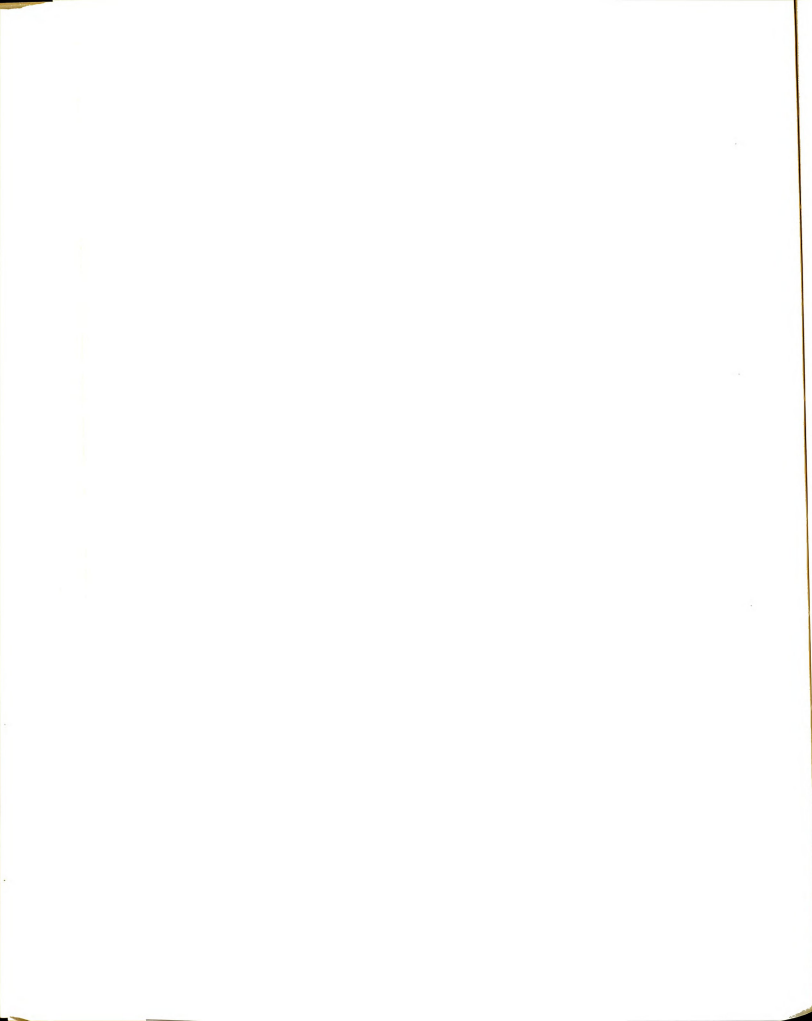


relatively short time, it is evident that the elasticity of supply of Japanese cotton velveteens in the United States is high. I shall assume this elasticity of supply to be perfectly elastic. Hence, an increase in the United States tariff will result in an increase in the import price by the full amount of the increase in the tariff.

Japanese exporters received an average price of \$.632 per square yard for cotton twill-back velveteens exported to the United States in 1956-57.⁶ The price the American importer had to pay was \$.632 plus 26 percent average duty (\$.164), which totals \$.796 per square yard. Assuming a perfect elasticity of supply in Japan and the adoption of the higher tariff of 56 percent, the price the American importer would have had to pay would have been \$.986 per square yard (\$.632 + \$.354). This \$.190 increase (\$.986 - \$.796) in price due to the assumed increase in tariff represents a 23.9 percent increase in price.

From the previous section the price elasticity of demand at the average price of 1956-57 was estimated to be -1.427. This means that a 1 percent increase in price would decrease quantity demanded by 1.427 percent. Therefore, a 23.9 percent increase in price would tend to decrease quantity demanded 34.1 percent (23.9×1.427). The

⁶Column 3, Appendix G. It states in the General Explanation of any Report No. FT110, that the dollar value shown on the import statistics is defined as the market value in the exporting country for goods subject to an ad valorem rate of duty.



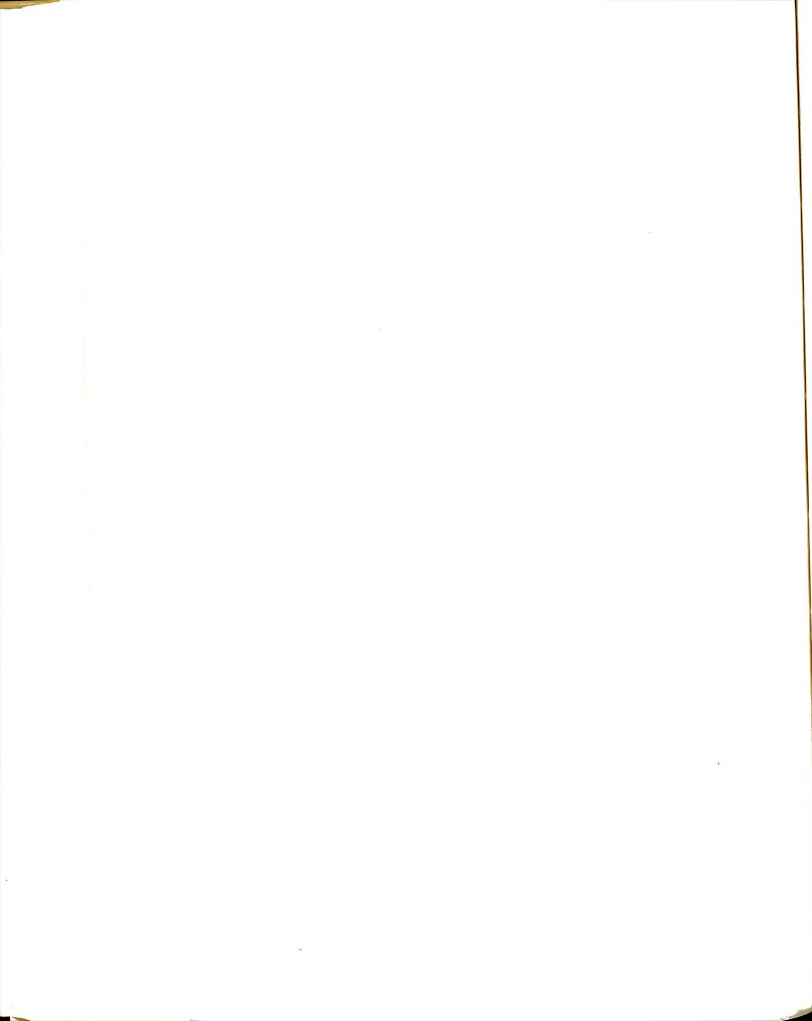
quantity imported in 1956 was 1,104,486 square yards.⁷ Thirty-four and one tenth percent of these 1956 imports is 376,630 square yards, so assuming the increased tariff would have been adopted and a perfect elasticity of supply in Japan, the estimated quantity that would have been imported in 1957 and succeeding years would have been 727,856 square yards (1,104,486 - 376,630).

The quantity that was imported from Japan in 1957 was 996,189 square yards.⁸ These 1957 imports arose from a change in income as well as price. Real per capita disposable income (X_9) increased \$.92 in 1957 over 1956, therefore, 1,214 square yards (.92 x 1,320) can be accounted for due to an increase in income.⁹ Adjusting imports for income changes, the quantity of imports demanded was 994,975 square yards (996,189 - 1,214). This 994,975 square yards of adjusted imports for 1957 can be compared directly with the 727,856 square yards which were the estimated imports under the assumed tariff increase and perfect elasticity of supply in Japan. Therefore, given the assumptions and the statistical outcome shown above, the results indicate that for this year, the voluntary export restriction was less restrictive than the alternative tariff increase.

⁷ Column 2, Appendix G.

⁸ Ibid.

⁹ 1320 originates from the regression equation stated in the previous section, and represents the change in quantity imported (Y) per unit change in disposable income (X_9).



Tables VIII-2 and 3 includes the calculations and analysis for all five years of the 1957 voluntary agreement. Table VIII-2 derives the imports for the years of the agreement, adjusted for changes in real per capita disposable income, and these can be compared to the predicted imports under the assumed tariff increase. Table VIII-3 reveals which tends to be more restrictive--the assumed tariff increase or the voluntary quota in each of the five years. The actual imports under the voluntary quota are lower than the estimated quantity that would have been imported under the assumed tariff increase in three out of the five years of the agreement. The potential tariff appeared to be more restrictive during the first two years of the five-year voluntary agreement. The three succeeding years show that the voluntary quota tended to be much more restrictive than the potential tariff increase.

Conclusion

This section has made a post-war comparison between a specific voluntary agreement and its alternative. The voluntary agreement tended to be more restrictive in three of the five years than its alternative.

It was hypothesized in Chapter I that unilateral American action would be more restrictive than the voluntary quotas. Based on the analysis above, this hypothesis must be rejected. The potential tariff increase tended to be less restrictive during the time the voluntary

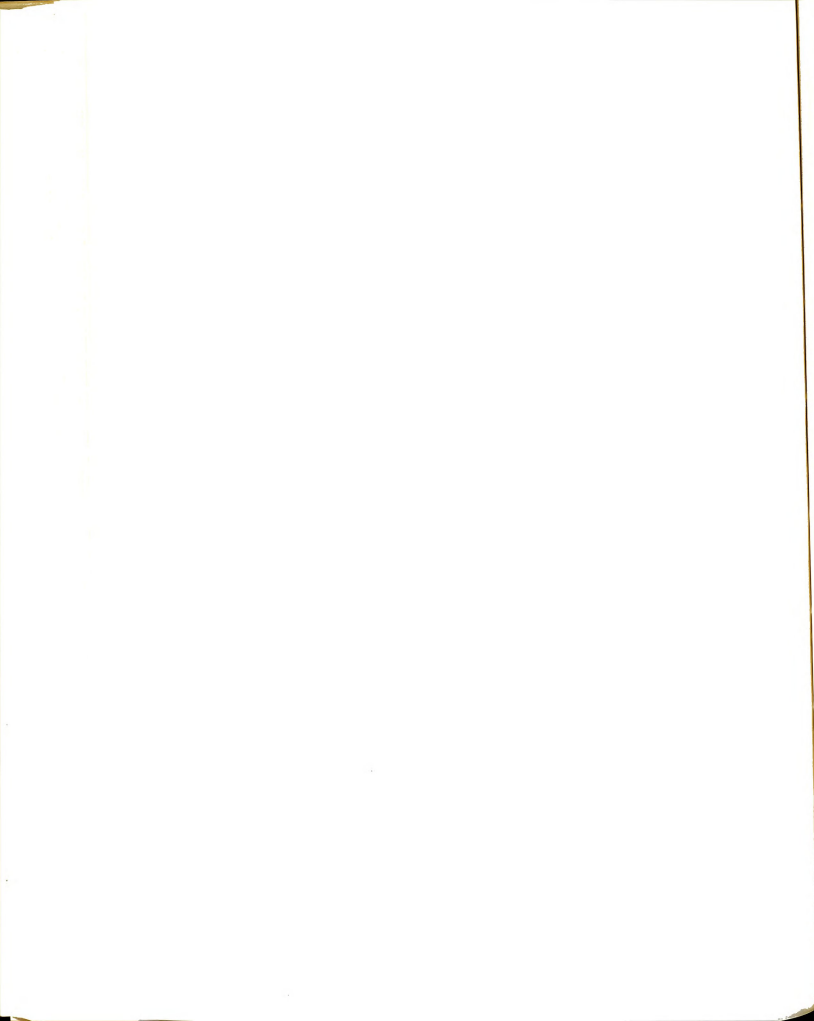


TABLE VIII-2
 ACTUAL IMPORTS OF JAPANESE COTTON TWILL-BACK
 VELVETEENS ADJUSTED FOR CHANGES IN INCOME
 1957-61

| Year | Real Per Capita Disposable Income ^a | Deviations from Base Year 1956 ^b | Column 3 Times 1320 ^c | Observed Imports | Adjusted Importse |
|------|---|--|--|---------------------|----------------------|
| (1) | (Dollars) (2) | (Dollars) (3) | (Sq. Yds.) (4) | (Sq. Yds.) (5) | (Sq. Yds.) (6) |
| 1957 | 1,832.15 | + .92 | + 1,214 | 996,189 | 994,975 |
| 1958 | 1,805.22 | -26.01 | -34,333 | 770,492 | 804,825 |
| 1959 | 1,867.51 | +36.28 | +47,890 | 563,272 | 515,382 |
| 1960 | 1,878.42 | +47.19 | +62,291 | 274,626 | 212,335 |
| 1961 | 1,903.07 | +71.84 | +94,829 | 597,374 | 502,545 |

^aObtained from Appendix G, Column 11.

^b1956 Real Per Capita Disposable Income = 1,831.23.

^c1320 originates from the regression equation and is the change in quantity imported (Y) per unit changes in disposable income (X_9).

^dObtained from Appendix G, Column 2.

^eAdjusted Imports = Observed Imports - Deviations from 1956 base year.

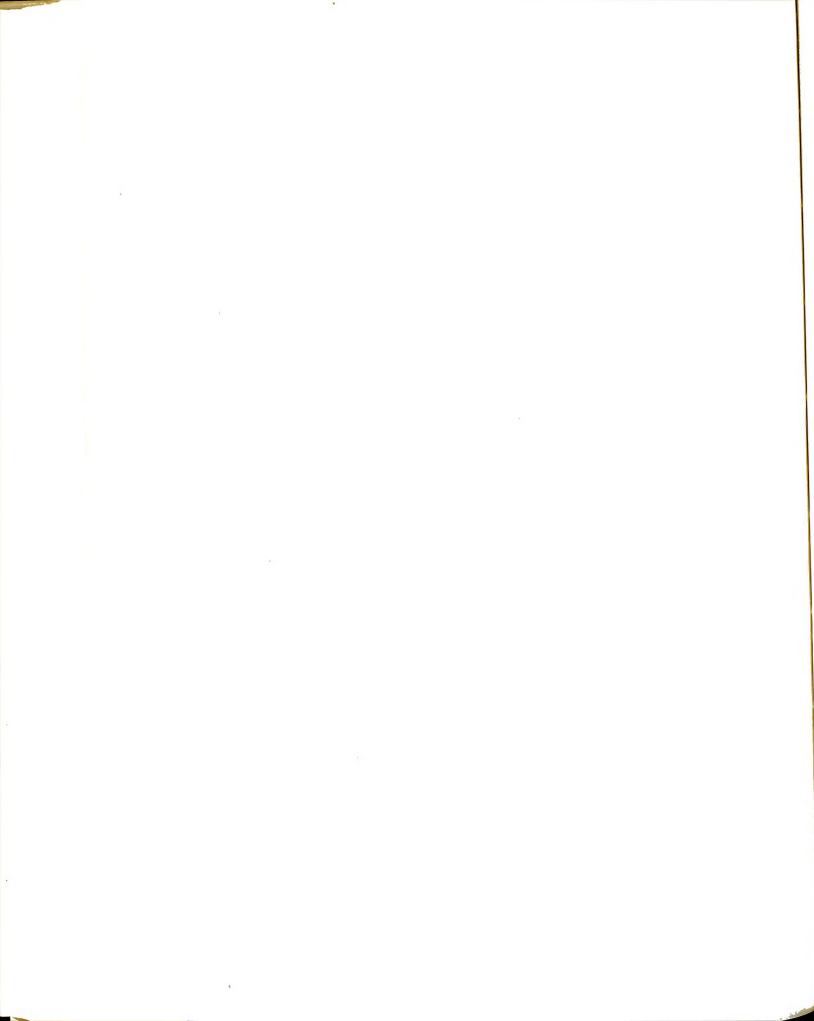


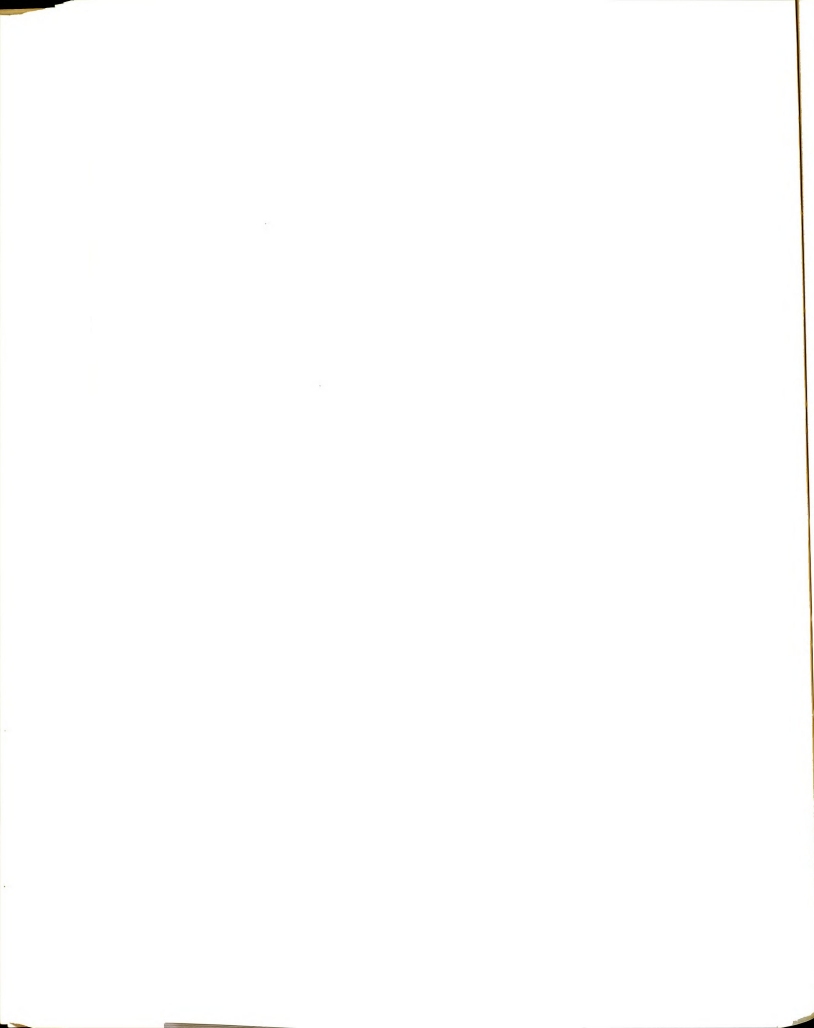
TABLE VIII-3

COMPARISON OF PREDICTED IMPORTS OF JAPANESE COTTON
TWILL-BACK VELVETEENS UNDER THE ASSUMED TARIFF
INCREASE AND THE ACTUAL IMPORTS ADJUSTED FOR
CHANGES IN REAL PER CAPITA DISPOSABLE INCOME
1957-1961

| Year | Predicted Imports Under the Tariff Increase ^a | Actual Imports Adjusted for Changes in Income ^b |
|------|--|--|
| | (Sq. Yds.) (2) | (Sq. Yds.) (3) |
| 1957 | 727,856 | 994,975 |
| 1958 | 727,856 | 804,825 |
| 1959 | 727,856 | 515,382 |
| 1960 | 727,856 | 212,335 |
| 1961 | 727,856 | 502,545 |

^aObtained from p. 185.

^bObtained from Table VIII-2, column 6.

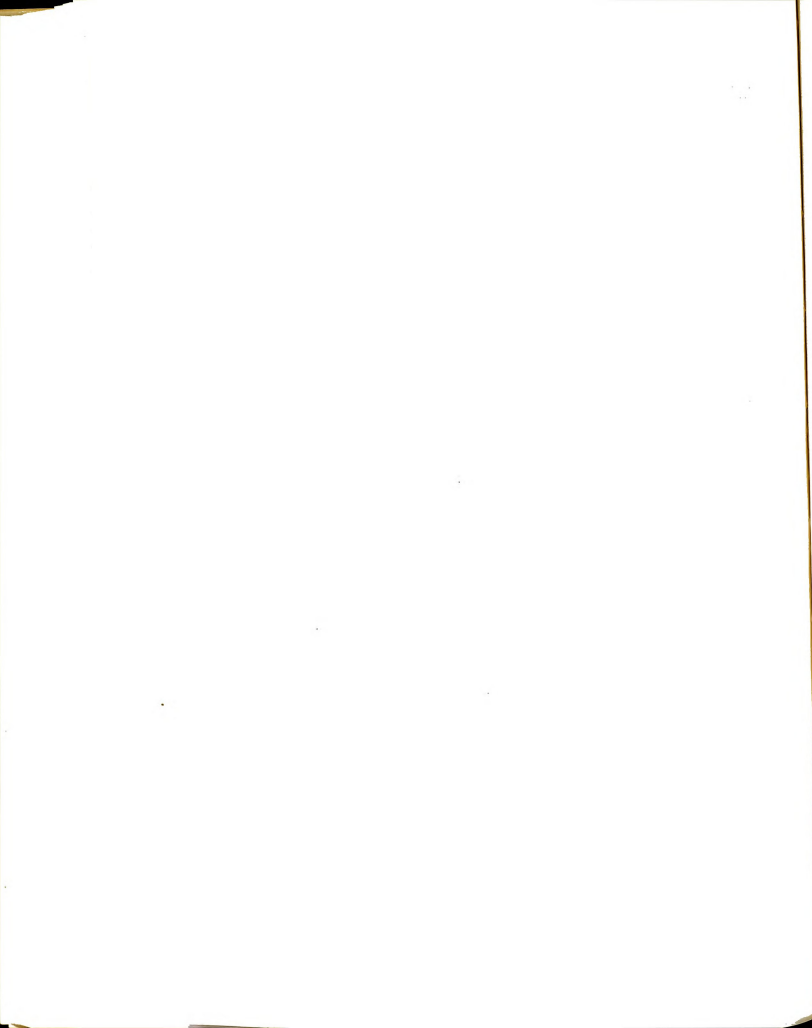


agreement was in effect. This conclusion must be qualified by the facts that the analysis is based on the derivation of an elasticity of demand from a regression equation that explained only 48 percent of the deviations, and an assumed perfect elasticity of supply of Japanese velveteen imports.

It is interesting to observe how the quota on total velveteens affected the imports of twill-back velveteens. Column 2 of Table VIII-1 reveals how the quota influenced the imports of twill-back velveteens. In the first year of the 1957 five-year voluntary agreement, imports were reduced, and probably due to the imposition of the quota; however, imports of twill-back velveteens continued to decline for the next three years while the quota on total velveteens remained constant. This continued downward trend was a result of substituting twill-back velveteens for other velveteens within the quota.

Voluntary Agreements Versus Commodity Agreements

The voluntary textile agreements between Japan and the United States have had characteristics similar to the traditional commodity agreements. This section will compare the cotton textile voluntary agreements with commodity agreements.

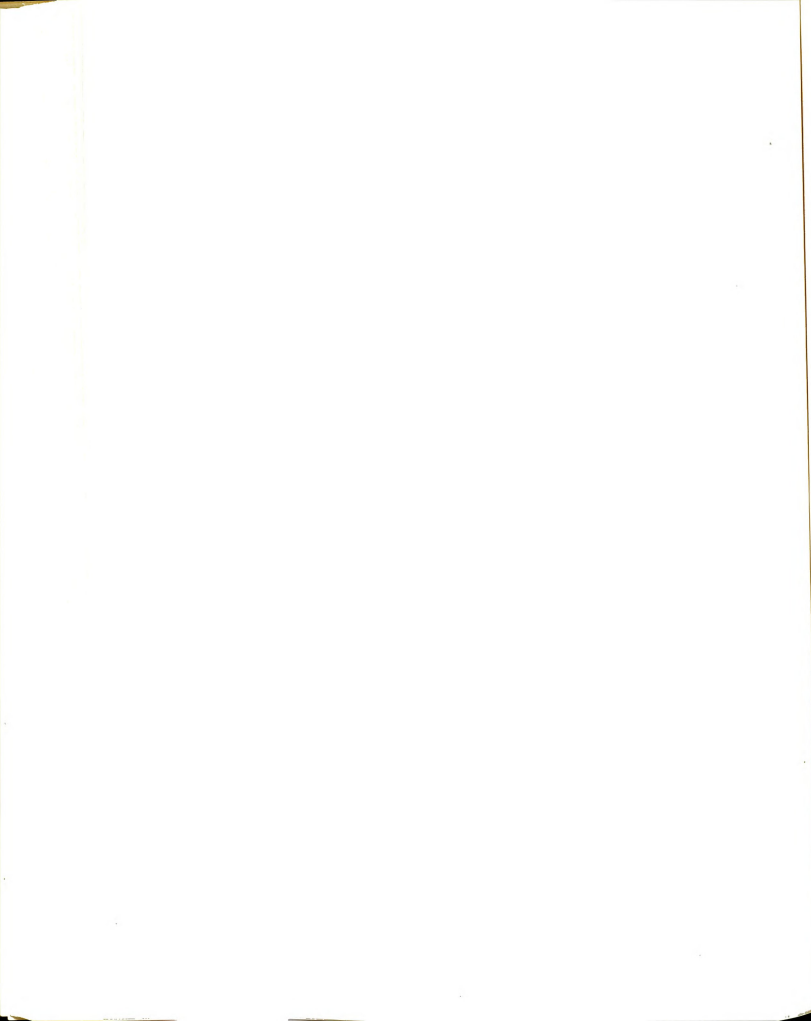


Objectives of the
Voluntary Agreement

When examining the objectives of the voluntary agreements, it is of interest to analyze the individual objectives of the parties to the agreement. The United States domestic textile producers were interested in protecting their markets from lower priced foreign goods. They wished to reduce or eliminate foreign competition, while the Japanese were interested in increasing exports, as international trade was important to the Japanese economy. Since 1950, Japan had been particularly interested in earning dollars for international trade, and this had increased her desire to export to the United States. When the United States domestic producers were successful in having the Administration and Congress consider unilateral action, then the Japanese not only had the goal of maximum exports to the United States, but also to retain maximum control over the quantity exported. This Japanese goal was apparent when they offered to restrict their exports of cotton textiles because the United States was considering unilateral action.

The objective of the 1957 five-year agreement was to maintain orderly marketing of Japanese cotton textiles into the United States. The agreement stated that the Japanese textiles were to avoid excessive concentration in any particular time period or in any particular item.¹⁰

¹⁰Appendix C.



The objectives of the multilateral agreements made in the sixties were similar to those of the previous decade, but were broader in scope. The main objective of the international cotton textile agreements, of the sixties, were to expand export opportunities for less developed countries that are important producers, without disrupting the domestic market of importing countries. The agreements provided restraints for cotton textile exporters to markets where penetration was disruptive, as defined by the market disruption principle.¹¹

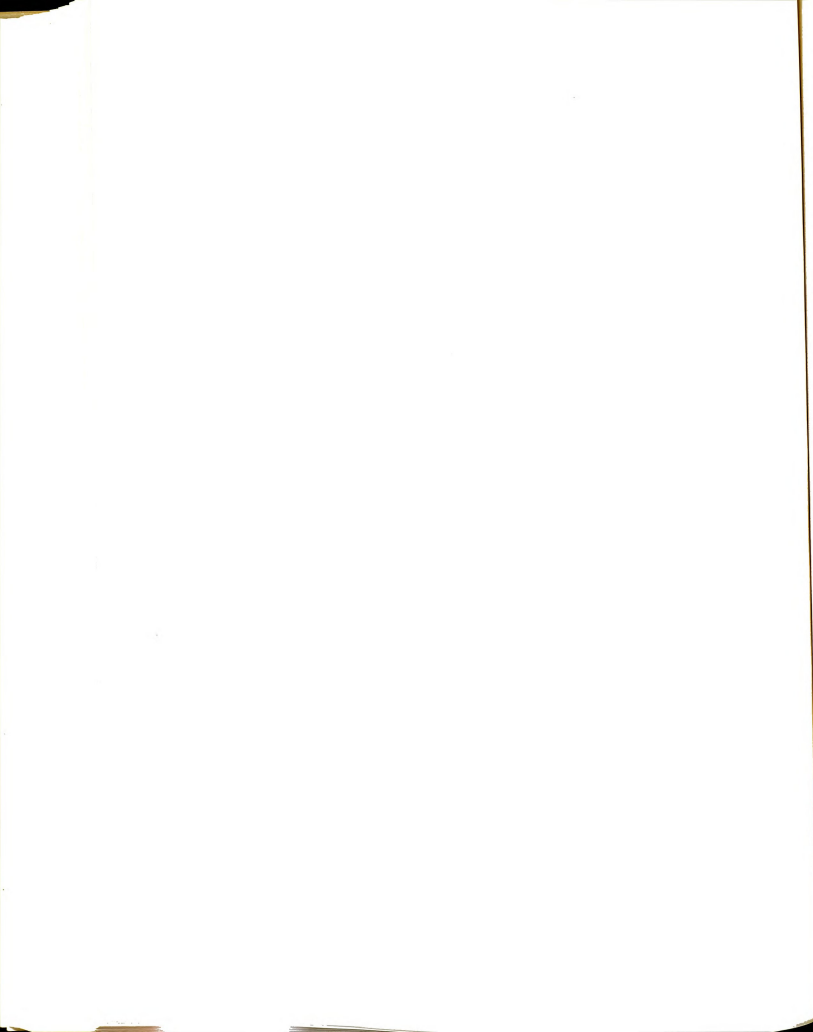
With this review of the cotton textile voluntary agreements and their stated objectives, it is time to examine the more traditional commodity agreements.

Commodity Agreements

An international commodity agreement is defined as an intergovernmental association of more than two countries, organized for the purpose of regulating the production and distribution of commodities for the purpose of stabilizing price. The agreement usually includes provisions for the control of production, exports, or prices, and may also have a provision for the creation of reserve stocks. Commodity agreements of the past have been associated with only primary products.¹²

¹¹Appendix E.

¹²William E. Haviland, International Commodity Agreements, Private Planning Association of Canada, July, 1963, p. 33.



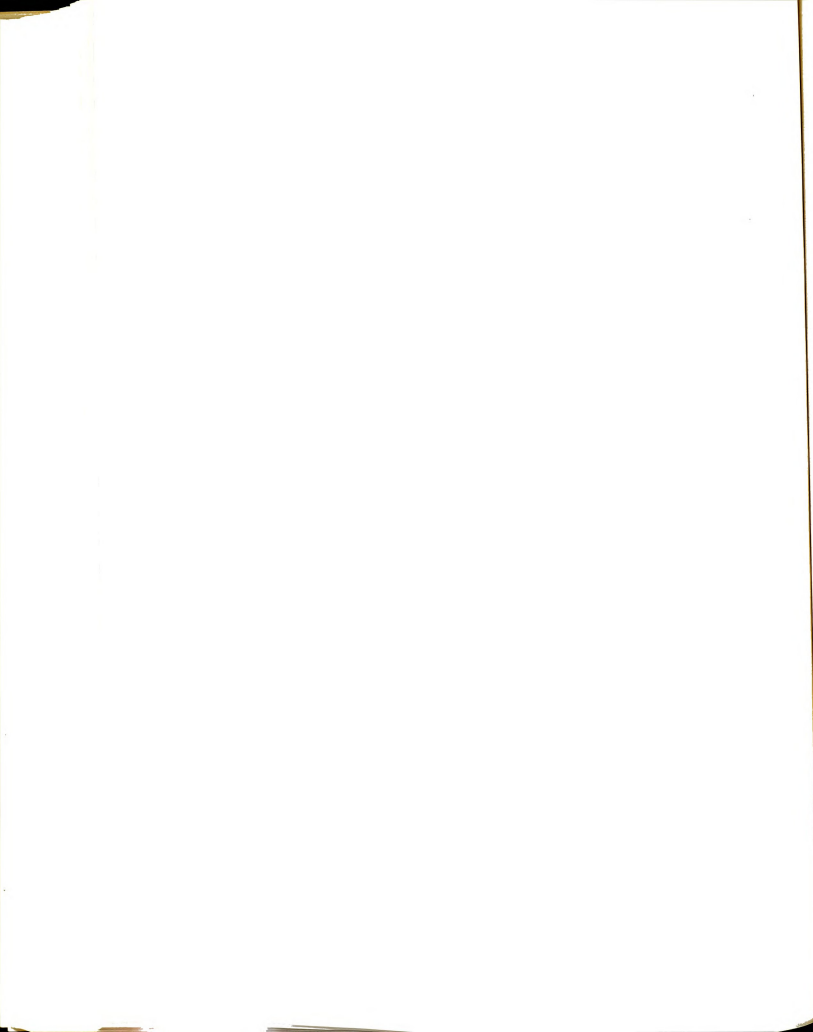
There were five formal international commodity agreements in existence in 1963: wheat, sugar, tin, coffee, and olive oil. These agreements represent only raw material products and were in existence because of continuing instability of the commodity market and recurring commodity surplus.¹³

Objectives of Commodity
Agreements

The major and continuing objectives of the international commodity agreements are to bolster and stabilize depressed and disorderly commodity markets, and to safeguard the shares of producers in shifting market. There are sources of instability on both the demand and supply side of the market; therefore, it has been said that both the consumers, as well as the producers can benefit from commodity stabilization.¹⁴ It is true that stabilization can benefit the consumer and producer, but in examining the commodity agreements it is the producers that are better organized and are the people who have greater influence on the terms of the agreements. The producers gain in terms of profits and economic security, while the consumers gain in terms of the assurance of a continuous supply at a predictable price.

¹³Ibid., p. IX.

¹⁴Ibid., p. 33.



Conclusion

The traditional commodity agreement and the cotton textile agreement differ in how the quotas are determined --the former are set by the producers from various countries for the purpose of stabilizing production which will increase their welfare, while the latter are set by producers in exporting countries for the purpose of preventing more restrictive and permanent action to be taken by the importing countries. However, the economic consequences of these two types of agreements are similar.

The cotton textile quotas, as well as commodity agreements, do provide security for domestic producers. Consequently, producers tend to become dissatisfied with these agreements when they do not provide the protection they feel is necessary. From an economic efficiency viewpoint, strategies that let producers "know where they stand," interfere with efficient allocation of resources. These quotas and commodity agreements interfere with desirable shifts of domestic resources into new and economically more efficient production. They tend to hold resources in domestic industries where foreign producers have attained greater productive efficiency, thus preventing the resources from moving into new areas of production that have a greater promise for consumer satisfaction and economic growth.

The commodity agreement and textile agreement are alike in another respect--they substitute a unified control



of the market for the economic efficiency and insecurity of competitive enterprise. They are designed to reduce competition among business firms and make them less subject to the influence of market forces. Both types of agreements represent a rejection of competitive markets as the mechanism for regulating price and quantity produced. They limit the freedom of individual producers and shift decisions on output and prices from the market place to an administrative agency.

Neither of these types of agreements is organized primarily to serve consumers. The producers are better organized and dominate control over the terms of the agreement. The consumers do have limited representation when the government is involved in determining an agreement, but their power and influence is greatly limited due to their relatively poor organization when compared to producers.

There are two rather technical points that require mentioning because of their influence upon stabilization policies. Whenever there is a policy to stabilize a price or quantity of a good, facilities to store surplus products are necessary because reserves will usually result, and are necessary for implementing a stabilization policy. Second, if price is stabilized at a previous average where quantity supplied equals quantity demanded, it will tend to increase supply. There is an added risk factor that is present when the price is allowed to fluctuate and which is absent when price is stabilized. When the risk of

instability is reduced, producers will respond and increase supply, which will result in quantity supplied being greater than quantity demanded at the previous equilibrium price. For a fixed price to be an equilibrium price, it must be set at a lower level than the average of previous fluctuations.

The success of the voluntary agreement or commodity agreement in terms of ability to control world production and stabilize price depends on the amount of the world's supply that comes under the agreement. The early commodity agreements, as well as voluntary agreements, included a minority of the world's supply. They were destined for failure and did fail in the long run, because supply increased from countries not participating in the agreement. The 1957 five-year Voluntary Agreement was successful in holding down imports from Japan, but imports from other countries increased. A restrictive voluntary agreement or commodity agreement encourages production of the good in other parts of the world when the world demand is constant or increasing. The contemporary commodity agreements and cotton textile voluntary agreements do include the majority of the world's known supply; however, for these agreements to be successful in the future, potential sources of supply must be observed and brought under the agreement when they threaten the existence of the agreement.

United States Paradox Position
Within GATT

The United States has created an inconsistency within the framework of GATT. The major objective of GATT is to develop the full use of world resources and expand the production and exchange of goods. Members of GATT work toward the fulfillment of this objective by making arrangements directed toward the reduction of tariffs and other trade barriers.¹⁵

In 1959, GATT members recognized situations which they described as "market disruption," occurring or threatening to occur in a number of countries.¹⁶ These situations generally contained the following elements in combination:

- (1) A sharp and substantial increase or potential increase of imports of particular products from particular sources;
- (2) These products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
- (3) There is serious damage to domestic producers or threat thereof;
- (4) The price differentials referred to in number 2 above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

¹⁵General Agreement on Tariffs and Trade, Basic Instruments and Selected Documents, Vol. 1 (Revised), Geneva, April, 1955, p. 7.

¹⁶Ibid., Ninth Supplement, 16th and 17th Sessions, Geneva, February, 1961, p. 26.

The market disruption principle has been used frequently by various branches of the textile and clothing industry, but has had very limited use in other industries.¹⁷

The market disruption principle provides a means by which GATT can be used to temporarily increase trade barriers rather than reduce them. It enables the United States to promote voluntary cotton textile agreements under GATT, an organization created for the purpose of reducing trade barriers to increase total welfare derived from world resources. However, it also can be argued that the market disruption principle was used as a means of preventing action by the importing country that would result in more severe and permanent trade restrictions which are opposed by GATT.

¹⁷Ibid., p. 109.

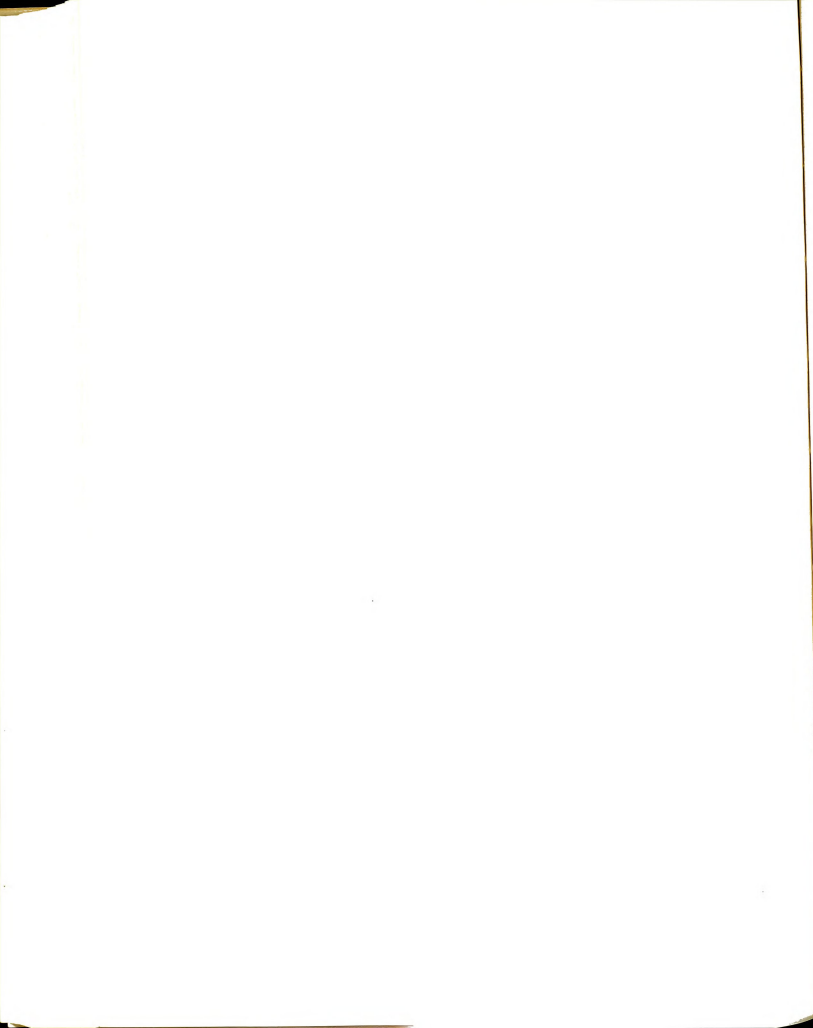
CHAPTER IX

SUMMARY AND CONCLUSION

The purpose of this chapter is to summarize the findings of this thesis and analyze the place of voluntary export restrictions in commercial policy.

The hypothesis examined in this thesis is that voluntary export restrictions on Japanese cotton textiles were imposed because of diplomatic pressure and threats of unilateral American action which would have been more restrictive for Japanese exports. Below is a summary of the information used in the thesis to substantiate that the export restrictions were imposed because of diplomatic pressure and threats of unilateral American action:

1. Prior to the 1936 cotton hosiery agreement, the National Association of Hosiery Manufacturers began Tariff Commission investigative action which could have increased the tariff. This action was discontinued when the voluntary agreement was signed.
2. Prior to the 1937 cotton cloth agreement, the Secretary of State asked Japan to reduce their textile exports to the United States.



3. In November, 1936 domestic producers requested a Tariff Commission investigation of velveteens and corduroy which could have led to increased tariffs, but this investigation was to be discontinued provided Japanese exports were held within the agreed "voluntary" quota.
4. The cotton rug agreement of 1934 was not signed until the Tariff Commission recommended to the President an increase in tariff rates and the imposition of quotas. The President increased tariffs but a "voluntary" export quota was substituted for the unilateral import quota.
5. Just prior to the 1956 voluntary agreement, bills were proposed in both Houses of the United States Congress that would have resulted in unilateral restrictions on imports of cotton textiles. They were not officially acted upon; however, when the voluntary agreement was signed.
6. Secretary of State, John F. Dulles, personally advised the Japanese to restrain their exports prior to the 1957 five-year agreement.
7. Prior to the 1957 agreement, the Tariff Commission recommended to the President an increase in tariffs on velveteens which would have been politically difficult for the President to reject without the Voluntary Agreement.

8. The Department of State was the principal promoter of the 1961 GATT Textile Conference which produced the Multilateral Agreement that placed restrictions on cotton textile exporting nations and gave certain protective rights to importing nations.

The latter part of the hypothesis--that unilateral American action would have been more restrictive than the voluntary quotas--must be rejected based on the findings of Chapter VIII. A test of the results of export controls was made by calculating the elasticity of demand for cotton velveteen imports in the United States. By means of multiple linear regression and correlation analysis, a demand elasticity factor was obtained. From this elasticity of demand, an estimate was made of cotton twill-back velveteen imports, assuming the tariff would have been increased as recommended by the Tariff Commission. On the bases of these calculations, it appears that the voluntary quota imposed by Japan in 1957 was more restrictive than had the United States imposed tariffs at rates proposed by the Tariff Commission.

It was proposed in the introductory chapter that Japanese voluntary export restrictions were used to postpone or as a substitute for more permanent restrictions by the United States. Japanese textile producers and exporters preferred, of course, to be completely free from restrictions on exporting goods to the United States, but

if some form of restriction became inevitable due to diplomatic pressures in the United States, the Japanese would prefer and then promote a voluntary restriction. This was so because it would enable them to have some control over the terms of the agreement and it usually would be a more temporary restriction. In 1933 a Japanese official was discussing imports with a member of the State Department and straightforwardly said that if tariffs or quotas by the United States could be prevented or forestalled, the Japanese Government would be prepared to limit their exports to the United States. In 1934 a similar request was made by the Japanese Government and Exporters Association, inviting the United States Government to negotiate before taking unilateral import restricting action. Also, in 1955 the Japanese Government obtained the cooperation of their cotton textile exporters to back a government drive to halt indiscriminate sales to the United States in order to counteract the demands of United States cotton textile producers for quotas. Again, on 1956, the Japanese voluntarily imposed a restriction on gingham shipped to this country, due to the Tariff Commission's investigation on a proposed increase in the tariff on the fabric.

This thesis also attempt to determine if voluntary exports restrictions reduced the flow of Japanese cotton textiles to the United States. The limited data available from the 1930's indicates that the quota was never exceeded.

In fact, United States' imports were never close to the maximum allowed. This can be explained by the Japanese sudden de-emphasis of textile production to aid the war effort which began in 1937. Due to the war interruption, there was a large decrease of Japanese exports, and the voluntary agreements were allowed to expire in the late 1930's.

The five-year Japanese agreement of 1957 kept Japanese imports relatively stable in absolute terms while imports from other countries substantially increased. Table IX-1 shows how total imports increased (column 2), while imports from Japan were relatively consistent in dollar value (column 3). In relative terms, Japan's share declined from a high of 55 percent in 1956 to 29 percent in 1960 (column 4). Hong Kong's relative share increased from almost 0 to 25 percent during this time, which was about equal to Japan's relative decline.

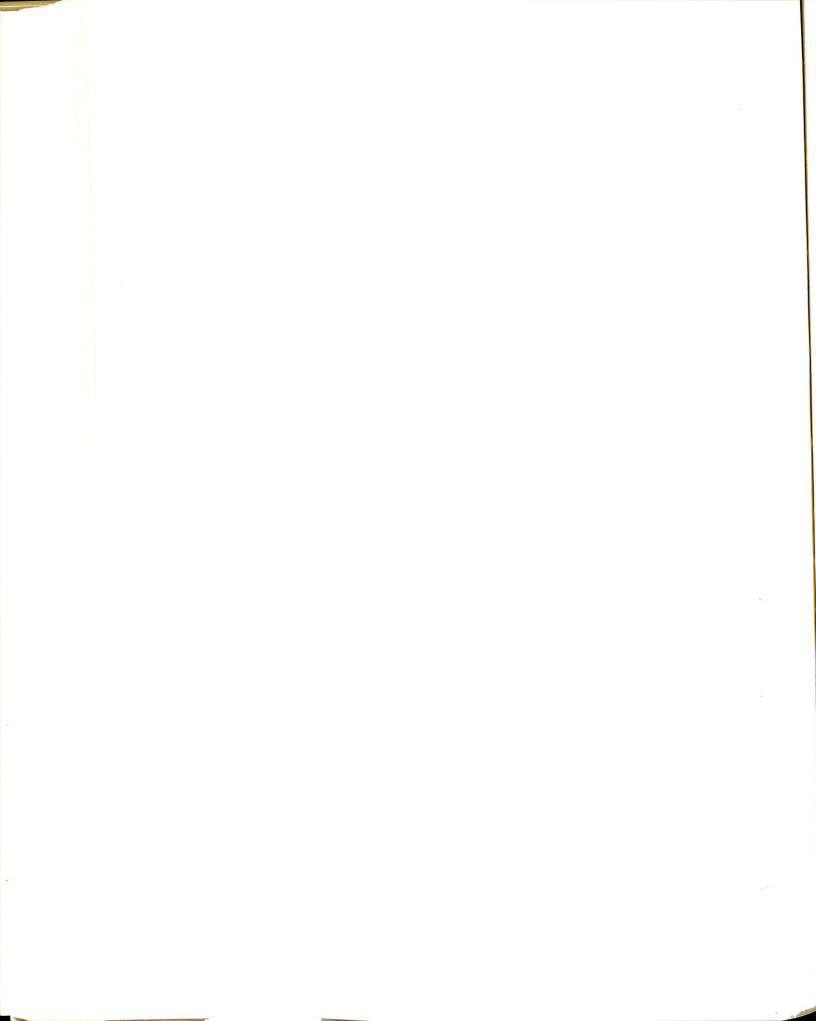
Table IX-1 shows that Japan's exports in dollar value were relatively stable during the late 1950's and early 1960's, while there was an increasing demand for textile imports. Japan's cotton textile producers and exporters complained bitterly about not being able to take advantage of the expanding market in the United States. They wanted, at the minimum, to maintain their market share in the United States. This analysis indicates that the voluntary agreement held Japan's imports constant, while total imports into the United States increased.

TABLE IX-1
UNITED STATES IMPORTS OF COTTON MANUFACTURES

| Year (1) | Total (2) | Japan | | Hong Kong | | Other Asian Countries | | All Other Countries | |
|-------------|--------------|----------------|--|---|--|---|--|------------------------------|---|
| | | Dollars (3) | Percent of Total (Column 3 ÷ Column 2) (4) | Dollars ^b (Millions) (5) | Percent of Total (Column 5 ÷ Column 2) (6) | Dollars ^b (Millions) (7) | Percent of Total (Column 7 ÷ Column 2) (8) | Dollars (Millions) (9) | Percent of Total (Column 9 ÷ Column 2) (10) |
| 1956 | 154 | 84 | 55 | 1 | 1 | 15 | 10 | 53 | 34 |
| 1957 | 136 | 66 | 49 | 6 | 4 | 13 | 10 | 51 | 37 |
| 1958 | 149 | 71 | 48 | 17 | 11 | 14 | 9 | 47 | 32 |
| 1959 | 202 | 77 | 38 | 46 | 23 | 24 | 12 | 55 | 27 |
| 1960 | 252 | 73 | 29 | 64 | 25 | 34 | 13 | 81 | 32 |
| 1961 | 204 | 70 | 34 | 47 | 23 | 25 | 12 | 62 | 30 |

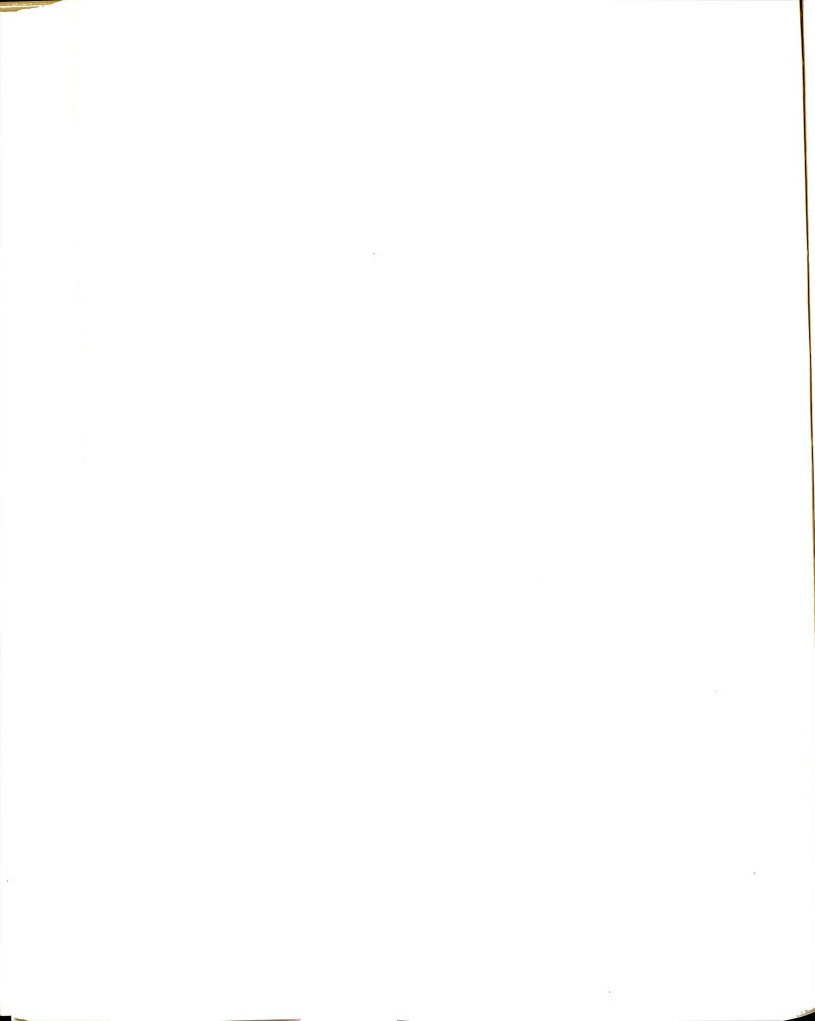
^aObtained from: Table V-2.

^bObtained from: Warren S. Hunzberger, Japan and the United States in World Trade (New York: Harper and Row, 1964), p. 325.



The agreements of the 1960's, multilateral and bilateral, were designed for an orderly expansion of markets for exporting countries which would keep the economic disturbance to a minimum in the importing countries. The rapid expansion of Japanese cotton textile exports to the United States in the mid-thirties and the mid-fifties, and the rapid expansion of Hong Kong's exports to the United States in the late fifties are not possible under the current multilateral agreement.

The voluntary export restriction is an instrument used to control trade between nations. It does restrict trade, but the action taken tends to be less permanent than a tariff or quota. It appears the voluntary export restriction has been used wisely for cotton textiles because they have prevented or postponed increases in tariffs or quotas. From the efficiency standpoint, free trade is preferred over the voluntary export restriction. However, if some form of restriction is going to become a reality, the voluntary restriction is an improvement over the tariff or quota, because of the length of the various agreements. The voluntary restriction may be more restrictive in the short run, but they must be renegotiated every few years, and usually with less restrictions, which makes them more flexible than an open ended tariff or quota. I have reservations in recommending the widespread use of the voluntary restriction, but it may be able to serve a useful purpose for special situations in the future.

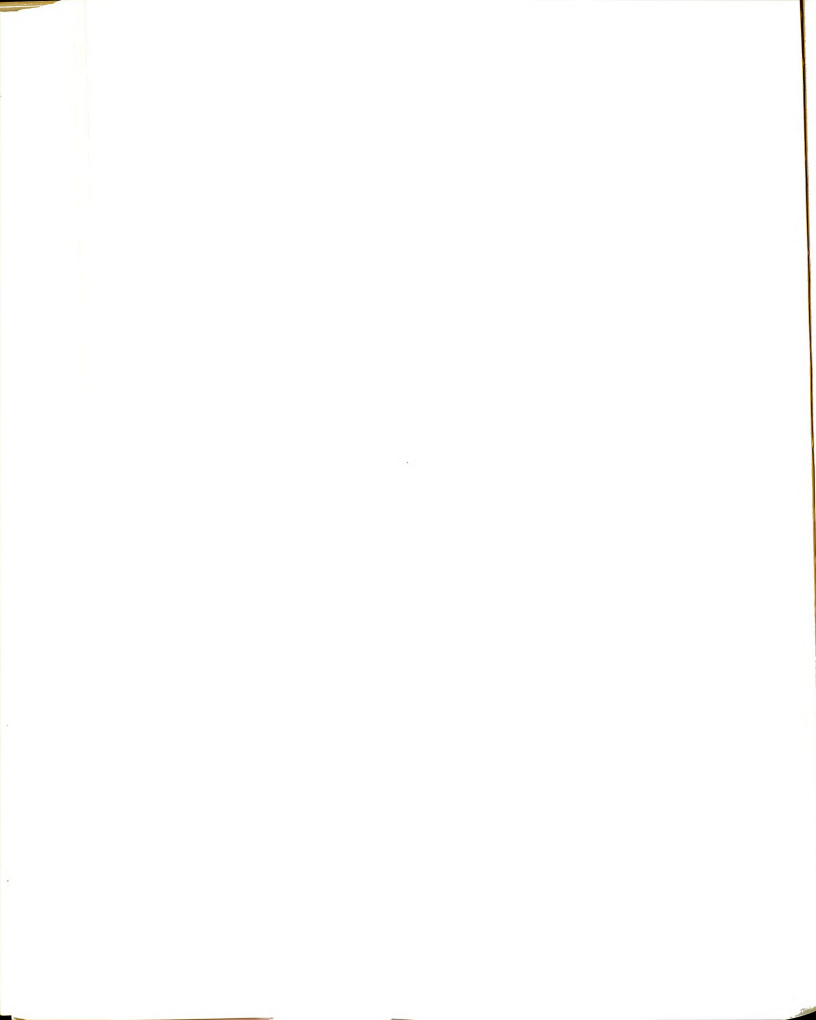


APPENDICES

APPENDIX A

MEMORANDUM OF UNDERSTANDING BETWEEN

The American Cotton Textile Mission
and the
Representatives of the Japanese Cotton
Textile Industry



MEMORANDUM OF UNDERSTANDING

The American Textile Mission and the representatives of the Japanese cotton textile industry understand the following to be a correct statement of the principles and procedures mutually approved by them in their conferences of January 15 to 22, 1937 inclusive.

A. PIECE GOODS

1. The Japanese representatives accept quota limitation as the most practicable means of arriving at a satisfactory arrangement with respect to their textile exports to continental United States.

2. On cotton piece goods a quantity limitation shall at once be made applicable as of January 1, 1937. The basic quotas applicable to the years 1937 and 1938 are as follows: For the year 1937 the basic quota shall be 155 million square yards or the volume of contracts on hand on January 21, 1937, for Japanese piece goods for shipment to the United States in 1937, whichever amount is the smaller. For the year 1938, the basic quota shall be 100 million square yards subject to the following proviso: The Japanese industry is privileged to transfer not more than one-fourth (25,000,000 square yards) of the 1938 apportionment to the 1937 quota,

but the 1938 shipments must be diminished below the basic quota by such amount as the 1937 shipments are increased above the latter year's basic quota.

This arrangement may be expressed otherwise as follows: The quotas agreed upon for the two-year period constitute a maximum of 255 million square yards. Of this amount, the 1937 apportionment shall not exceed 180 million square yards, or be less than 155 million square yards or the volume of orders on hand on January 21, 1937, for shipment to the United States in 1937, whichever is the smaller figure.

3. In the measurements requisite to the enforcement of these quota arrangements, the official date of export shipments as compiled by the Japanese government shall be used. The procedure followed shall be similar to that used in the administration of the quota arrangement on cotton rugs now in effect between the two governments.

The entire responsibility for the attainment of the objectives sought in this quota arrangement shall be lodged with the Japanese industry of its authorized agencies and the obligation to accomplish these objectives is regarded by the American industry as predicated on considerations of good faith rather than on those of contractual and technical character.

4. For the purpose of satisfying these quota arrangements, cotton piece goods shall be regarded as inclusive

of all woven piece goods, the principal material of which is cotton.

5. The arrangements above provided for shall not in any way include existing arrangements on cotton goods between the two industries or between the two governments.

6. Should the trans-shipments of goods of Japanese origin from third countries to the United States tend to render ineffectual the purposed of these quota arrangements, the Japanese industry agrees to subtract the amount of such trans-shipments as compiled by the United States Customs Service from the volume of direct shipments from Japan to the United States. The American commission will undertake to reduce the volume of trans-shipments in two ways; (1) to transmit to the Japanese industry monthly the amount of such trans-shipments together with the names of the importers and exporters involved, and the ports of trans-shipments; (2) by undertaking to secure the cooperation of the Association of Cotton Textile Merchants of New York, as well as similar associations in other cities, in preventing their members from purchasing textile goods shipments originating in Japan which are not imported directly from Japan.

7. For the purposes of the calculations on piece goods, any quantities which have been imported into the United States and then re-exported shall be excluded.

B. JOINT COMMITTEE

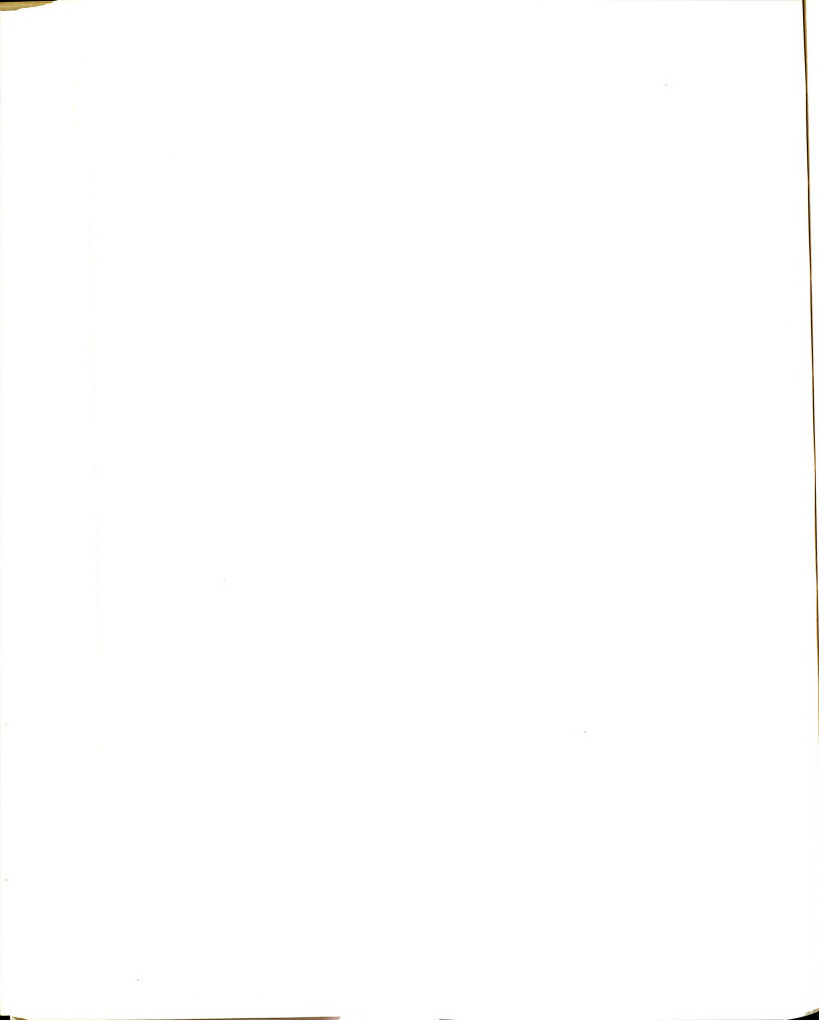
The two industries will undertake to establish as soon as practicable and not later than April, 1937, a joint committee consisting of an equal number of representatives of each industry. The purposes of this joint committee shall be to deal with whatever administrative difficulties may arise in connection with existing quota arrangements and also to act as a negotiating committee in the establishment of subsequent arrangements between the two industries relative to quantity limitations or other means of control.

C. MISCELLANEOUS SPECIALITIES AND
OTHER PRODUCTS FOR CONSUMPTION
MADE OF COTTON

1. The Japanese accept the principle of quota limitation as regards table cloths, bed spreads, handkerchiefs, cotton gloves, underwear and other speciality items manufactured from cotton cloth, and yarns or thread.

2. They will undertake to institute negotiations in line with the above principle through the joint committee as above provided for or through the agencies of the two governments, whichever may be agreed upon as more practicable.

3. It is agreed that after the formation of the joint committee every effort consistent with good faith and with a mutual desire for a solution of the trade problems of the two industries will be made to effect appropriate quota arrangements relative to the above



classifications prior to June 30, 1937, or as soon thereafter as is practicable.

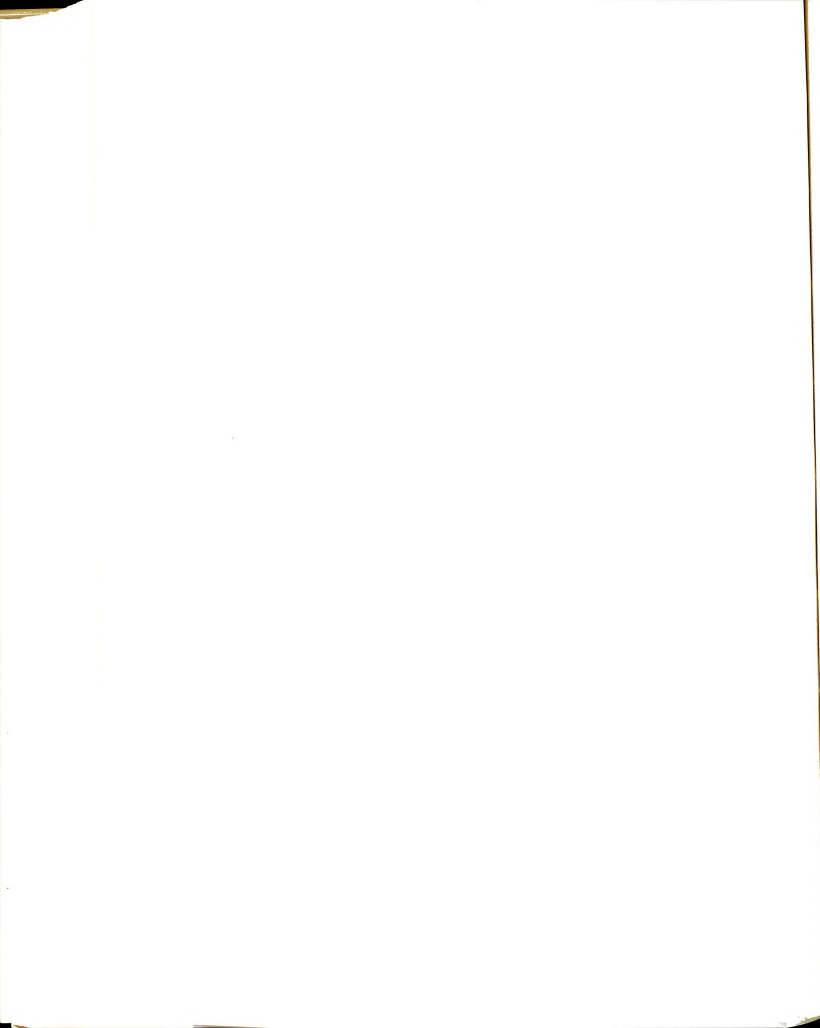
D. The representatives of the American industry regard the application of the above principles and procedures to the textile trade of the two countries as rendering unnecessary any action on the part of the United States government looking toward further restriction of Japanese cotton-textile imports. They also consider that the application of these measures will serve to lay the ground-work for a reciprocal trade treaty between the governments of the two countries and thus make possible tariff adjustments which will be of mutual advantage to the two countries.

E. This arrangement shall be regarded as being in immediate effect, but subject to repudiation by the Japanese industry by cablegram from Japan on or before February 15, 1937.

(Signed) Claudies T. Murchison
for the Committee, Representing

The Cotton Textile Institute,
American Cotton Manufacturers
Association,

National Association of Cotton
Manufacturers.



(Signed) O. Shoji
for the Committee, Representing
The Japan Cotton Spinners' Association,
The Nippon Union of Cotton Textile
Manufacturers' Associations,
The Cotton Yarn and Cloth Exporters'
Union,
The Japan Cotton Yarn and Piece Goods
Exporters' Association for America,
The Japan Cotton Merchants' Union.

Osaka, January 22, 1937



JOINT COMMITTEE
of
American and Japanese Cotton
Textiles Industries
AMERICAN SECTION

December 19, 1938

Room 1101, 320 Broadway,
New York, N. Y.

C. T. Murchison, Chairman

F. S. Blanchard

G. E. Buxton

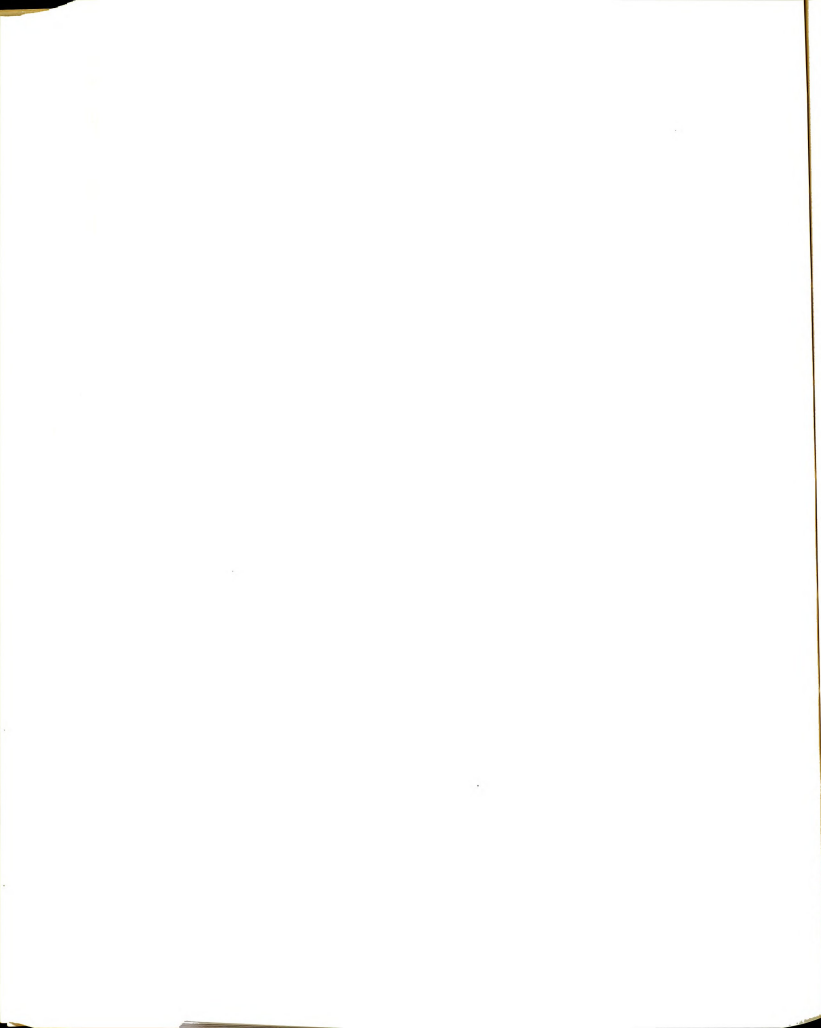
T. Inouye

H. Yoshida

H. A. Sherman, Secretary

Whereas the understanding entered into between the American Textile Mission and the representatives of the Japanese cotton textile industry as incorporated in the memorandum signed at Osaka, January 22, 1937, expires on December 31, 1938, the Joint Committee of the two industries, as defined in section B. paragraph 1, of the memorandum to, do hereby effectuate a renewal of the provisions of the said memorandum of understanding for a period of two years beginning January 1, 1939, with all engagements and commitments to be continued for such period but with the modifications expressed as follows:

1. The authorized representatives of the Japanese industry agree that the exports to the United States of



all woven piece goods, the principal material of which is cotton, shall not exceed two hundred million (200,000,000) square yards for the period January 1, 1939, to December 31, 1940, inclusive.

2. For each year the basic quota shall be one hundred million (100,000,000) square yards, subject to the following provisos: The Japanese industry is privileged to transfer not more than twenty million (20,000,000) square yards of the 1939 apportionment to the 1940 quota. In like manner, not more than twenty million (20,000,000) square yards of the 1940 quota may be transferred to the 1939 apportionment. In the event of such transfer, the 1940 shipments must be diminished below the basic quota for that year by such amount as the 1939 shipments are increased above the latter year's basic quota.

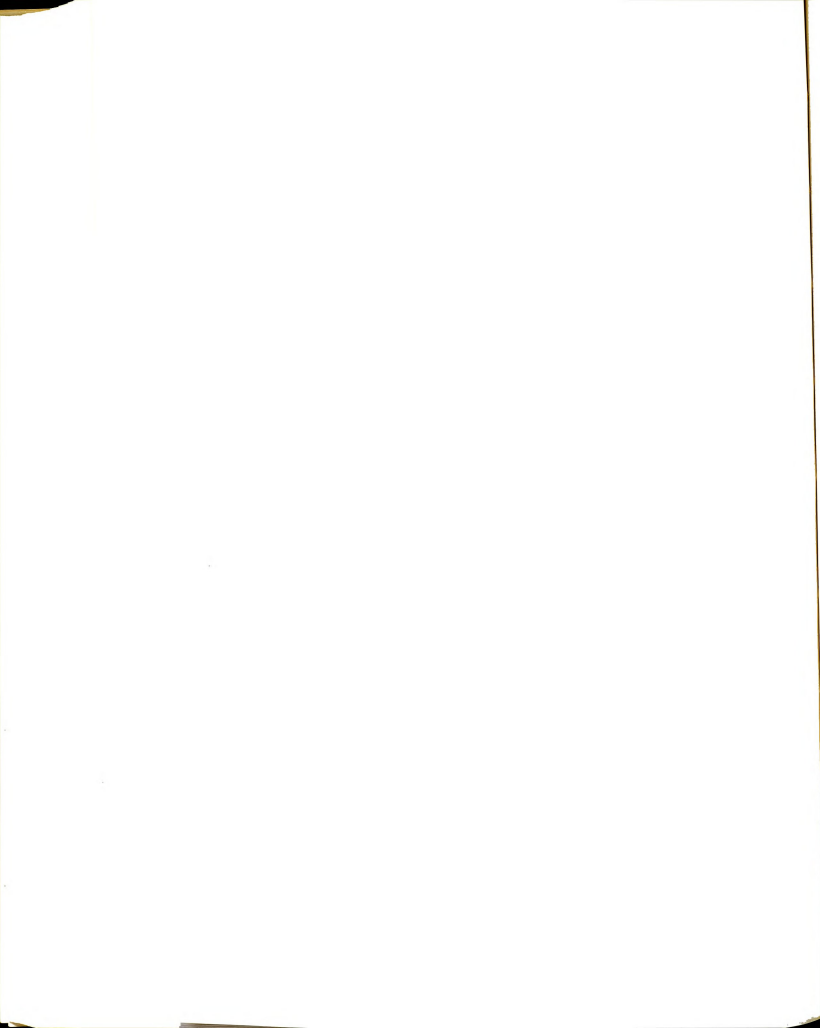
(Signed) Toyoji Inouye

Hatsujiro Yoshida
For the Japanese Section of the
Joint Committee

(Signed) Claudius Murchison

G. Edward Buxton

Fessenden S. Blanchard
For the American Section of the
Joint Committee acting under
the authorization of the
Executive Committee of the
Cotton-Textile Institute, Inc.



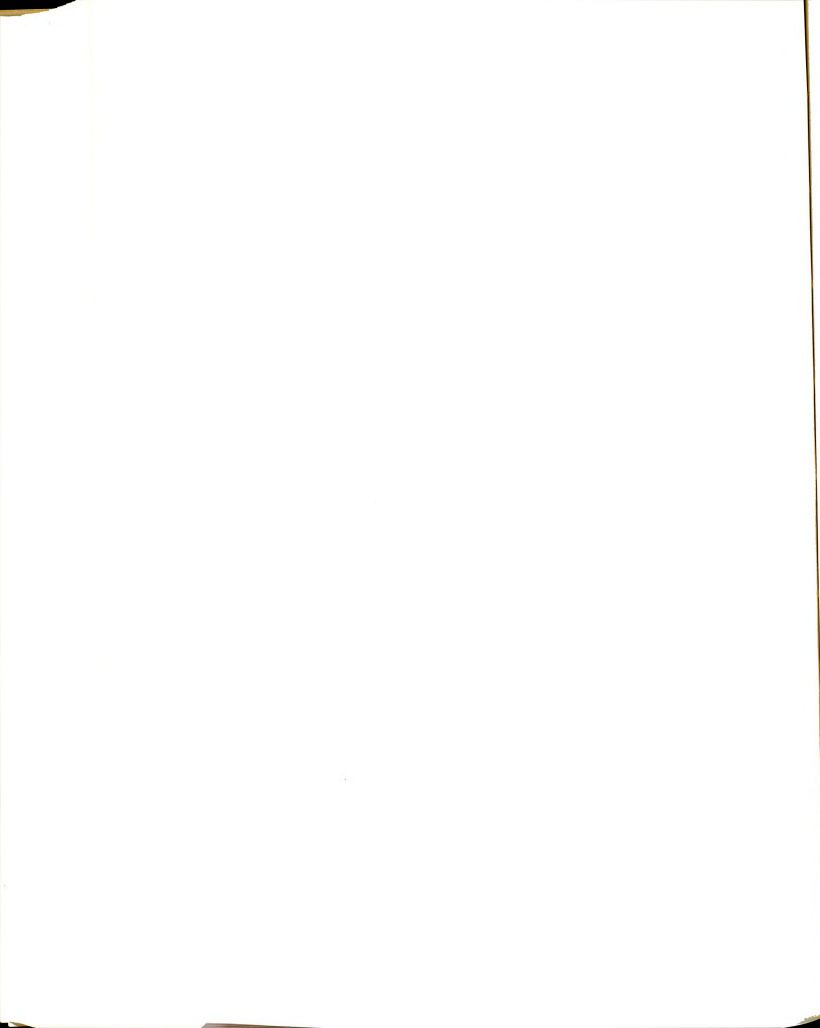
APPENDIX B

AGREEMENT

as to the
Export of Japanese Cotton Velveteens and Corduroys
for the United States of America

New York, 15th Feb., 1937

Japan Cotton Yarn and Piece Goods Exporters Association
for America



THIS AGREEMENT made this 15th day of February, 1937,
by and between NIPPON MENSIFU AMERICA YUSHUTUKUMIAI, an
unincorporated association, organized, existing and having
its principal office in Osaka, Japan (which said name
translated into English reads "Japan Cotton Yarn and Piece
Goods Exporters Association for America") which said
association is hereinafter referred to as the "Exporters
Association," party of the first part, and the following
corporations, organized and existing under the laws of
various States of the United States.

CROMPTON COMPANY, INCORPORATED of west
Warwick, Rhode Island;

MERRIMACK MANUFACTURING COMPANY of Lowell,
Massachusetts;

PROXIMITY MANUFACTURING COMPANY, Granite Finishing
Works, Div., of Haw River, North Carolina;

A. D. JULLIARD & CO., INC., New York Mills Div. of
40 West 40th Street, New York City;

HOWLETT & HOCKMEYER CO., INC., of 71 West 35th
Street, New York City;

TABARDREY MANUFACTURING COMPANY of Haw River,
North Carolina;

BROOKSIDE MILLS of Knoxville, Tennessee;

HOCKMEYER BROS., INC., Waterside Mills and Waterhead
Mills Divisions, of 345 Broadway, New York City;

HIGHLAND MILLS of Griffin, Georgia;

GEORGIA-KINCAID MILLS of Griffin, Georgia;

1940-1941

1941-1942

1942-1943

1943-1944

1944-1945

1945-1946

1946-1947

1947-1948

1948-1949

1949-1950

1950-1951

1951-1952

1952-1953

1953-1954

1954-1955

1955-1956

1956-1957

1957-1958

1958-1959

1959-1960

1960-1961

1961-1962

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1967-1968

1968-1969

1969-1970

1970-1971

1971-1972

1972-1973

1973-1974

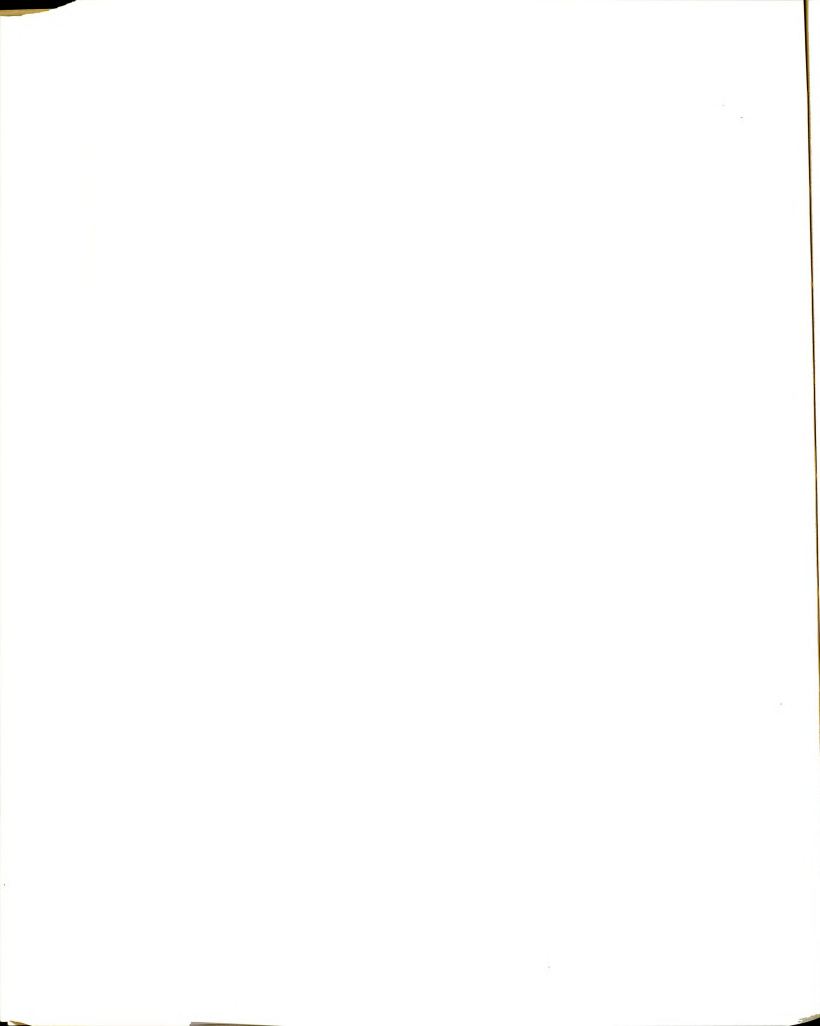
CROMPTON-SHENANDOAH COMPANY of Waynesboro, Virginia;
all hereinafter referred to as the "American Producers,"
parties of the second part.

WITNESSETH:

WHEREAS, the American Producers and the Exporters Association, in the spirit of further promoting the peaceful and friendly relations between Japan and the United States, and between their respective cotton velveteen and cotton corduroy industries, are willing to enter into an arrangement limiting the export of cotton velveteens and cotton corduroys from Japan to the United States, and suspending any further action in the proceedings instituted under Section 336 of the Tariff Act of 1930 (investigation No. 113), and Section 22 of the Agricultural Adjustment Act, as amended by and applied to the Soil Conservation & Domestic Allotment Act, as amended, it is mutually agreed as follows:

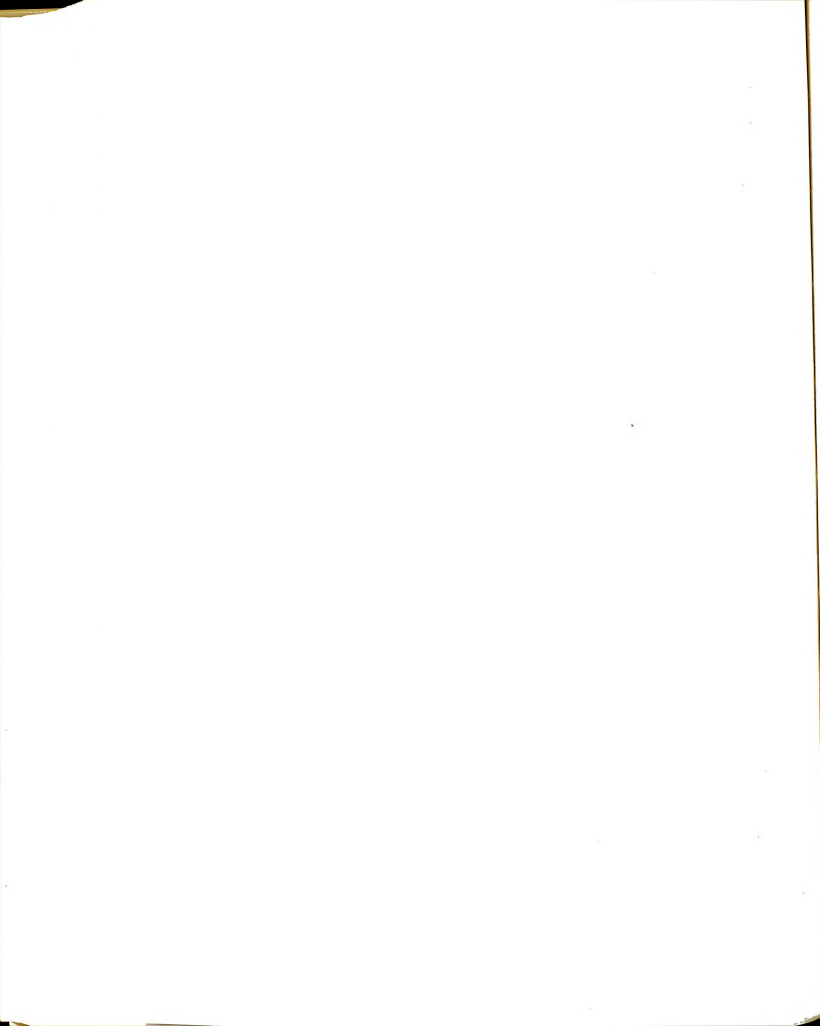
1. The terms "cotton velveteens" and "cotton corduroys" as referred to in this agreement apply to all cotton velveteens and cotton corduroys, whether in the finished, dyed, cut or uncut state.

2. The Exporters Association hereby agrees on its own behalf and on behalf of its members to suspend shipment from Japan to the United States, directly or indirectly, of any cotton velveteens or cotton corduroys for the period commencing with January 1, 1937 and ending with February 28, 1937.



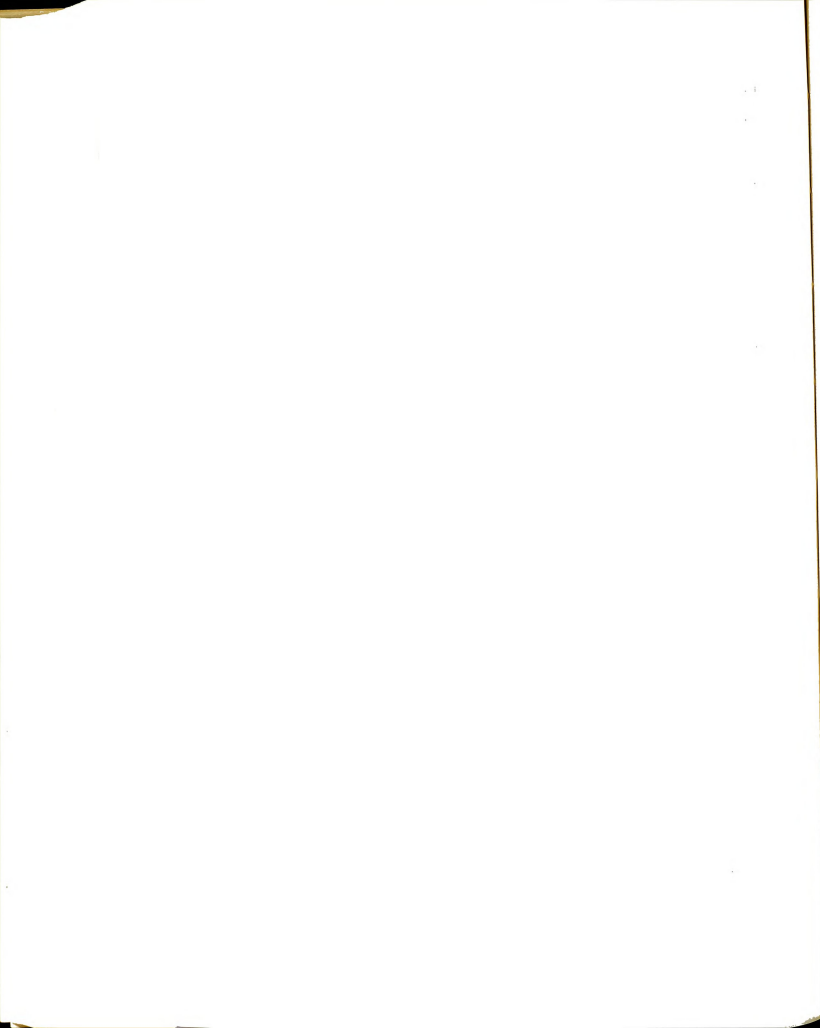
3. The Exporters Association hereby agrees on its own behalf and on behalf of its members to a quota of two million (2,000,000) square yards of cotton velveteens and seven hundred thousand (700,000) square yards of cotton corduroys for the twelve months' period commencing with March 1, 1937 (which period is hereinafter referred to as the first twelve months' period) and a similar quota for the twelve months' period commencing with March 1, 1938 (which period is hereinafter referred to as the second twelve months' period), said quota to be based on shipments from Japan proper (excluding Korea, Formosa and Kwantang Province) of all Japanese cotton velveteens and cotton corduroys intended, directly or indirectly, for the United States during said respective periods.

4. As it is the intent of this agreement that the total imports of Japanese cotton velveteens and cotton corduroys from any source into the United States shall not exceed the said quotas, as stipulated in paragraph "3" of this agreement, the Exporters Association agrees that it will make every reasonable effort to prevent the shipment of Japanese cotton velveteens and cotton corduroys into the United States through Korea, Formosa, Kwantang Province, or from any other country or port, or from any dependency or possession of the United States, and in any event, such shipment, if any, which may arrive in the United States from January 1, 1937 to February 28, 1938 (either as goods entered for consumption or goods entered into bonded



warehouse) shall be applied against the said quotas of the second twelve month period, provided that the American Producers will notify, without unreasonable delay, the Exporters Association of such arrivals. Such shipments, if any, which may arrive in the United States from Korea, Formosa, Kwintang Province, or any other country or port, or from any dependency or possession of the United States, during the second twelve month period (either as goods entered for consumption or goods entered into bonded warehouse) shall likewise be applied against the said quotas of the second twelve month period. In any event, if Japanese cotton velveteens and cotton corduroys shall arrive in the United States at any time during the first or second twelve month periods after the aggregate of either of the said velveteen or corduroy quotas has been filled then the American Producers may proceed in accordance with paragraph "10" of this agreement.

5. If the shipments from Japan of cotton velveteens which arrived in the United States either as goods entered for consumption or goods entered into bonded warehouse between November 1, 1936 and December 31, 1936 and the shipments from Japan between November 1, 1936 and December 31, 1936 which did not arrive in the United States before December 31, 1936 should be one million, five hundred thousand (1,500,000) square yards, or less; then one-half of such total shipments shall be applied to the said quota

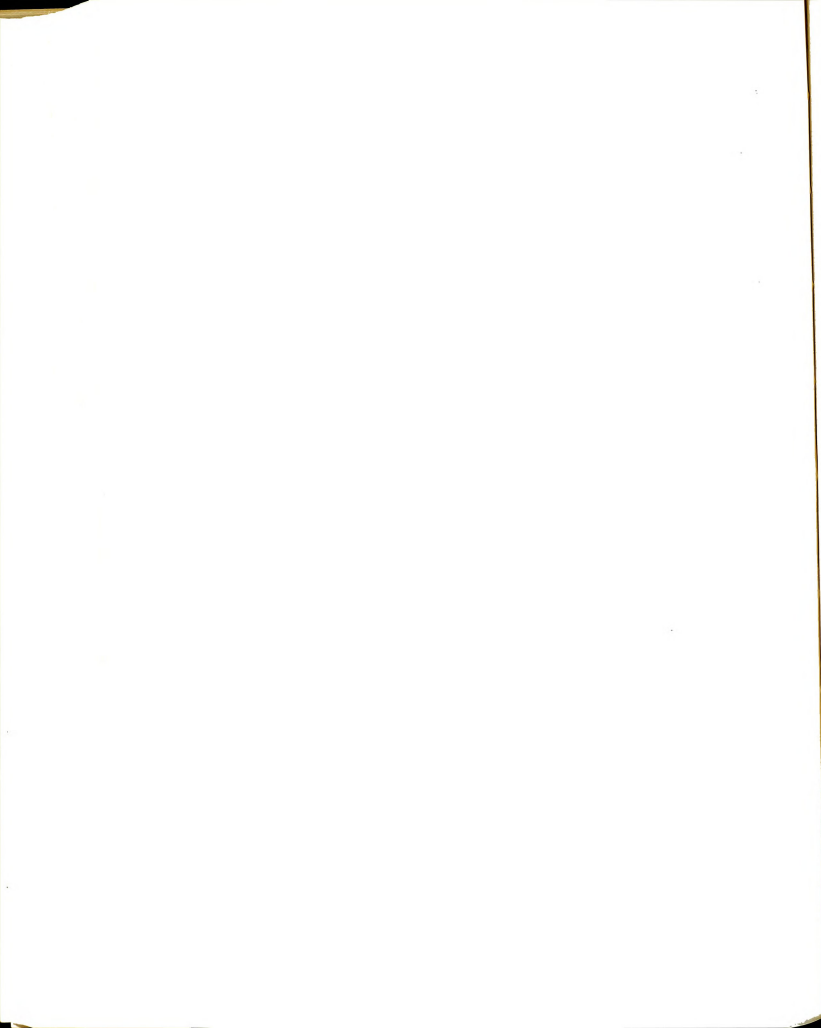


in the proportion of sixty (60%) percent in the said first twelve months' period.

6. If the shipments from Japan of cotton velveteens which arrived in the United States either as goods entered for consumption or goods entered into bonded warehouse between November 1, 1936 and December 31, 1936, and the shipments from Japan between November 1, 1936 and December 31, 1936 which did not arrive in the United States before December 31, 1936 shall exceed one million five hundred thousand (1,500,000) square yards, then seven hundred fifty thousand (750,000) square yards shall be exempt from the said quota and the balance of said total shipments shall be applied against the said quota in the proportion of sixty (60%) percent in the said first twelve months' period and forty (40%) percent in the said second twelve months' period.

7. Any shipments from Japan of cotton corduroys which arrived in the United States either as goods entered for consumption or goods entered into bonded warehouse between November 1, 1936 and December 31, 1936 and any shipments from Japan of cotton corduroys between November 1, 1936 and December 31, 1936 which shall not arrive in the United States before December 31, 1936, shall be applied against the said quota on the basis of fifty (50%) percent in each of said twelve month periods.

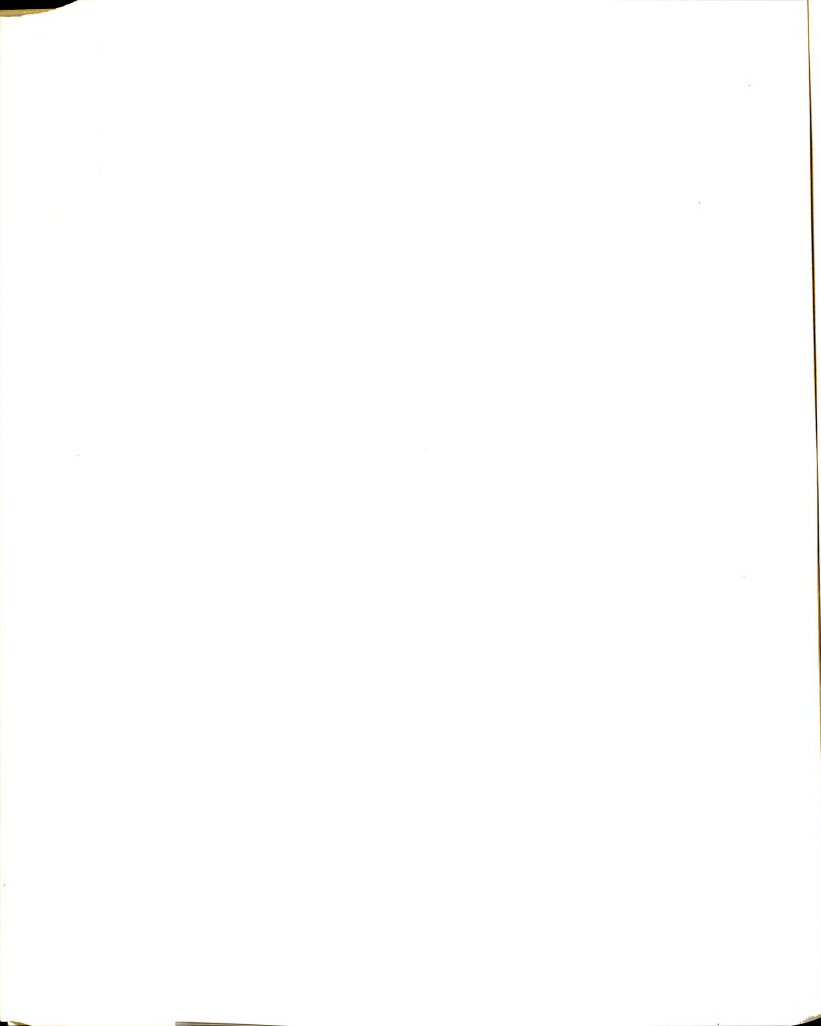
8. The Exporters Association agrees that it will, within a reasonable time after the execution of this



agreement, in writing advise the duly designated representative of the American Producers and the duly designated attorney for the American Producer of the exact shipments of cotton velveteens and cotton corduroys which shall have been made from Japan to the United States from November 1, 1936 to the date of such advice and shall thereafter at the end of each calendar month advise the said representative and attorney of any and all shipments of cotton velveteens or cotton corduroys shipped from Japan and intended to be imported into the United States, directly or indirectly.

9. The American Producers agree, immediately upon the execution of this agreement by the parties hereto, to file with the United States Tariff Commission two confirmed copies of this agreement together with a written request, signed by the attorney for the American Producers, in the form of the request hereto annexed and marked "REQUEST," and to file with the Hon. Henry A. Wallace two confirmed copies of this agreement together with a written request similar in form to the said aforementioned "REQUEST."

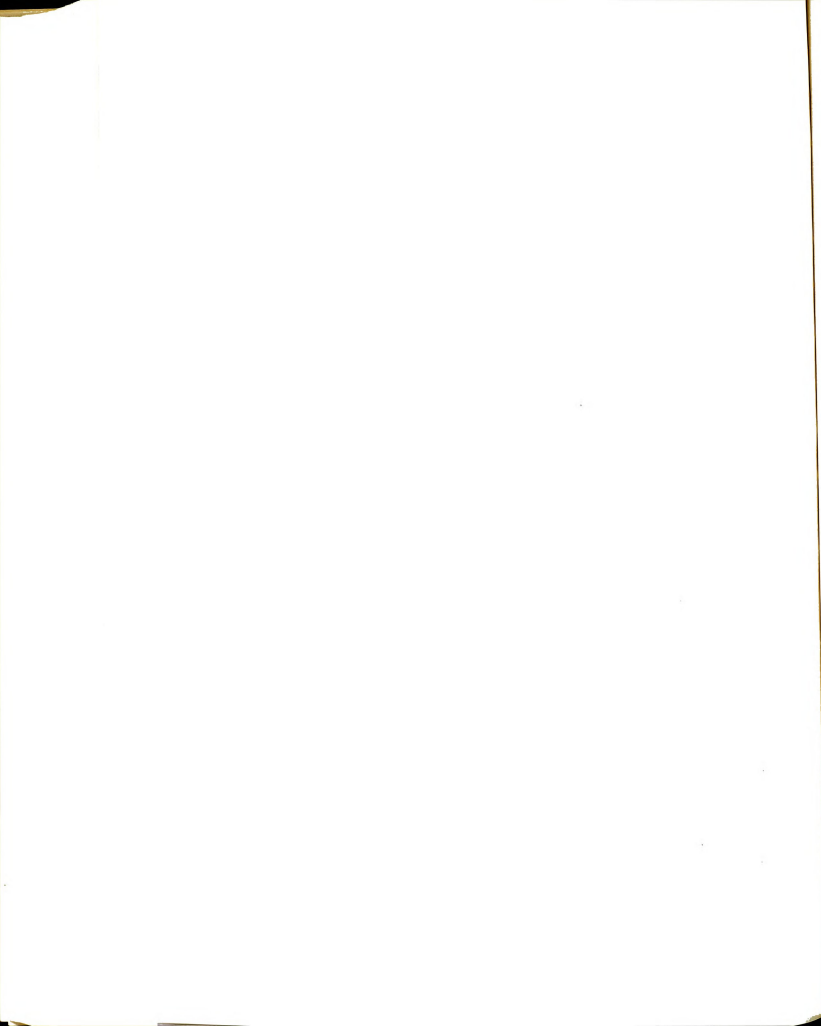
10. The American Producers agree that from the date hereof and up to September 1, 1938, but only so long as the Exporters Association does control the shipments of Japanese velveteens and corduroys in accordance with the above provisions of this agreement, they will refrain from requesting the United States Tariff Commission and the said Hon. Henry A. Wallace to publish and render their said



respective reports. At any time after September 1, 1938, however, even though the Exporters Association shall have theretofore controlled the shipments of Japanese velveteens and corduroys in accordance with the above provisions of this agreement. The American Producers may, unless otherwise agreed upon between the parties hereto, make such request for the publication and rendition of the said respective reports, conditioned, however, that such request or requests, if made when the Exporters Association shall have theretofore in all respects controlled said shipments as hereinbefore provided, should ask that any change in the rate of duty or change in classification or in the basis of value specified in any proclamation issued thereon, should not be effective before March 1, 1939.

11. It is agreed between the parties hereto that in the event that there should be any increase in the present rate of duty or change in the basis of appraisement of cotton velveteens and cotton corduroys by virtue of any Presidential proclamation or otherwise, this agreement shall terminate, it being predicated upon there being no increase in the present rates of duty or change in the basis of appraisement of such merchandise.

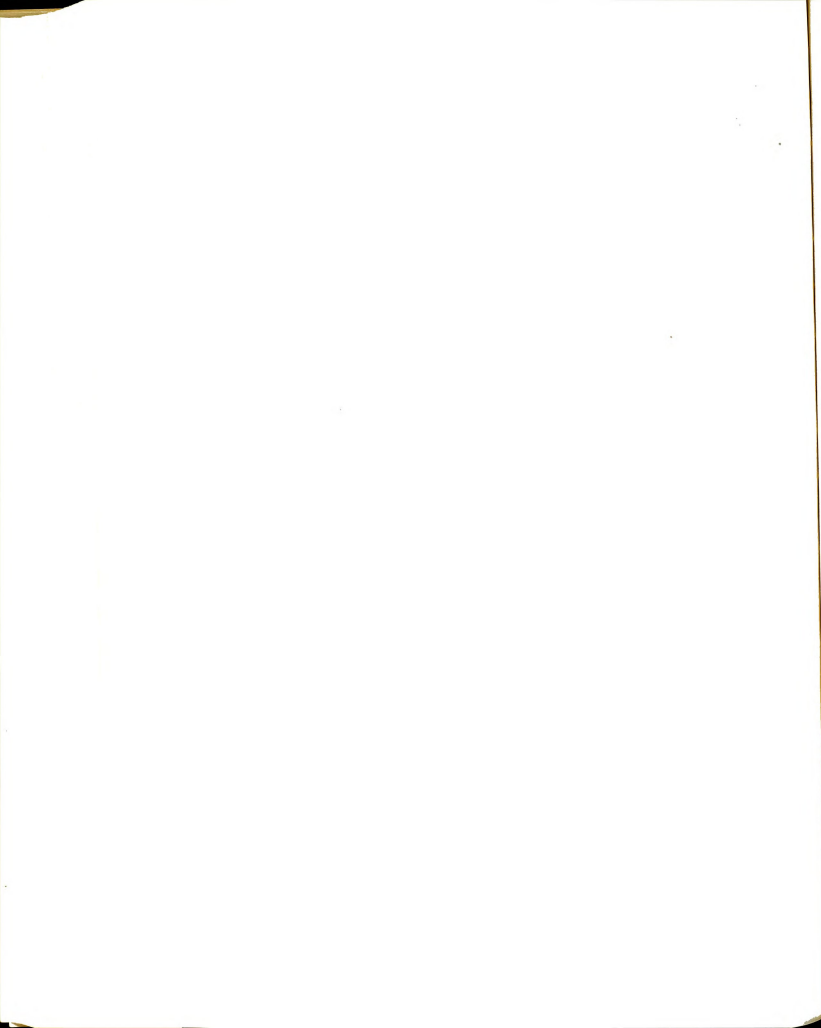
12. This agreement has been negotiated between the respective parties hereto with the knowledge of the State Department of the United States of America and the Department of Foreign Affairs of Japan, and the parties hereto agree to file a confirmed copy of this agreement with each of the said Departments.



13. This agreement contains the whole agreement of the parties. There are no representations, promises and covenants other than contained herein. No waiver of modification hereof shall be valid unless in writing.

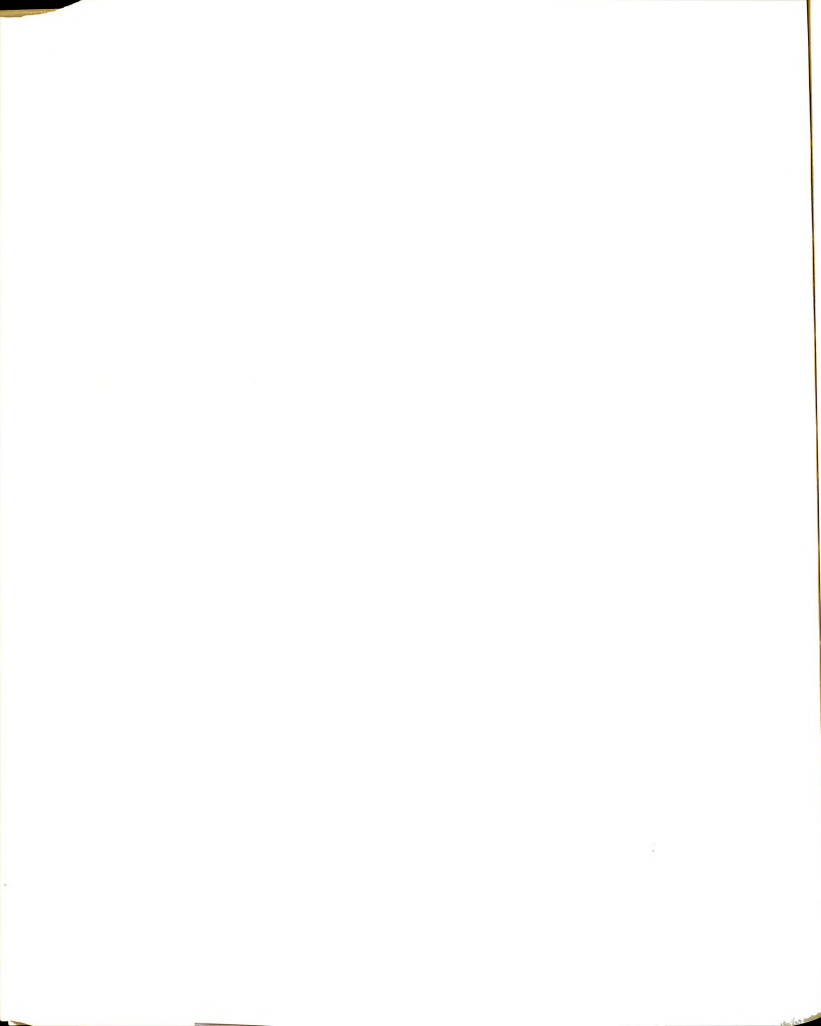
14. The American Producers do hereby designate Lawrence Richmond, whose address is c/o Crompton Company, West Warwick, Rhode Island, as their designated representative and Max D. Steuer, Esq., whose address is 11 Broadway, New York City, as their designated attorney, to each of whom all notices relating to this agreement and the performance thereof are to be addressed, hereby reserving unto themselves, however, the right to change such designations or either of them at any time by due written notice to that effect filed with the then duly designated American representative and the then duly designated American attorney for the Exporters Association.

15. The Exporters Association hereby designates Hatsujiro Yoshida, 350 Fifth Avenue, New York City, to execute this agreement for and on behalf of the said Association, and Chuji Hashimoto, 350 Fifth Avenue, New York City, to receive and transmit any communications with respect to this agreement and the performance thereof, hereby reserving unto itself, however, the right to change such designations at any time by written notice to that effect filed with the then duly designated representative and attorney of the American Producers. In making any new designation,



the Exporters Association agrees to limit itself to persons residing in or having offices within the New England States, or in Washington, D. C., or in New York City.

16. The Exporters Association agrees that within three (3) months after the execution of this agreement, it will furnish the aforesaid representative of the American Producers and their said attorney with duplicate lists showing the names and addresses of the officers of the said Exporters Association and listing all of the members of the Exporters Association and their respective addresses, and indicating whether they are individuals, co-partners, or corporations, if co-partners, stating the names of the co-partners, and if corporations, stating the country or division thereof under the laws of which they are respectively organized. The Exporters Association also agrees within three (3) months after the execution of this agreement to furnish the aforesaid representative of the American Producers and their said attorney each with two certified and translated into English copies of the minutes of the meeting of the said Exporters Association at which the resolution was made and adopted authorizing Hatsujiro Yoshida, 350 Fifth Avenue, New York City, to execute this agreement on behalf of the said Exporters Association, and two certified and translated into English copies of the minutes of the meeting of the said Exporters Association at which his act in so executing this agreement on behalf of the said Exporters Association was ratified.



IN WITNESS WHEREOF, the parties hereto have caused their respective seals to be hereunto affixed and these presents to be signed by their duly authorized officers on the day and year first above written.

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REQUEST

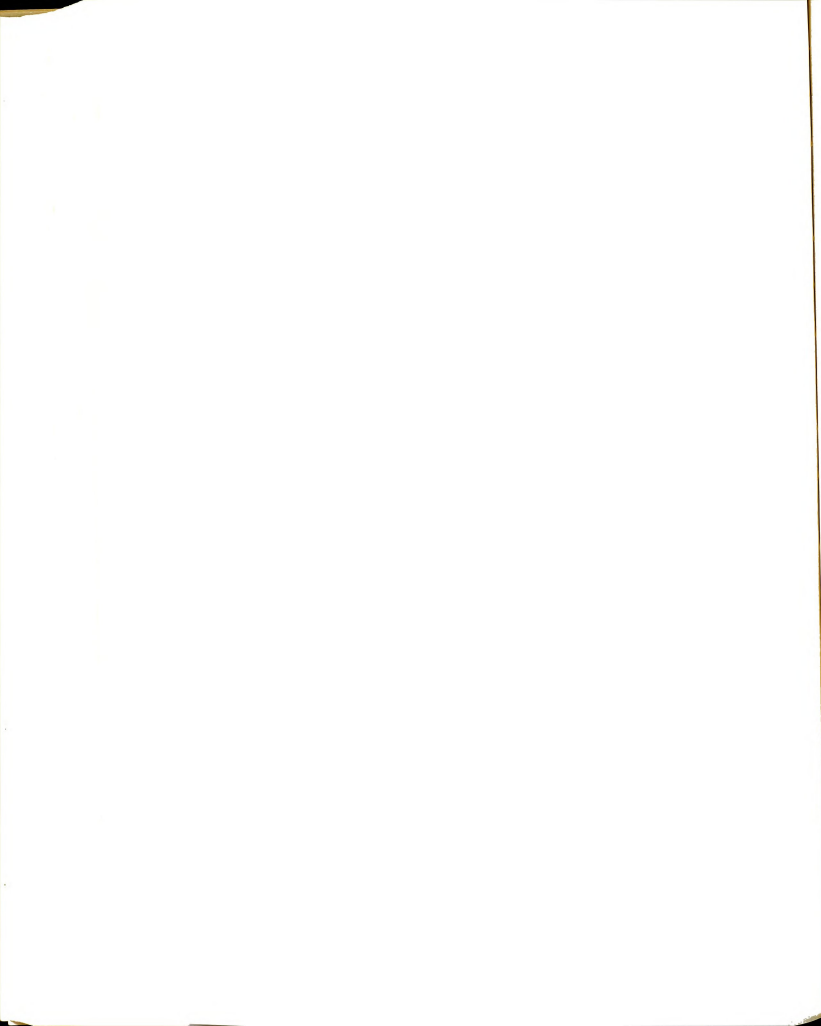
United States Tariff Commission,
Washington, D. C.

Re: In the Matter of Investigation of
differences in costs of production of Pile
Fabrics (not including pile ribbons), cut
or uncut, whether or not the pile covers the
entire surface, wholly or in chief value of
cotton: VELVETEENS AND CORDUROYES.

Investigation No. 113, Section 336.
Tariff Act of 1930.

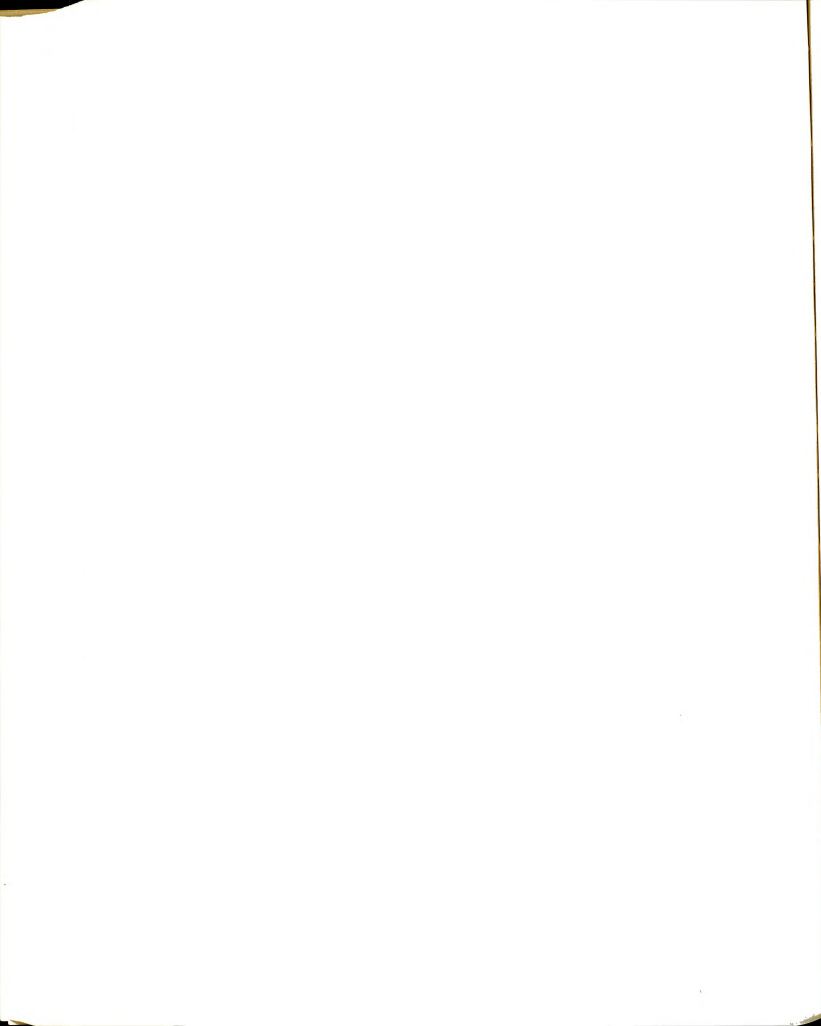
Gentlemen:

On behalf of my clients, the applicants in the above investigation, and who constitute the domestic cotton velveteen and cotton corduroy industries, and pursuant to the terms of an agreement between them and Japan Cotton Yarn & Piece Goods Exporters Association for America (Known in Japan as Nippon Mensifu America Yushutukumiai), two confirmed copies of which are herewith enclosed, I respectfully request that pending a further request from the applicants or from me on their behalf for the same, that you withhold the publication and rendition of your report in said investigation to Hon. Franklin D. Roosevelt, President of the United States.



I respectfully request, however, that in any event you complete your investigation and secure all of the data and evidence which is or will be necessary for the rendition of such report if the same should in due course be requested as provided for in said agreement.

Very truly yours,



The 1937 and 1938 Velveteen and Corduroy quota
agreement between the

NIPPON MENSIFU AMERICA YUSHUTU KUMIAI
(Japan Cotton Yarn and Piece Goods
Exporters Association for America)

and

AMERICAN PRODUCERS OF COTTON VELVETEENS
AND CORDUROYS,

is hereby extended for one (1) year.

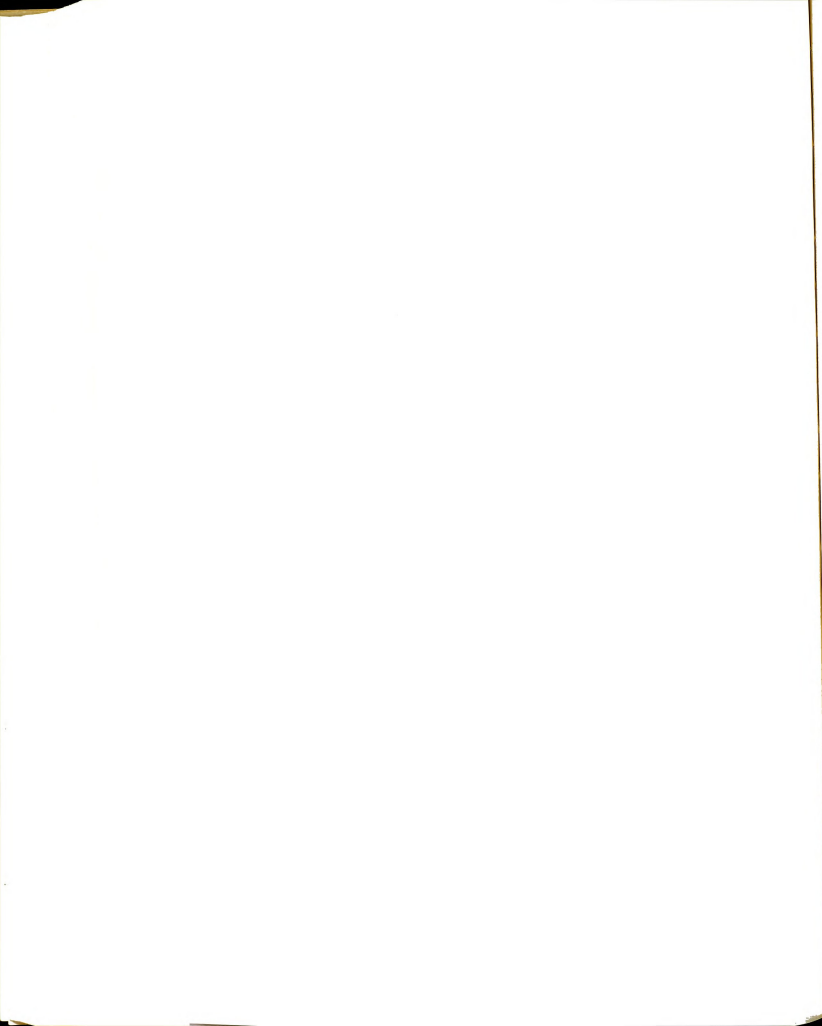
Termination date: February 29, 1940.

Quantities for the twelve (12) month period from
March 1, 1939 to February 29, 1940: Two million (2,000,000)
square yards for Velveteens and seven hundred thousand
(700,000) square yards for Corduroys.

Hatsujiro Yoshida
Representing Nippon Mensifu
America Yushutu Kumiai

James R. Howlett
Representing the American
Producers of Cotton Velveteens
and Corduroys.

New York, New York
February 28, 1939



APPENDIX C

TEXT OF THE 1957 AGREEMENT

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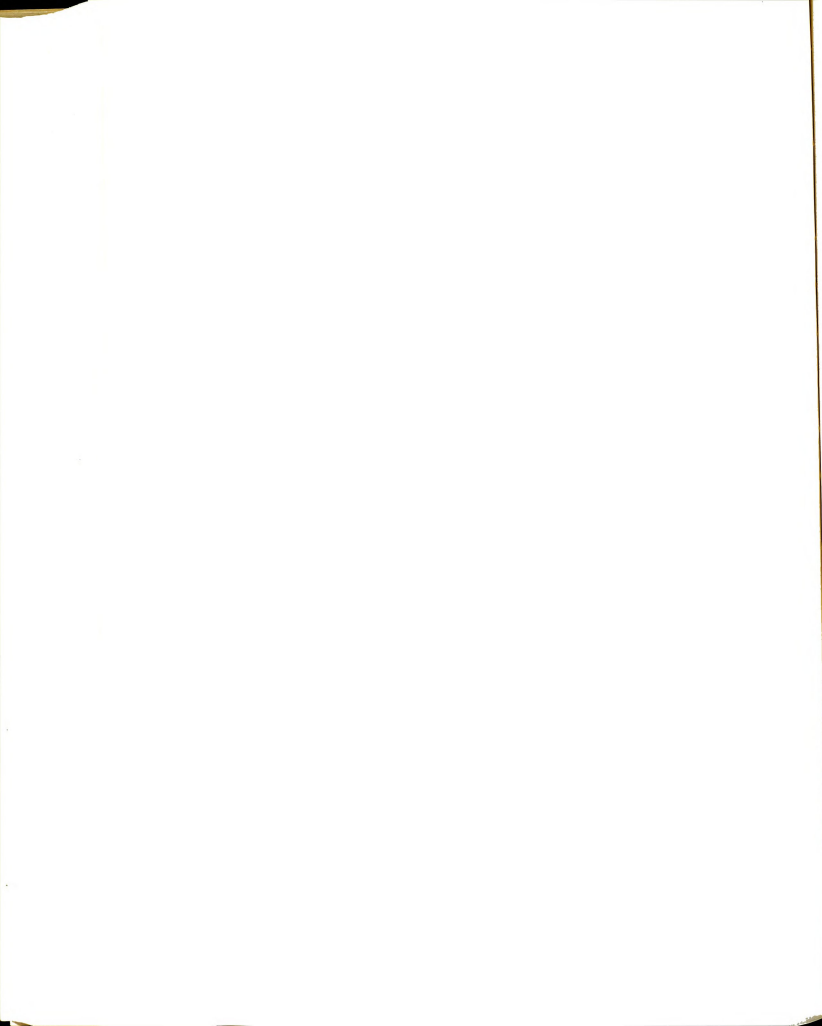
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JAPANESE PROGRAM FOR THE EXPORT OF COTTON
TEXTILES TO THE UNITED STATES

1. The purpose of this program is to effect orderly marketing of Japanese cotton textiles in the United States by avoiding excessive concentration in any particular period or on any particular item, and by continued efforts to achieve broader diversification of cotton textile exports from Japan to the United States.

2. To achieve this purpose the program shall be of 5 years duration, beginning January 1, 1957. Throughout this period, there shall be an over-all ceiling, as well as ceilings on major groups and within these groups, ceilings on certain categories of cotton textile products. Anticipating that changes may well occur in the United States textile market within the next five years, these ceilings shall be the subject of annual reviews in which the Japanese Government will consult with the United States Government for the purpose of arriving at such adjustments, upward or downward, in the quotas as may be warranted by changed conditions.

3. All feasible steps shall be taken by the Japanese Government to prevent trans-shipments to the United States through third countries.



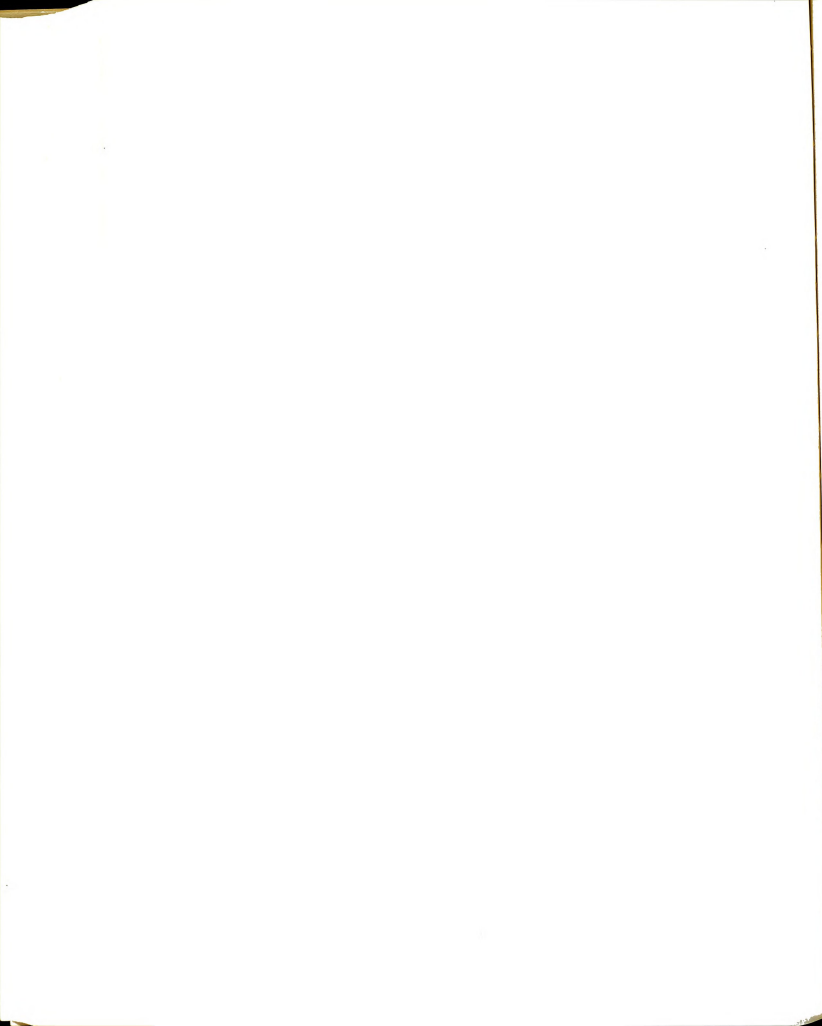
4. Wherever a specific ceiling has been established the basis for control will be the number of units (e.g., square yards, dozens, pieces, pounds, dollars, etc.) established as a ceiling. The conversion into equivalent square yards is for the purpose of providing a common statistical basis for measurement of the over-all program. Wherever pounds are mentioned the conversion shall be at the rate of 4.6 square yards per pound.

5. Exports from Japan to the United States of particular items shall be distributed equally by quarters as far as practicable and as necessary to meet seasonal demands.

6. The over-all limit for Japanese exports of cotton textiles to the United States shall be 235 million square yards each year for the duration of the program, subject to change only through consultation which takes into account all factors relevant at the time of consultation.

7. The over-all limit shall be subdivided into five major groups as follows:

| | | Million Square <u>Yards</u> |
|-------|--|-----------------------------------|
| Group | I - Cotton Cloth | 113 |
| | II - Made-up goods, usually included in U. S. Cotton Broad Woven Goods Production | 30 |
| | III - Woven Apparel | 71 |
| | IV - Knit Goods | 12 |
| | V - Miscellaneous Cotton Textiles | <u>9</u> |
| | Total | 235 |



8. Within the over-all annual total, the limit for any Group may be exceeded by not more than 10 percent.

9. The following limits shall be applicable within the total of 113 million square yards for Group I - "Cotton Cloth":

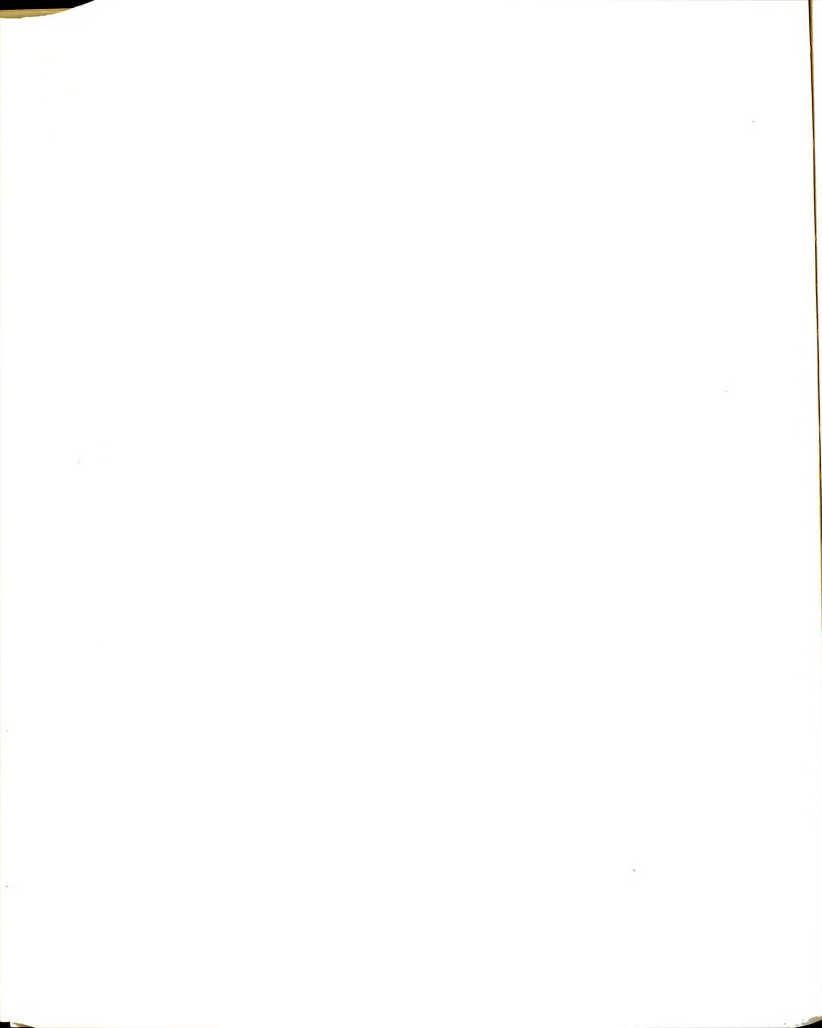
| | <u>Million Square Yds.</u> |
|----------------------|----------------------------|
| 1. Ginghams | 35.0 |
| 2. Velveteens | 2.5 |
| 3. All Other Fabrics | 75.5 |

Within the total of 75.5 million square yards for Item 3, "All Other Fabrics," the following specific limits shall not be exceeded:

| | <u>Million Square Yds.</u> |
|----------------------------|----------------------------|
| a. Sheetting | 50 |
| b. Shirting (80 x 80 type) | 20 |
| c. Other Shirting | 43 |
| d. Twill and Sateen | 39 |
| e. Poplin | 25 |
| f. Yarn Dyed Fabrics | 24 |
| g. Other Fabrics | 44 |

10. The following additional provisions are applicable to the cloth distribution in paragraph 9:

(1) The limits for ginghams and velveteens shall apply for each of the first and second years of the program. The limits for subsequent years shall be determined through consultation taking into account all factors relevant at the time of such consultation.



(2) Within the 75.5 million square yards for fabrics other than gingham and velveteens (i.e., categories a to g inclusive) the total exports of fabrics made from combed warp and filling shall not exceed 26 million square yards.

(3) Within the over-all total for Group I, any shortfall with respect to gingham or velveteens may be transferred to Item 3 - "All Other Fabrics" subject, however, to the provisions of paragraph 18 below.

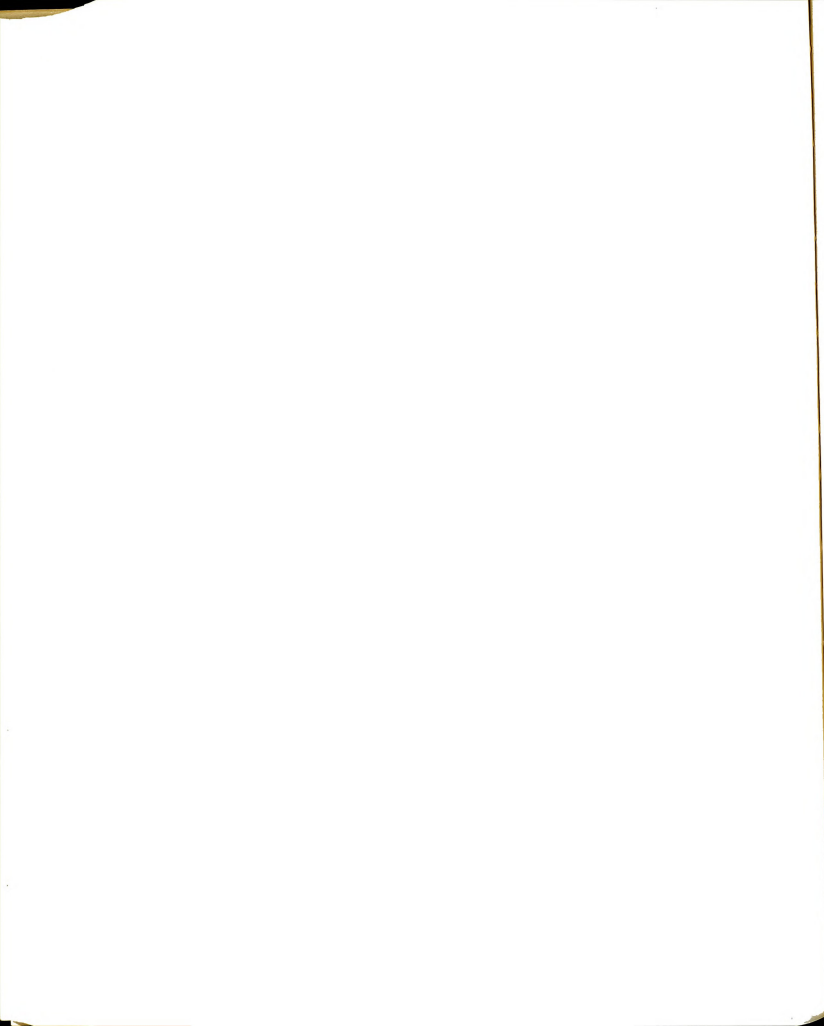
11. The following specific limits shall apply within the total for Group II - "Made-up goods usually included in U. S. Cotton Broad Woven Production":

| | <u>Unit</u> | <u>No.</u> |
|-----------------------|-------------|--------------------|
| 1. Pillowcase (plain) | 000 doz. | 400 |
| 2. Dish towels | 000 doz. | 800 |
| 3. Handkerchief | 000 doz. | 1,200 |
| 4. Table damask | 000 dollars | 3,720 ¹ |
| 5. Other items | 000 lbs. | 1,875 |

12. Within the over-all total for Group II, any shortfall with respect to the listed items may be transferred to the "Other items" category, subject, however, to the provisions of paragraph 18 below.

13. The following specific limits shall apply within the total for Group III - "Woven Apparel":

¹This is estimated at present prices to represent about 468,000 dozen sets, and conversion to yardage is in terms of the standard 50" x 50".



| | <u>Unit</u> | <u>No.</u> |
|--|-------------|------------|
| 1. Blouses | 000 doz. | 1,500 |
| 2. Sport Shirts | 000 doz. | 750 |
| 3. Dress and Work Shirts | 000 doz. | 300 |
| 4. Brassieres and Other Body Supporting Garments | 000 doz. | 600 |
| 5. Shorts and Trousers | 000 doz. | 600 |
| 6. Other Woven Apparel | 000 lbs. | 2,321 |

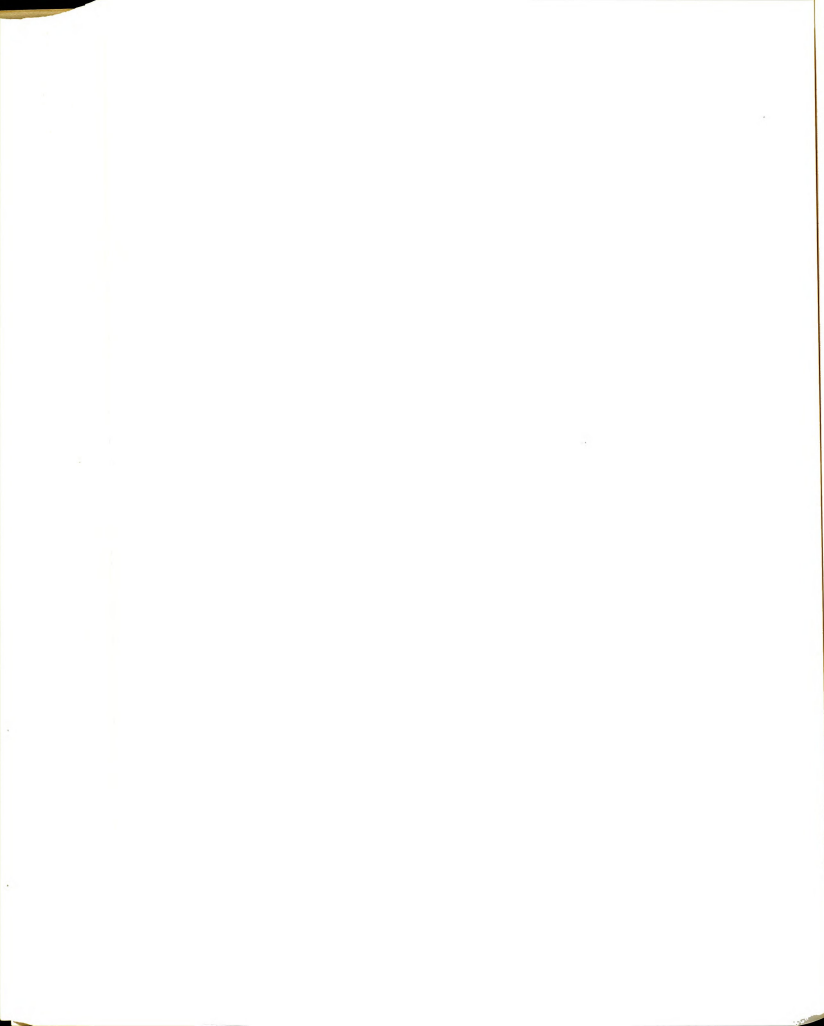
14. Within the over-all total for Group III, any shortfall with respect to the listed items may be transferred to the "Other Woven Apparel" category subject, however, to the provisions of paragraph 18 below.

15. The following specific limits shall apply within the total for Group IV - "Knit Goods":

| | <u>Unit</u> | <u>No.</u> |
|---|-------------|------------|
| 1. Men's and Boy's T-shirts, (short-sleeve, white, no button, no collar, usually round neck, sometimes V-neck, commonly called "Maru-kubi" shirt in Japan) | 000 doz. | 500 |
| 2. Gloves and Mittens | 000 doz. | 450 |
| 3. Other Knit Goods | 000 lbs. | 1,477 |

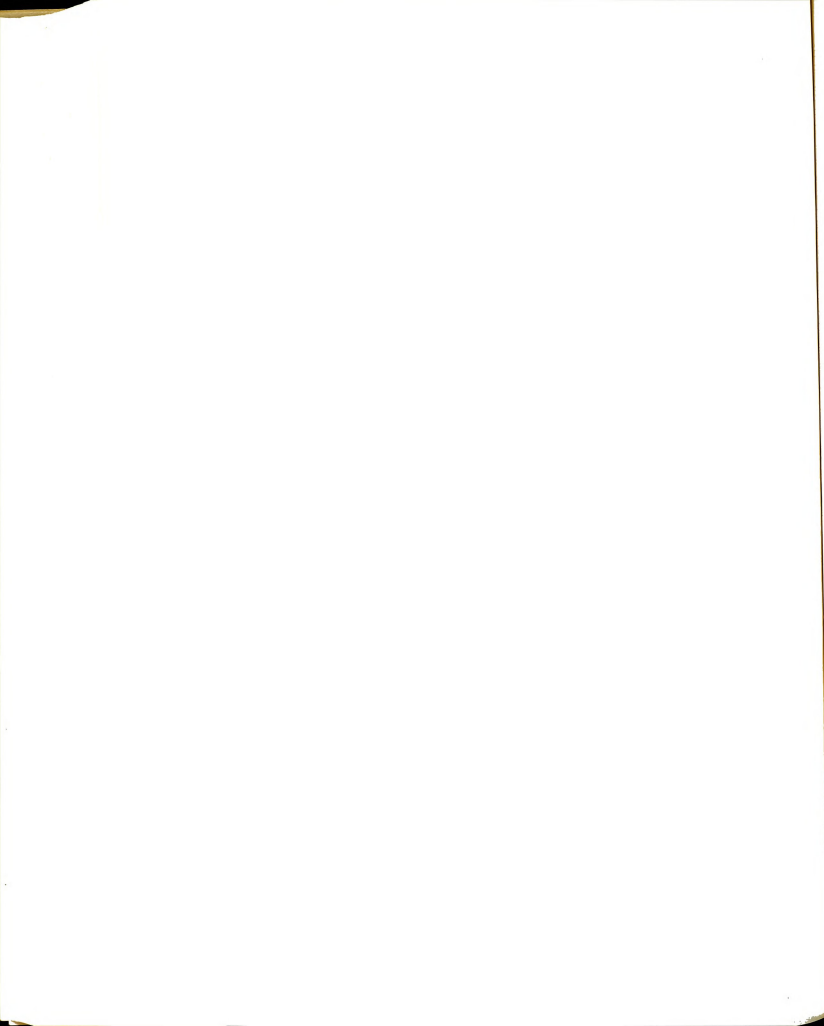
16. Within the over-all total for Group IV, any shortfall with respect to the listed items may be transferred to the "Other Knit Goods" category subject, however, to the provisions of paragraph 18 below.

17. Within the over-all total for Group V are included, among others, such items as cotton floor coverings,



fish nets and netting, cotton thread, etc. Although no specific limits are established within Group V, exports shall be subject to the provisions of paragraph 18 below.

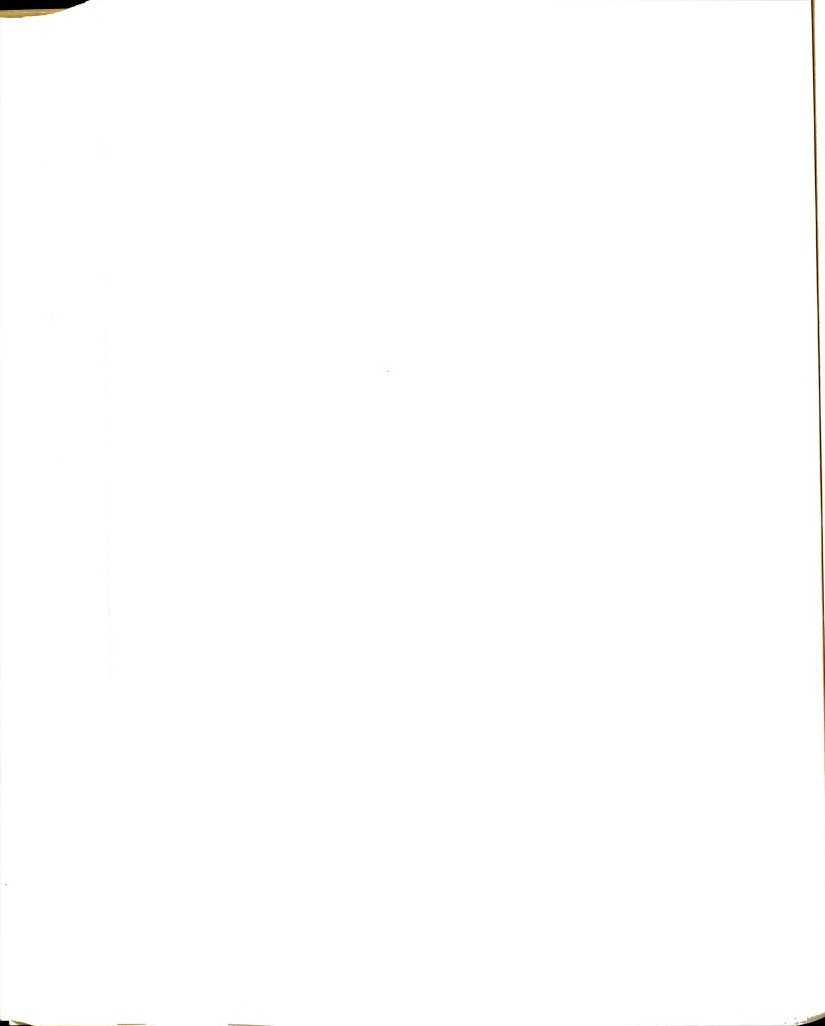
18. In order to preserve the principle of diversification and avoid excessive concentration on any particular item, it is understood, with respect to any item for which a specific ceiling has not been established, that the Japanese Government will consult with the United States Government to determine an appropriate course of action, whenever it appears that there is developing an excessive concentration of Japanese exports in a particular item or class of items, or if there are other problems, (e.g., possible problems resulting from an excessive concentration of exports of end items made from a particular type of fabric, such as the use of gingham in the manufacture of an excessively large portion of exported blouses, sport shirts, etc.)



APPENDIX D

GENERAL AGREEMENT ON TARIFFS AND TRADE

TEXT OF SHORT-TERM ARRANGEMENT

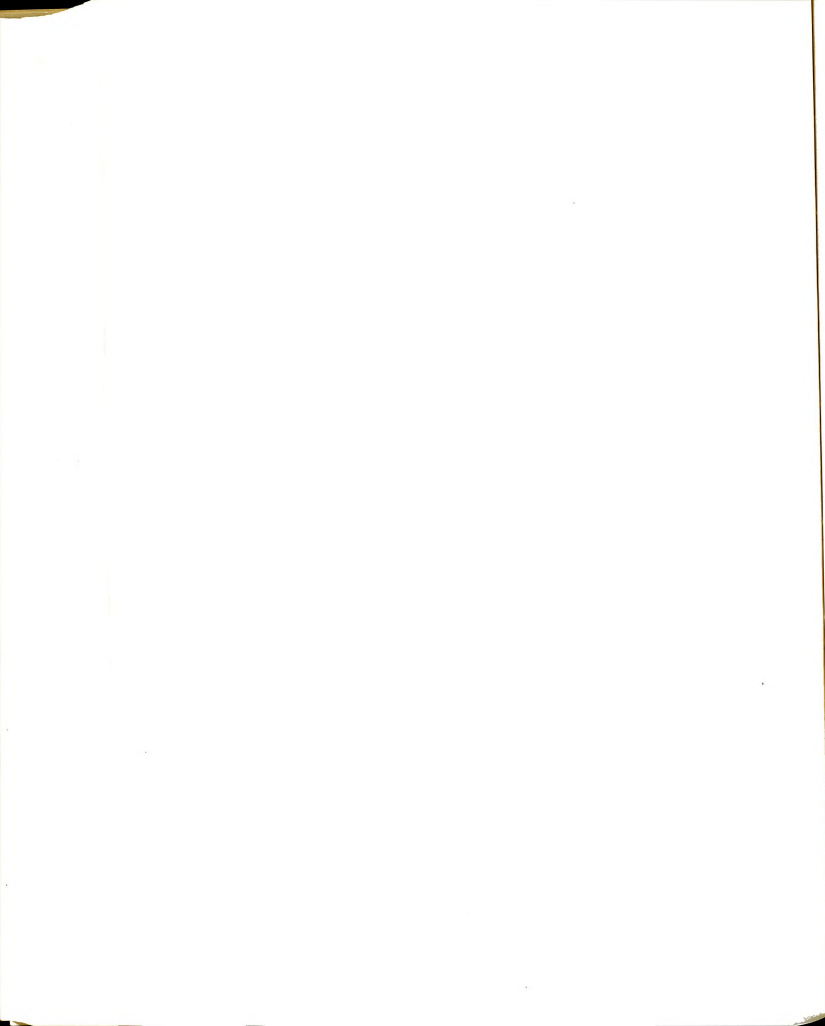


ARRANGEMENTS REGARDING INTERNATIONAL TRADE
IN COTTON TEXTILES

The participating countries recognize the need to take cooperative and constructive action with a view to the development of world trade and that such action should be designed to facilitate economic expansion and in particular to promote the development of the less-developed countries by providing increasing access for their exports of manufactured products.

They take note, however, that in some countries situations have arisen which, in the view of these countries, cause or threaten to cause "disruption" of the market for cotton textiles. In using the expression "disruption" the countries concerned have in mind situations of the kind described in the Decision of the CONTRACTING PARTIES of 19 November 1960 the relevant extract from which is annexed as Annex A to this Agreement.

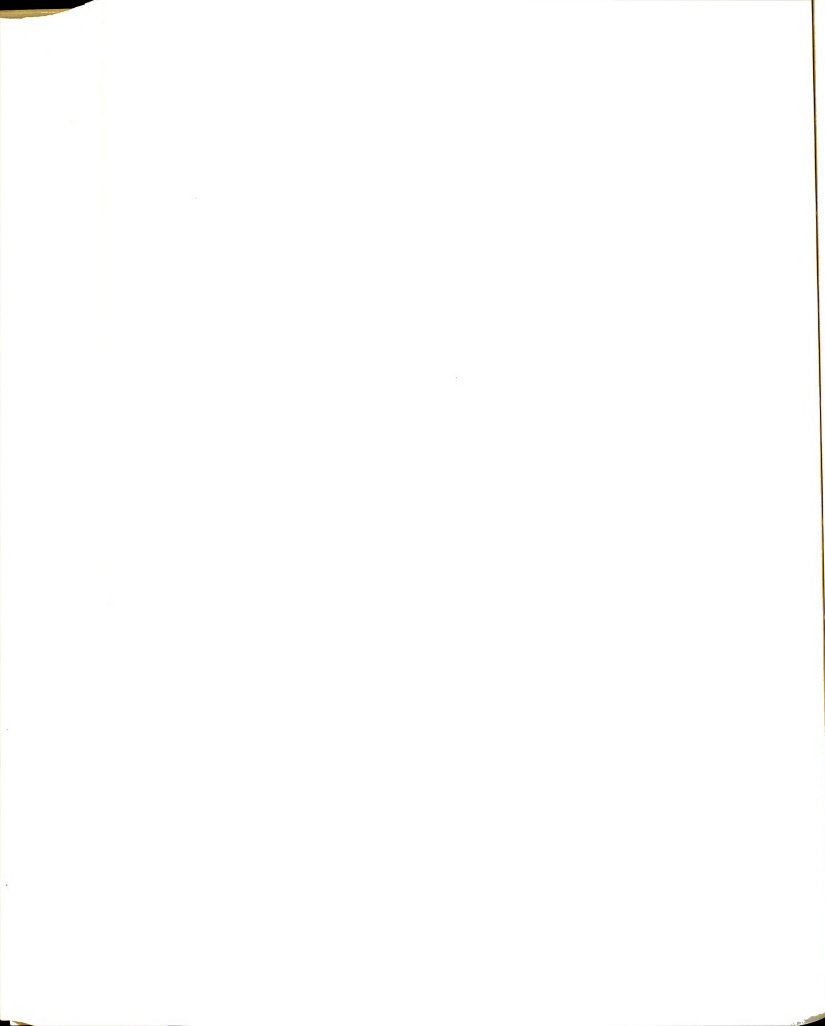
The participating countries desire to deal with these problems in such a way as to provide growing opportunities for exports of these products provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production.



I. Short-Term Arrangement

Pending a long-term solution the participating countries agree to deal with immediate problems relating to cotton textiles through international action designed, at the same time:

- (i) to significantly increase access to markets where imports are at present subject to restriction;
- (ii) to maintain orderly access to markets where restrictions are not at present maintained; and
- (iii) to secure from exporting countries, where necessary, a measure of restraint in their export policy so as to avoid disruptive effects in import markets.

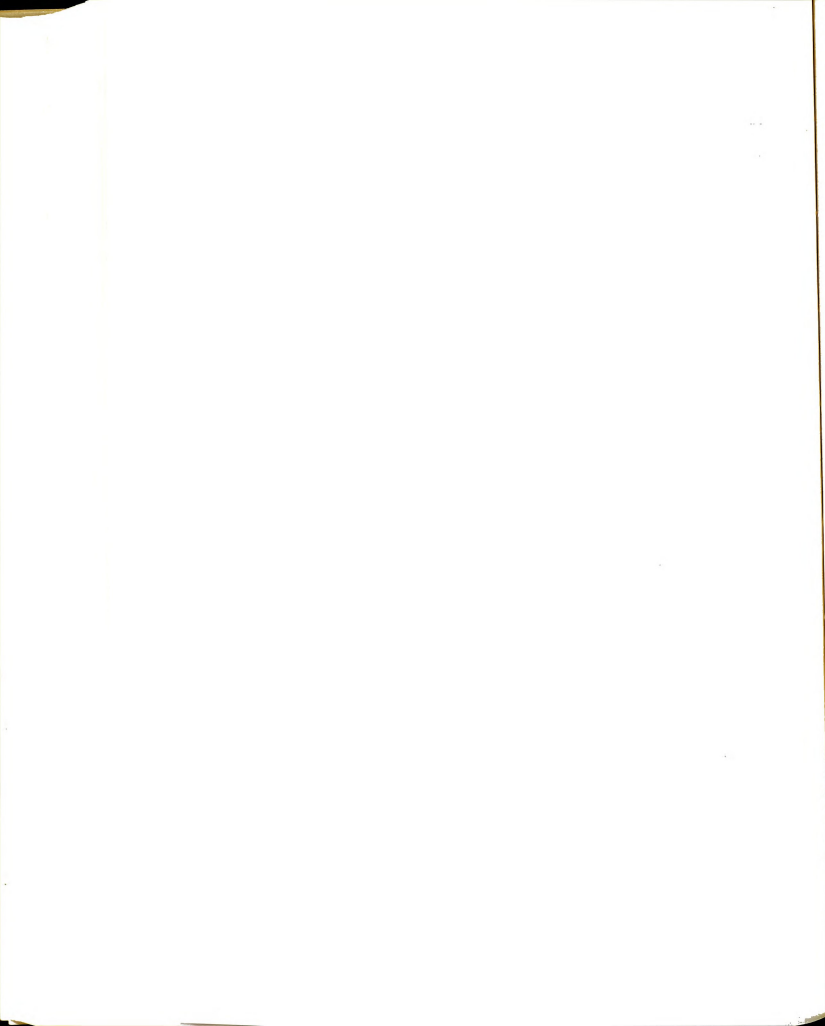


Accordingly the participating countries agree to adopt the following short-term arrangement for the twelve-month period beginning 1 October 1961.

A. A participating country, if unrestricted imports of cotton textiles are causing or threatening to cause disruption of its domestic market, may request any participating country to restrain, at a specified level not lower than the level prevailing for the twelve-month period ending 30 June 1961, its total exports of any category of cotton textiles causing or threatening to cause such disruption, and failing agreement within thirty days, the requesting country may decline to accept imports at a level higher than the specified level. In critical circumstances, action may be taken provisionally by either country involved while the request is under discussion. Nothing in this arrangement shall prevent the negotiation of mutually acceptable bilateral arrangements on other terms.

It is intended by the participating countries that this procedure will be used sparingly, with full regard for their agreed objective of attaining and safeguarding maximum freedom of trade, and only to avoid disruption of domestic industry resulting from an abnormal increase in imports.

B. A country requested to restrain its exports to a specified level may exceed the specified level for any category by 5 percent provided that its total exports to

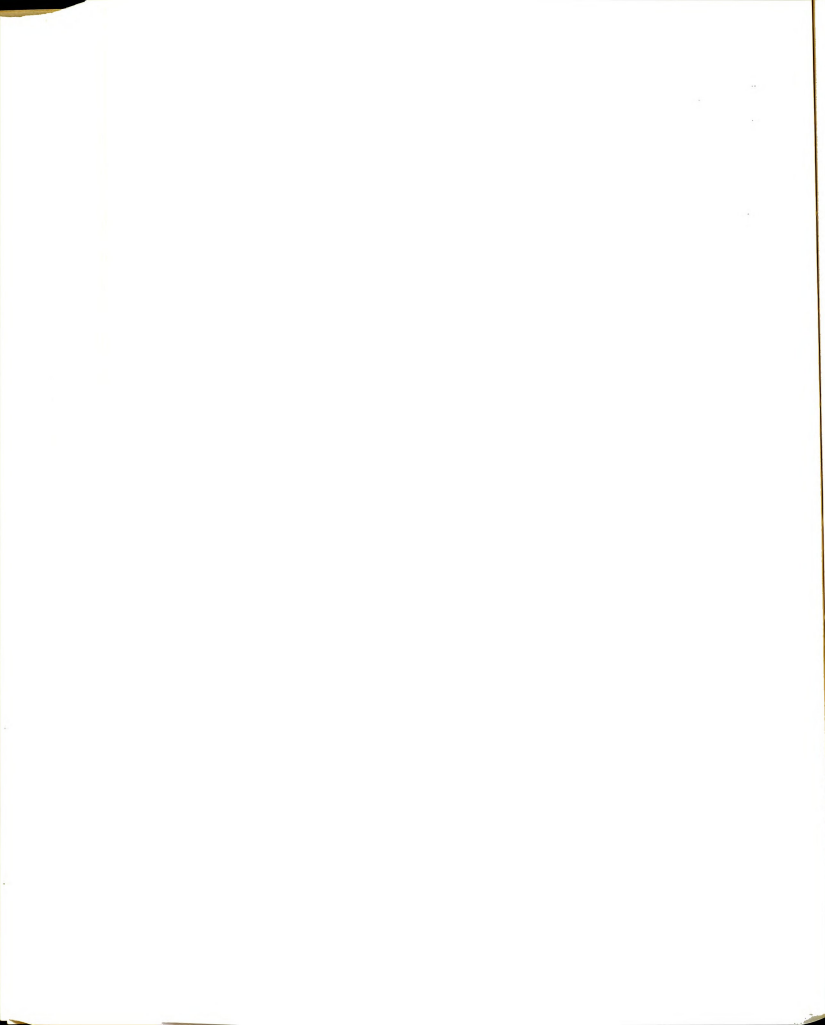


the requesting country of the categories of products subject to restraint do not exceed the aggregate for all the categories.

C. If a requesting country determines that a shift in the pattern of imports within any category is producing undue concentration of imports of any particular item and that such concentration is causing or threatening disruption, the requesting country may, under the procedure set forth in paragraph A above, request the producing country to restrain its total exports of the said item during the 12 months beginning 1 October 1961 to a prescribed level not lower than that which prevailed during the year ending 30 June 1961.

D. Participants agree to take action to prevent circumvention or frustration of this short-term arrangement by non-participants, or by trans-shipment, or by substitution of directly competitive textiles. In particular, if the purposes of this arrangement are being frustrated or are in danger of being frustrated through the substitution of directly competitive textiles, the provisions of paragraph A above shall apply to such goods, to the extent necessary to prevent such frustration.

E. Participating countries presently maintaining quantitative restrictions on cotton textile imports shall, as from 1 January 1962, significantly increase access to their markets by countries the imports from which are now



restricted. A specific statement of the new access will be forthcoming.

F. This short-term arrangement shall be valid for a period of 12 months, beginning on 1 October 1961; however, the provisions of section E above shall enter into force not later than 1 January 1962.

G. In accordance with GATT provisions for joint consultations the parties to this arrangement shall meet as necessary to consider any problems arising out of the application of this Agreement. Such consultations could, in particular, take place in the event that a country, the exports of which are under restraint as a result of action taken under paragraph A above, considers that experience shows that the level of restraint is inequitable.

II. Long-Term Arrangement

A. Participating countries agree to create a Provisional Cotton Textile Committee and to request the CONTRACTING PARTIES to confirm the establishment of the Committee at the nineteenth session.

The Committee shall:

1. Undertake work looking toward a long-term solution to the problems in the field of cotton textiles on the basis of the guiding principles set out in the Preamble to this Agreement.
2. Collect all useful data for this purpose.
3. At an early date, not later than 30 April 1962, make recommendations for such long-term solution.

B. The discussions and consultations to be undertaken by the Committee on the long-term problem shall be of the kind provided for by the Market Disruption Committee at the seventeenth session of the CONTRACTING PARTIES. The Committee shall, as appropriate, from time to time report to this Committee and to Committee III of the Expansion of Trade Programme on progress made and on its findings.

C. The Provisional Cotton Textile Committee referred to in this article shall meet on 9 October 1961 to initiate consideration of this long-term problem.

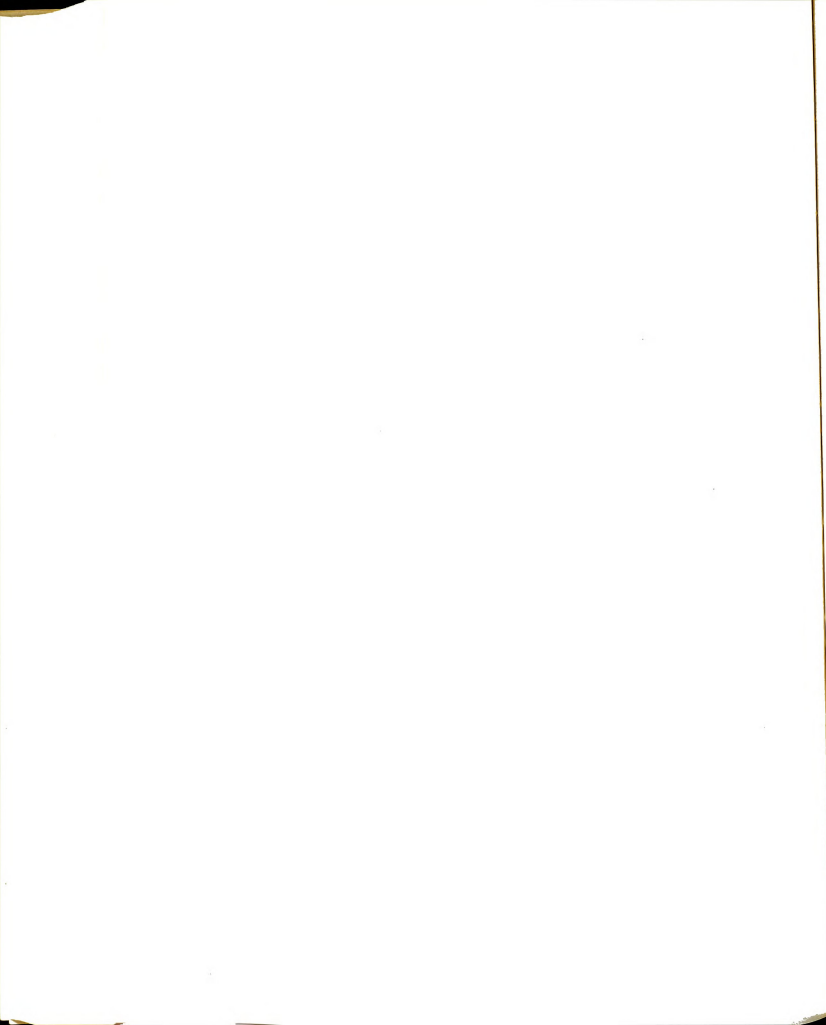
ANNEX A

Extract from the CONTRACTING PARTIES'
Decision of 19 November 1960

"These situations (market disruption) generally contain the following elements in combination:

- (i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;
- (ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
- (iii) there is serious damage to domestic producers or threat thereof;
- (iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

In some situations other elements are also present and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption."



APPENDIX E

GENERAL AGREEMENT ON TARIFFS AND TRADE



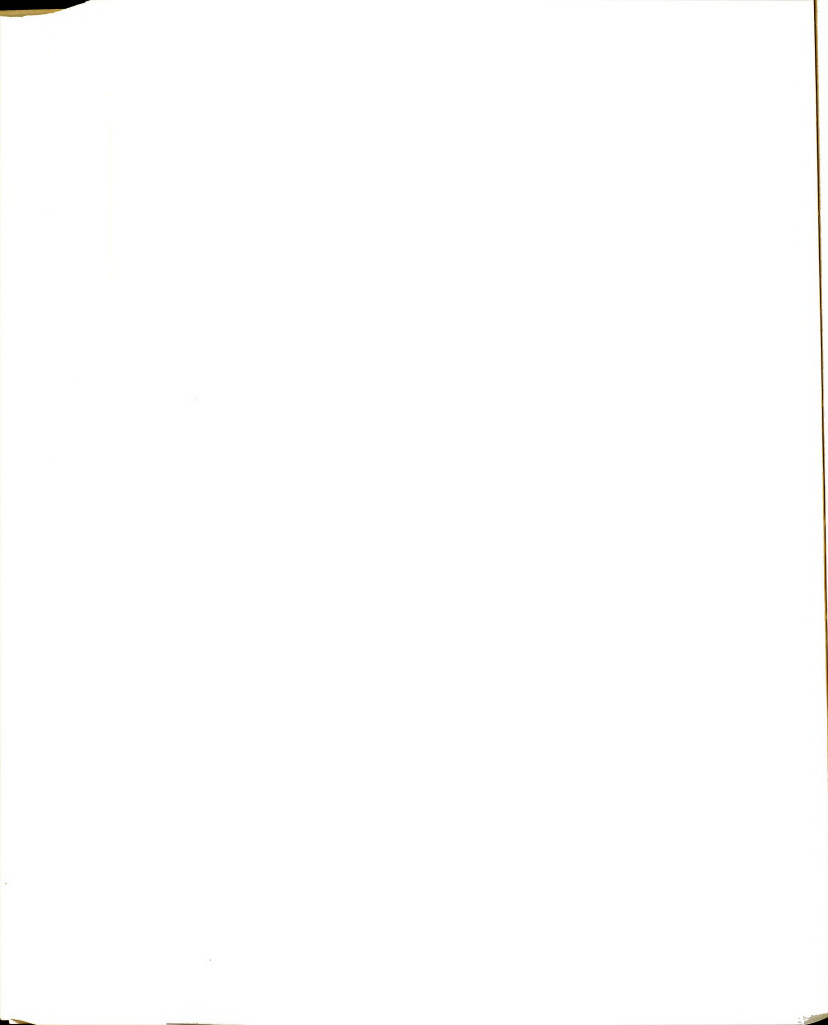
TEXT OF LONG-TERM ARRANGEMENT DRAWN UP BY THE
COTTON TEXTILES COMMITTEE AT ITS MEETING
FROM 29 JANUARY-9 FEBRUARY 1962*

RECOGNIZING the need to take cooperative and constructive action with a view to the development of world trade;

RECOGNIZING further that such action should be designed to facilitate economic expansion and promote the development of less-developed countries possessing the necessary resources, such as raw materials and technical skills, by providing larger opportunities for increasing their exchange earnings from the sale in world markets of products which they can efficiently manufacture;

NOTING, however, that in some countries situations have arisen which in the view of these countries, cause or threaten to cause "disruption" of the market for cotton textiles;

* The negotiation of this arrangement was concluded in Geneva on an ad referendum basis on February 9, 1962 by representatives of the following governments: Australia, Austria, Canada, Denmark, India, Japan, Norway, Pakistan, Portugal, Spain, Sweden, United Kingdom (also representing Hong Kong), United States, and the member states of European Economic Community (Belgium, France, Federal Republic of Germany, Italy, Luxembourg, and Netherlands).



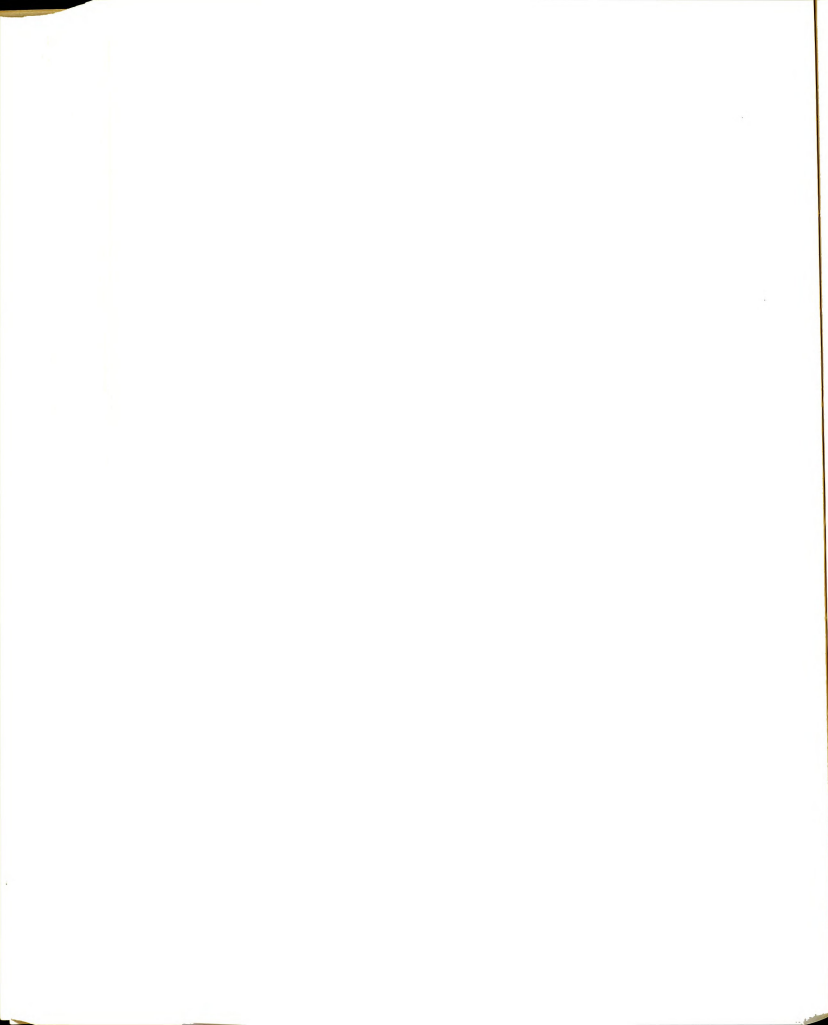
DESIRING to deal with these problems in such a way as to provide growing opportunities for exports of these products, provided that the development of this trade proceeds in a reasonable and orderly manner so as to avoid disruptive effects in individual markets and on individual lines of production in both importing and exporting countries;

DETERMINED, in carrying out these objectives, to have regard to the Declaration on Promotion of the Trade of Less-developed Countries adopted by Ministers at their meeting during the nineteenth session of the CONTRACTING PARTIES in November, 1961;

The PARTICIPATING COUNTRIES have agreed as follows:

Article 1

In order to assist in the solution of the problems referred to in the Preamble to this Arrangement, the participating countries are of the opinion that it may be desirable to apply, during the next few years, special practical measures of international cooperation which will assist in any adjustment that may be required by changes in the pattern of world trade in cotton textiles. They recognize, however, that the measures referred to above do not affect their rights and obligations under the General Agreement on Tariffs and Trade (hereinafter referred to as the GATT). They also recognize that, since these measures are intended to deal with the special problems of cotton



textiles, they are not to be considered as lending themselves to application in other fields.

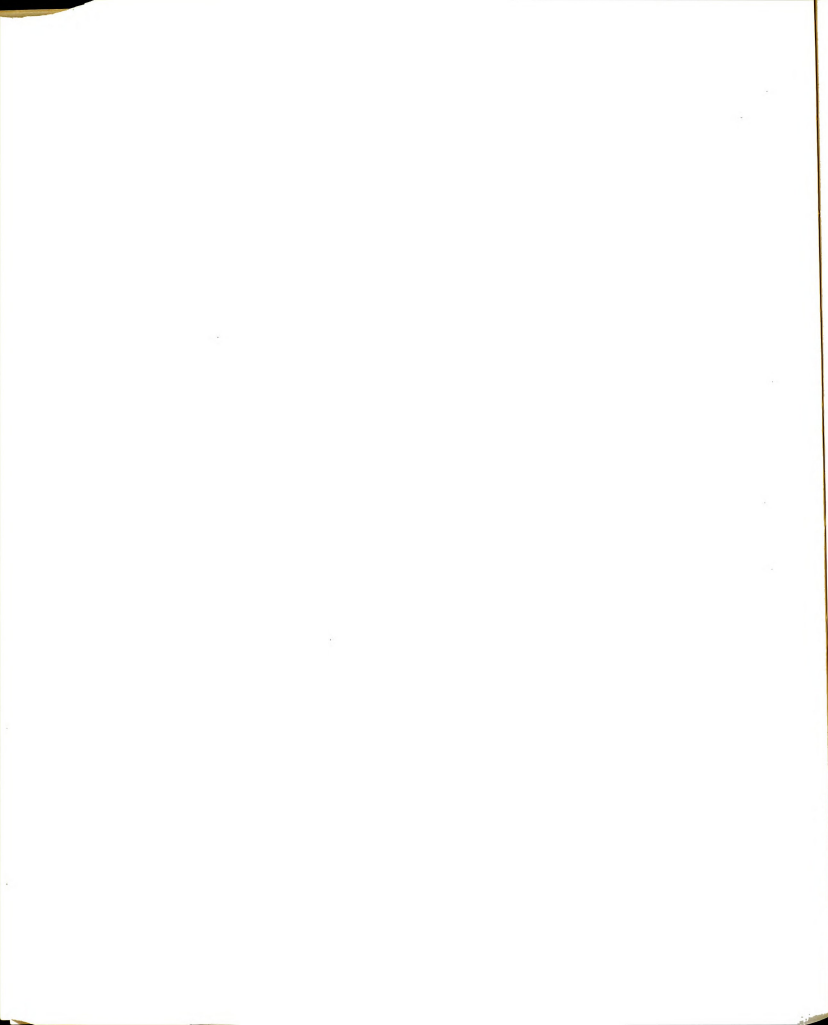
Article 2

1. Those participating countries still maintaining restrictions inconsistent with the provisions of the GATT on imports of cotton textiles from other participating countries agree to relax those restrictions progressively each year with a view to their elimination as soon as possible.

2. Without prejudice to the provisions of paragraphs 2 and 3 of Article 3, no participating country shall introduce new import restrictions, or intensify existing import restrictions, on cotton textiles, insofar as this would be inconsistent with its obligations under the GATT.

3. The participating countries at present applying import restrictions to cotton textiles imported from other participating countries undertake to expand access to their markets for such cotton textiles so as to reach, by the end of the period of validity of the present Arrangement, for the products remaining subject to restrictions at that date, taken as a whole, a level corresponding to the quotas opened in 1962, for such products, as increased by the percentage mentioned in Annex A.

Where bilateral arrangements exist, annual increases shall be determined within the framework of bilateral negotiations. It would, however, be desirable that each



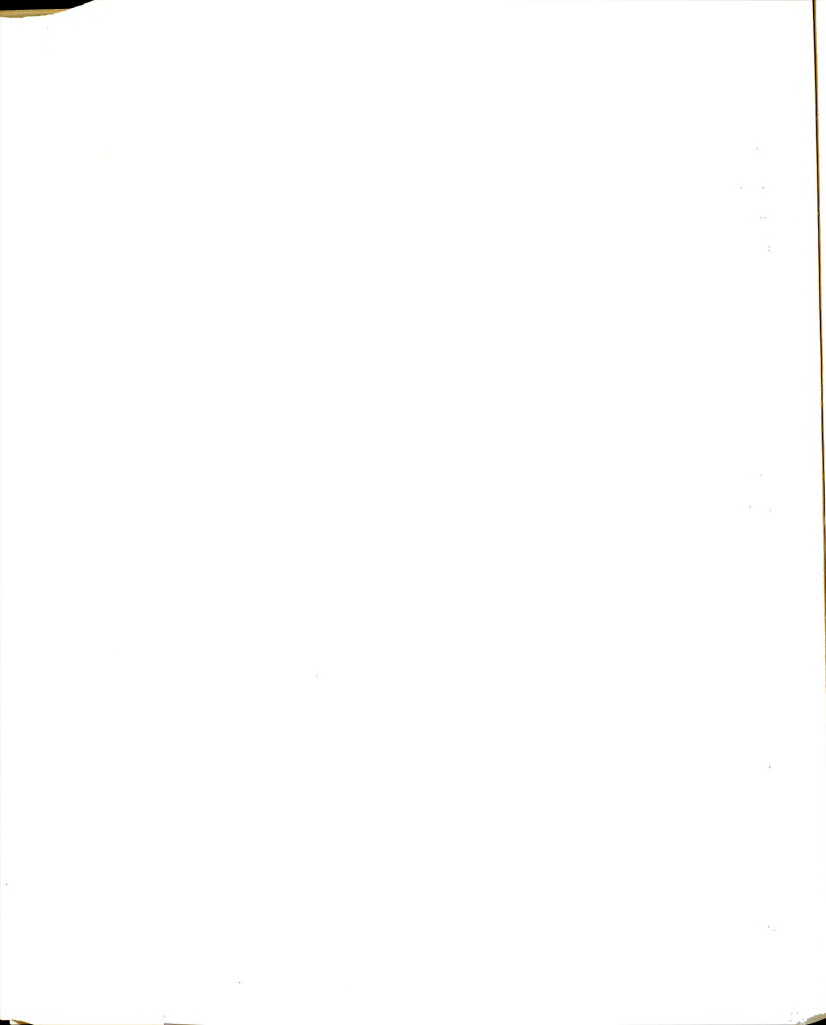
annual increase should correspond as closely as possible to one-fifth of the overall increase.

4. The participating countries concerned shall administer their remaining restrictions on imports of cotton textiles from participating countries in an equitable manner and with due regard to the special needs and situation of the less-developed countries.

5. Notwithstanding the provisions of paragraph 3 above, if, during the licensing period preceding the entry into force of this Arrangement, a specific basic quota is nil or negligible, the quota for the succeeding licensing period will be established at a reasonable level by the participating importing country concerned in consultation with the participating exporting country or countries concerned. Such consultation would normally take place within the framework of the bilateral negotiations referred to in paragraph 3 above.

6. Participating countries shall, as far as possible, eliminate import restrictions on the importation, under a system of temporary importation for re-export after processing, of cotton textiles originating in other participating countries.

7. The participating countries shall notify the Cotton Textiles Committee as early as possible, and in any case not less than one month before the beginning of the licensing period, of the details of any quota or import restriction referred to in this Article.

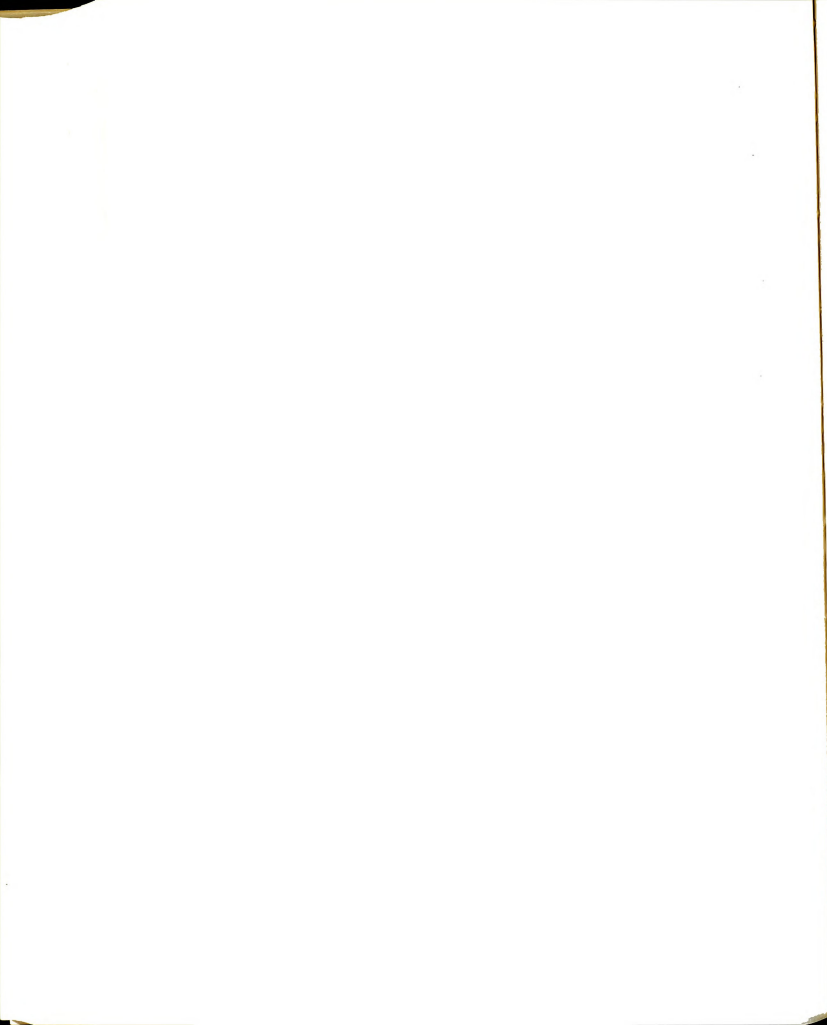


Article 3

1. If imports from a participating country or countries into another participating country of certain cotton textile products not subject to import restrictions should cause or threaten to cause disruption in the market of the importing country, that country may request the participating country or countries whose exports of such products are, in the judgment of the importing country, causing or threatening to cause market disruption to consult with a view to removing or avoiding such disruption. In its request the importing country will, at its discretion, indicate the specific level at which it considers that exports of such products should be restrained, a level which shall not be lower than the one indicated in Annex B. The request shall be accompanied by a detailed, factual statement of the reasons and justification for the request; the requesting country shall communicate the same information to the Cotton Textiles Committee at the same time.

2. In critical circumstances, where an undue concentration of imports during the period specified in paragraph 3 below would cause damage difficult to repair, the requesting participating country may, until the end of the period, take the necessary temporary measures to limit the imports referred to in paragraph 1 from the country or countries concerned.

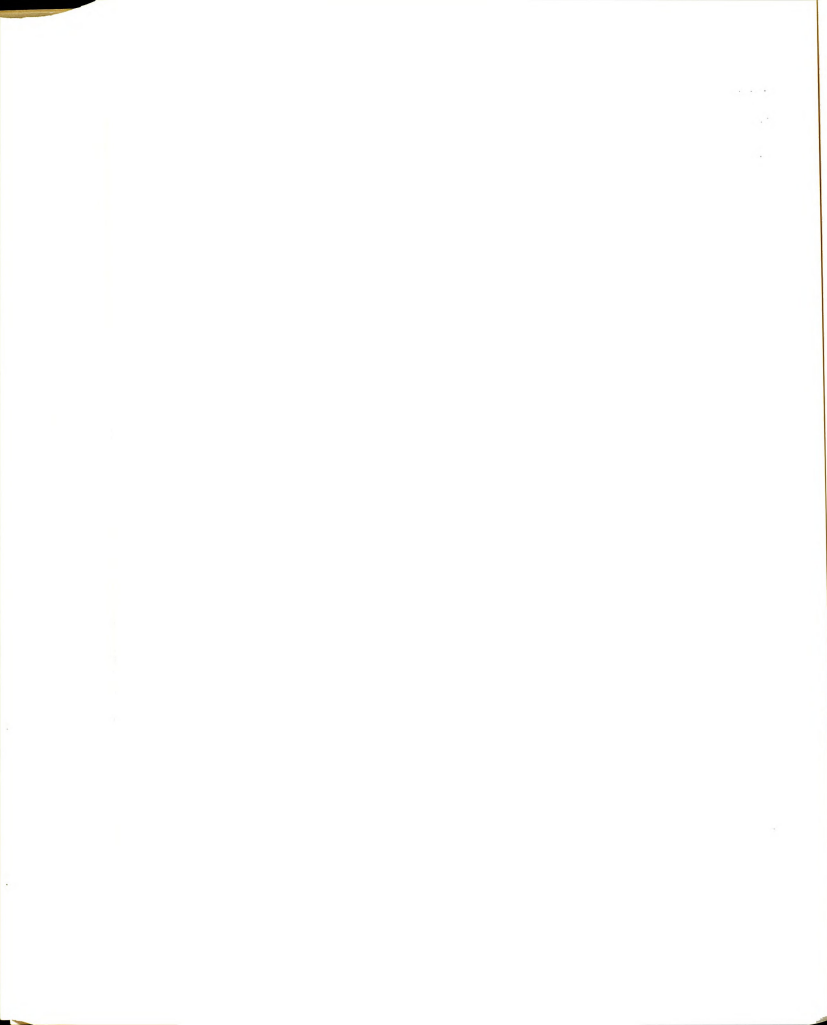
3. If, within a period of sixty days after the request has been received by the participating exporting



country or countries, there has been no agreement either on the request for export restraint or on any alternative solution, the requesting participating country may decline to accept imports for retention from the participating country or countries referred to in paragraph 1 above of the cotton textile products causing or threatening to cause market disruption, at a level higher than that specified in Annex B, in respect of the period starting on the day when the request was received by the participating exporting country.

4. In order to avoid administrative difficulties in enforcing a given level of restraint on cotton textiles subject to measures taken under this article, the participating countries agree that there should be a reasonable degree of flexibility in the administration of these measures. Where restraint is exercised for more than one product the participating countries agree that the agreed level for any one product may be exceeded by 5 percent provided that the total exports subject to restraint do not exceed the aggregate level for all products so restrained on the basis of a common unit of measurement to be determined by the participating countries concerned.

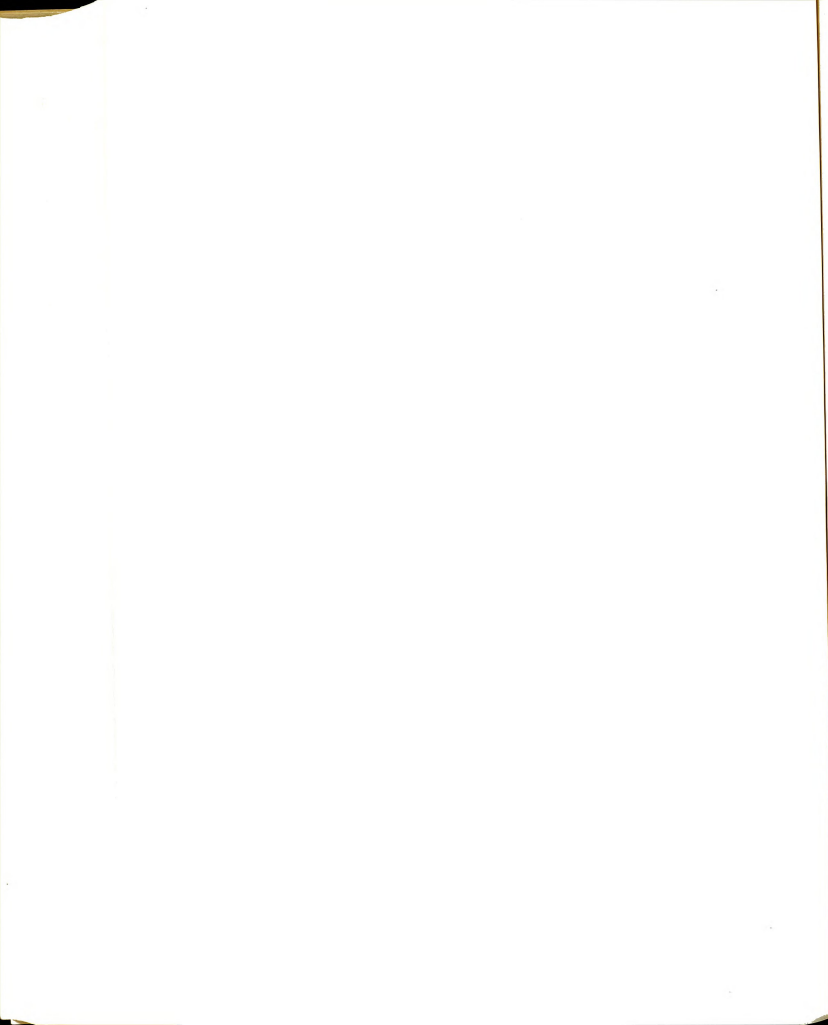
5. If participating countries have recourse to the measures envisaged in this Article, they shall, in introducing such measures, seek to avoid damage to the production and marketing of the exporting country and shall cooperate



with a view to agreeing on suitable procedures, particularly as regards goods which have been, or which are about to be, shipped.

6. A participating country having recourse to the provisions of this Article shall keep under review the measures taken under this Article with a view to their relaxation and elimination as soon as possible. It will report from time to time, and in any case once a year, to the Cotton Textiles Committee on the progress made in the relaxation or elimination of such measures. Any participating country maintaining measures under this Article shall afford adequate opportunity for consultation to any participating country or countries affected by such measures.

7. Participating importing countries may report the groups or categories to be used for statistical purposes to the Cotton Textiles Committee. The participating countries agree that measures envisaged in this Article should only be resorted to sparingly, and should be limited to the precise products or precise groups or categories of products causing or threatening to cause market disruption, taking full account of the agreed objectives set out in the Preamble to this Arrangement. Participating countries shall seek to preserve a proper measure of equity where market disruption is caused or threatened by imports from more than one participating country and when resort to the measures envisaged in this Article is unavoidable.



Article 4

Nothing in this Arrangement shall prevent the application of mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this Arrangement. The participating countries shall keep the Cotton Textiles Committee fully informed on such arrangements, or the parts thereof, which have a bearing on the operation of this Arrangement.

Article 5

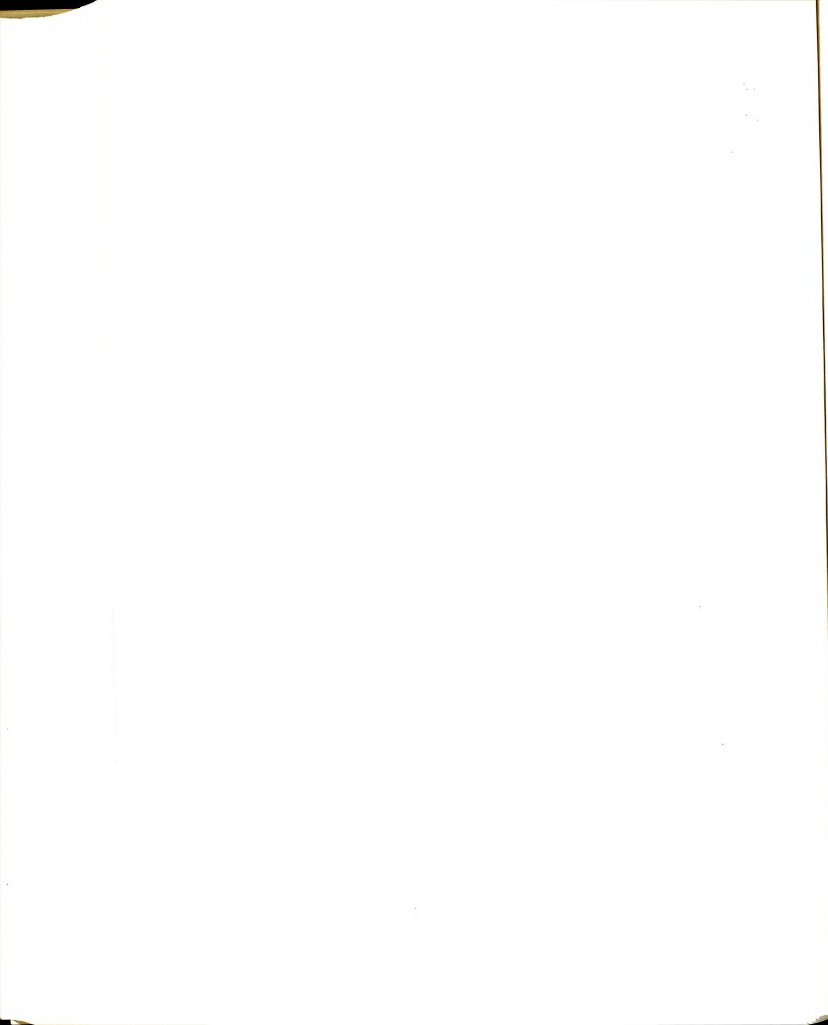
The participating countries shall take steps to ensure, by the exchange of information, including statistics on imports and exports when requested, and by other practical means, the effective operation of this Arrangement.

Article 6

The participating countries agree to avoid circumvention of this Arrangement by trans-shipment or re-routing, substitution of directly competitive textiles and action by non-participants. In particular, they agree on the following measures:

(a) Trans-shipment

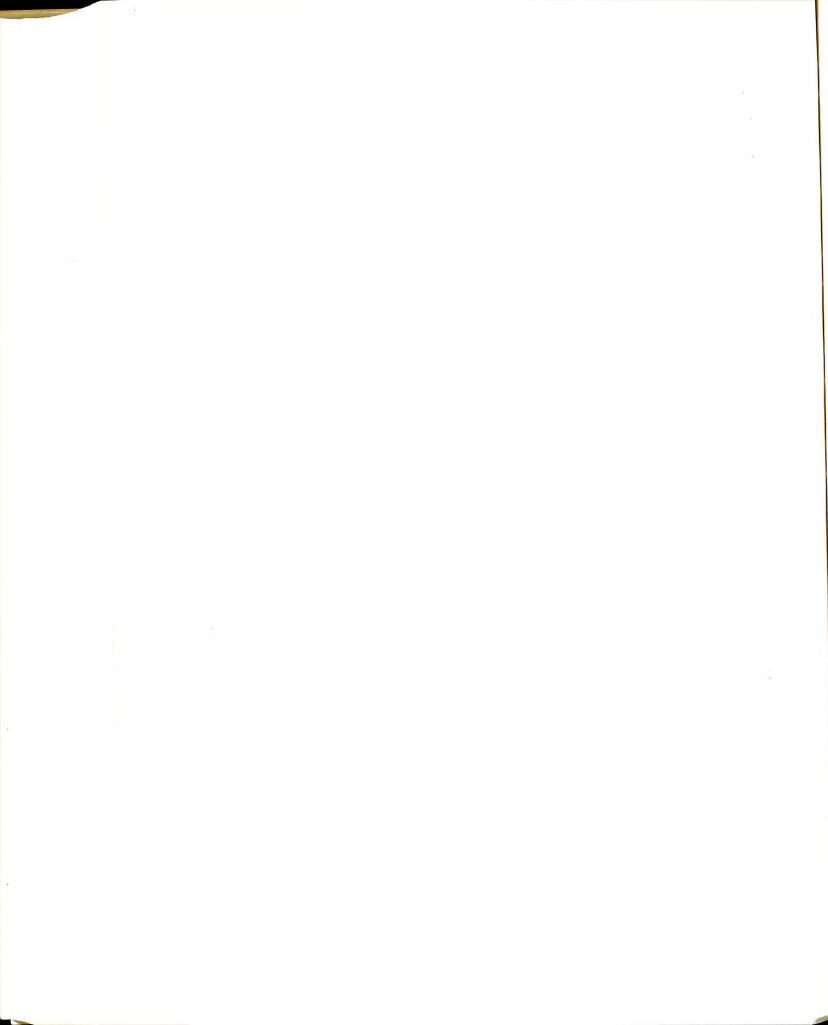
The participating importing and exporting countries agree to collaborate with a view to preventing circumvention of this Arrangement by trans-shipment or re-routing and to take appropriate administrative action to avoid such circumvention. In cases where a participating country has reason to believe that imports shipped to it from another



participating country and purporting to have originated in that country did not originate there, it may request that country to consult with it with a view to assisting in the determination of the real origin of the goods.

(b) Substitution of directly competitive textiles

It is not the intention of the participating countries to broaden the scope of this Arrangement beyond cotton textiles but, when there exists a situation or threat of market disruption in an importing country in terms of Article 3, to prevent the circumvention of this Arrangement by the deliberate substitution for cotton of directly competitive fibers. Accordingly, if the importing participating country concerned has reason to believe that imports of products in which this substitution has taken place have increased abnormally, that is that this substitution has taken place solely in order to circumvent that provision of this Arrangement, that country may request the exporting country concerned to investigate the matter and to consult with it with a view to reaching agreement upon measures designed to prevent such circumvention. Such request shall be accompanied by a detailed, factual statement of the reasons and justification for the request. Failing agreement in the consultation within 60 days of such request, the importing participating country may decline to accept imports of the products concerned as provided for in Article 3 and, at the same time, any of the participating countries concerned may



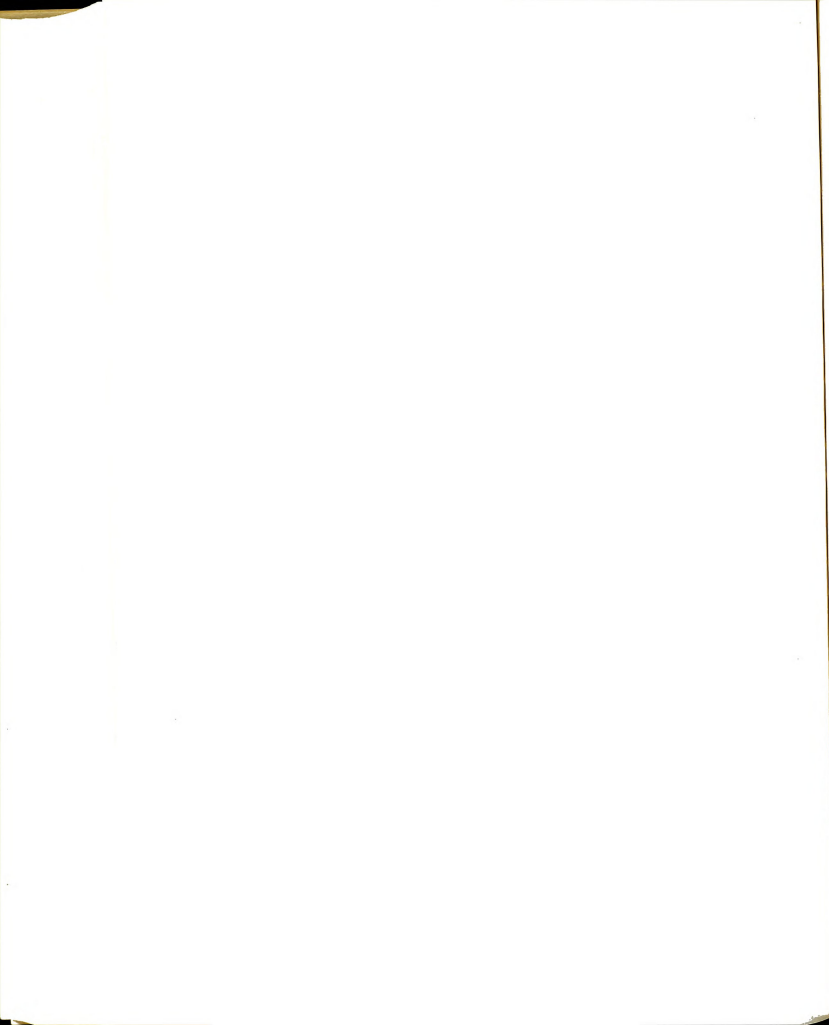
refer the matter to the Cotton Textiles Committee which shall make such recommendations to the parties concerned as may be appropriate.

(c) Non-participants

The participating countries agree that, if it proves necessary to resort to the measures envisaged in Article 3 above, the participating importing country or countries concerned shall take steps to ensure that the participating country's exports against which such measures are taken shall not be restrained more severely than the exports of any country not participating in this Arrangement which are causing, or threatening to cause, market disruption. The participating importing country or countries concerned will give sympathetic consideration to any representations from participating exporting countries to the effect that this principle is not being adhered to or that the operation of this Arrangement is frustrated by trade with countries not party to this Arrangement. If such trade is frustrating the operation of this Arrangement, the participating countries shall consider taking such action as may be consistent with their law to prevent such frustration.

Article 7

1. In view of the safeguards provided for in this Arrangement the participating countries shall, as far as possible, refrain from taking measures which may have the effect of nullifying the objectives of this Arrangement.



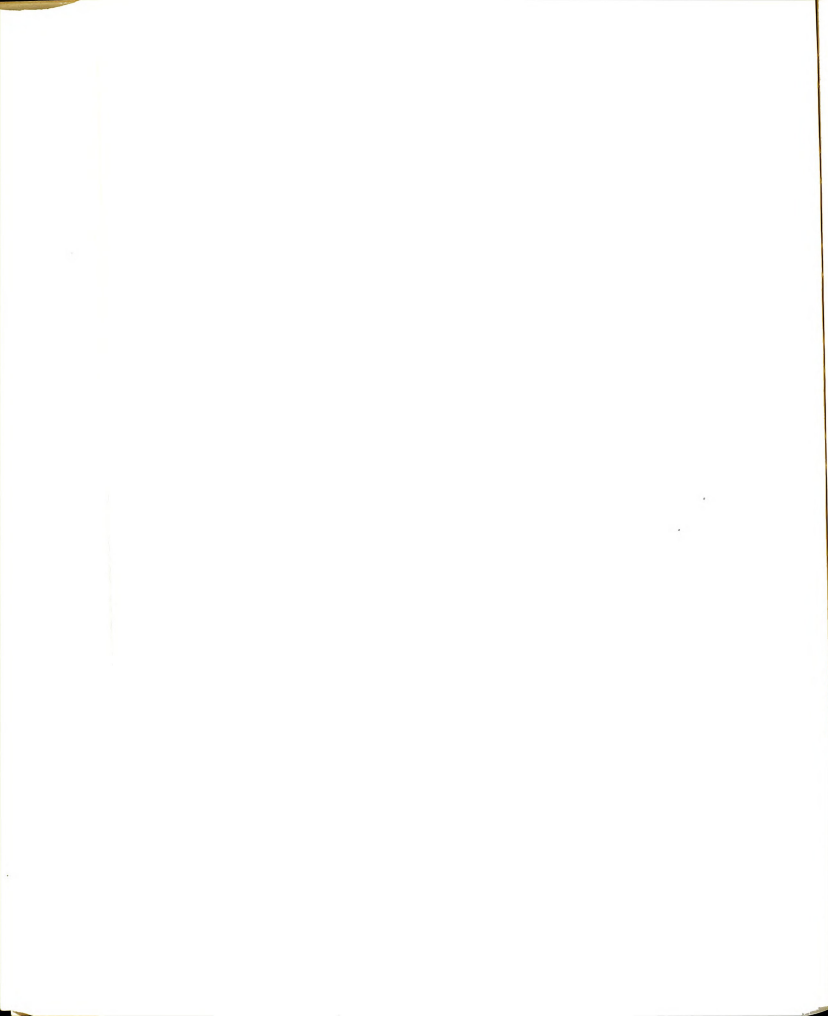
2. If a participating country finds that its interests are being seriously affected by any such measure taken by another participating country, that country may request the country applying such measure to consult with a view to remedying the situation.

3. If the participating country so requested fails to take appropriate remedial action within a reasonable length of time, the requesting participating country may refer the matter to the Cotton Textiles Committee which shall promptly discuss such matter and make such comments to the participating countries as it considers appropriate. Such comments would be taken into account should the matter subsequently be brought before the CONTRACTING PARTIES under the procedures of Article XXIII of the GATT.

Article 8

The Cotton Textiles Committee, as established by the CONTRACTING PARTIES at their nineteenth session, shall be composed of representatives of the countries party to this Arrangement and shall fulfill the responsibilities provided for it in this Arrangement.

- a. The Committee shall meet from time to time to discharge functions. It will undertake studies on trade in cotton textiles as the participating countries may decide. It will collect the statistical and other information necessary for the discharge of its functions and will be empowered to request the participating countries to furnish such information.
- b. Any case of divergence of view between the participating countries as to the interpretation or



application of this Arrangement may be referred to the Committee for discussion.

- c. The Committee shall review the operation of this Arrangement once a year and report to the CONTRACTING PARTIES. The review during the third year shall be a major review of the Arrangement in the light of its operation in the preceding years.
- d. The Committee shall meet not later than one year before the expiry of this Arrangement, in order to consider whether the Arrangement should be extended, modified or discontinued.

Article 9

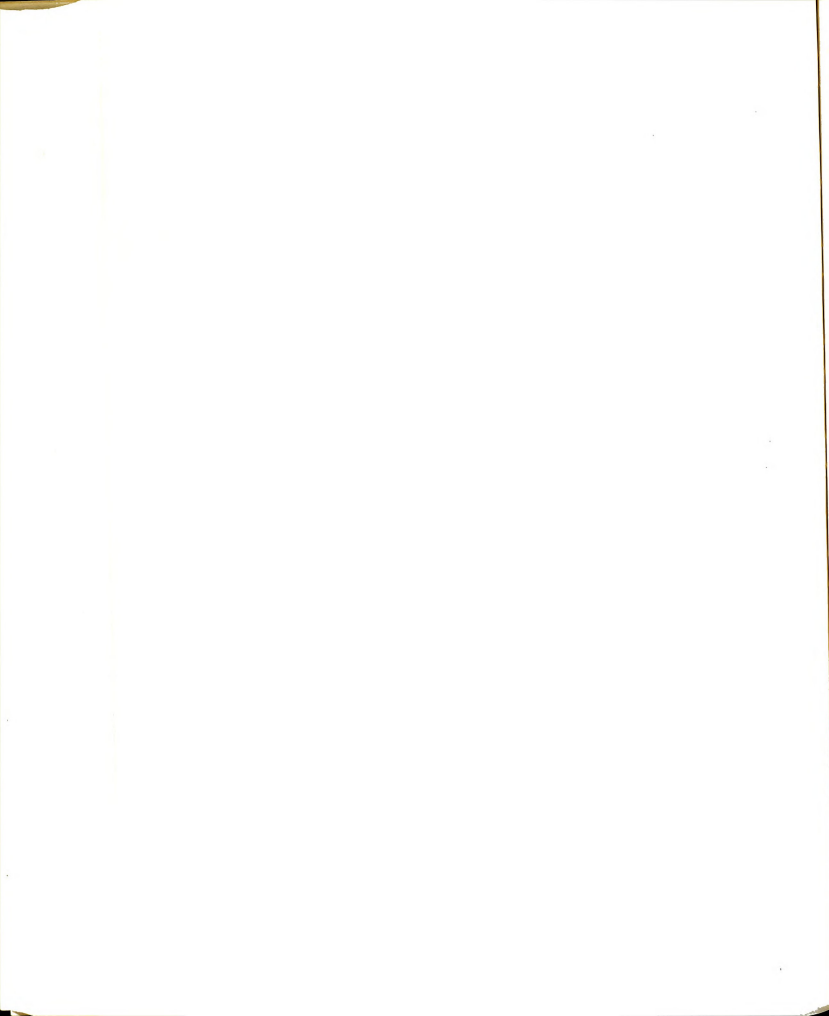
For purposes of this Arrangement the expression "cotton textiles" includes yarns, piece-goods, made-up articles, garments, and other textile manufactured products, in which cotton represents more than 50 percent (by weight) of the fiber content, with the exception of handloom fabrics of the cottage industry.

Article 10

For the purposes of this Arrangement, the term "disruption" refers to situations of the kind described in the Decision of the CONTRACTING PARTIES of 19 November 1960, the relevant extract from which is reproduced in Annex C.

Article 11

1. This Arrangement is open for acceptance, by signature or otherwise, to governments parties to the GATT or having provisionally acceded to that Agreement, provided that if any such government maintains restrictions



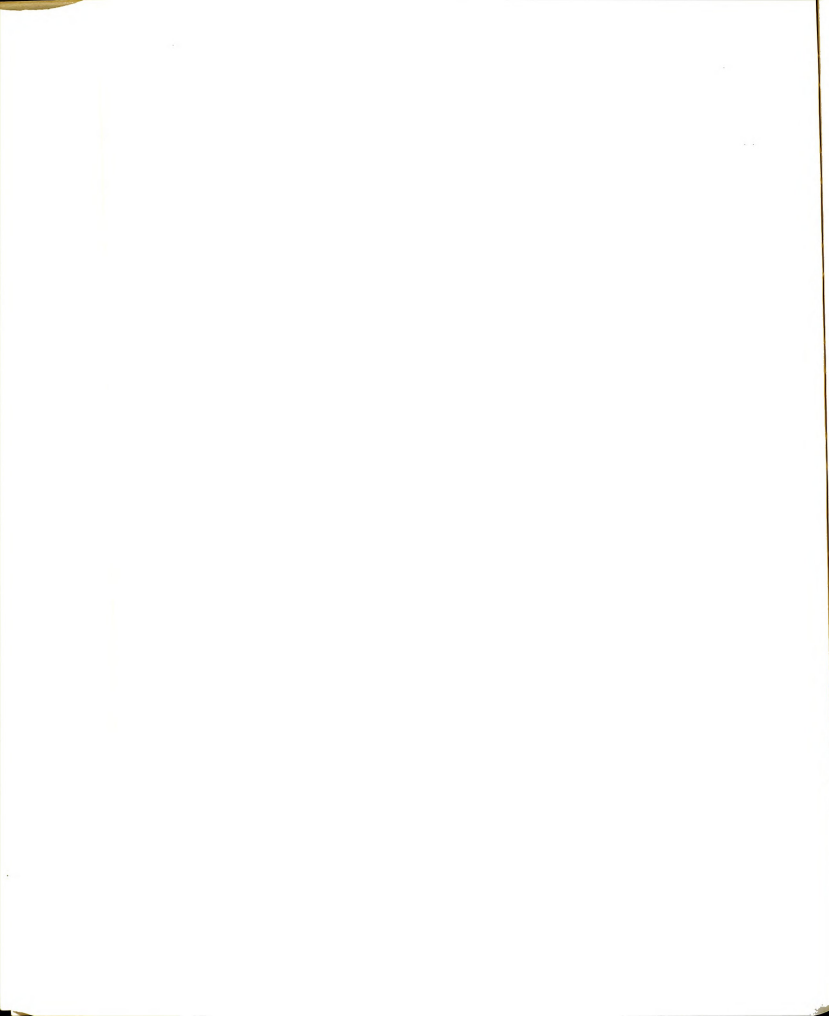
on the import of cotton textiles from other participating countries, that government shall, prior to its accepting this Arrangement, agree with the Cotton Textiles Committee on the percentage by which it will undertake to increase the quotas other than those maintained under Article XII or Article XVIII of the GATT.

2. Any government which is not party to the GATT or has not acceded provisionally to the GATT may accede to this Arrangement on terms to be agreed between that government and the participating countries. These terms would include a provision that any government which is not a party to the GATT must undertake, on acceding to this Arrangement, not to introduce new import restrictions or intensity existing import restrictions, on cotton textiles, insofar as such action would, if that government had been a party to the GATT, be inconsistent with its obligations thereunder.

Article 12

1. This Arrangement shall enter into force on 1 October 1962 subject to the provisions of paragraph 2 below.

2. The countries which have accepted this Arrangement shall, upon the request of one or more of them, meet within one week prior to 1 October 1962 and, at that meeting, if a majority of these countries so decide, the provisions of paragraph 1 above may be modified.



Article 13

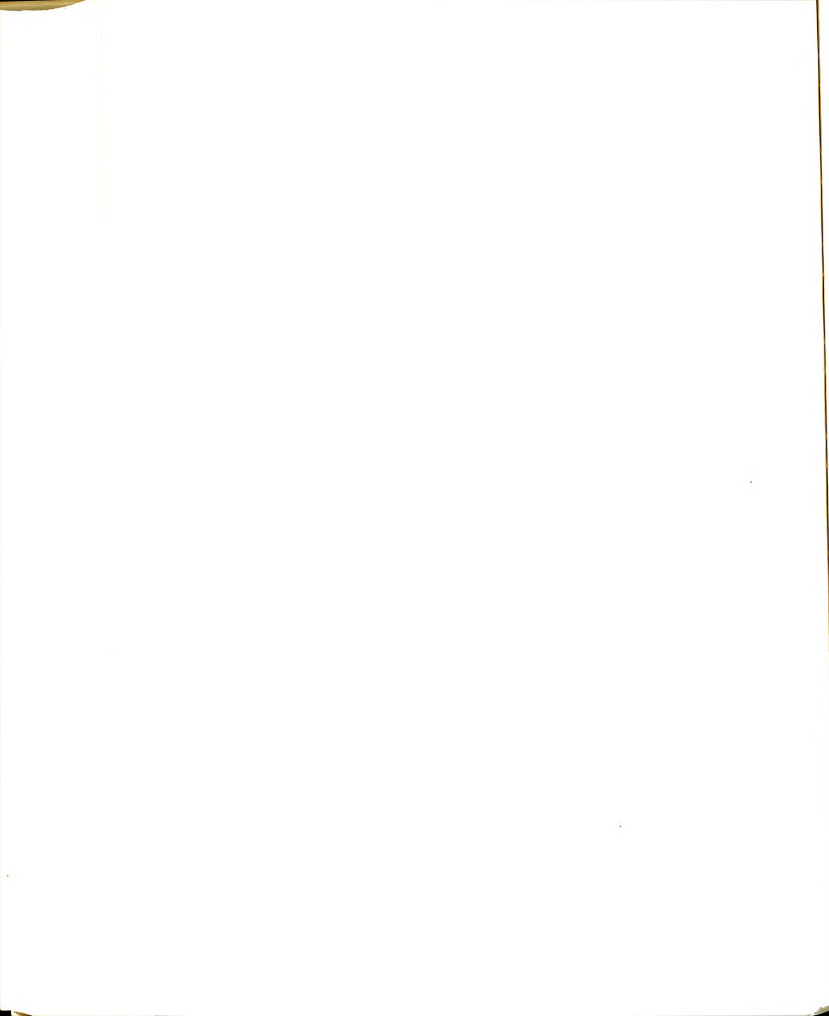
Any participating country may withdraw from this Arrangement upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Executive Secretary of GATT.

Article 14

This Arrangement shall remain in force for five years.

Article 15

The Annexes to this Arrangement constitute an integral part of this Arrangement.



ANNEXES

ANNEX A

(The percentages in this Annex will be communicated in due course.)

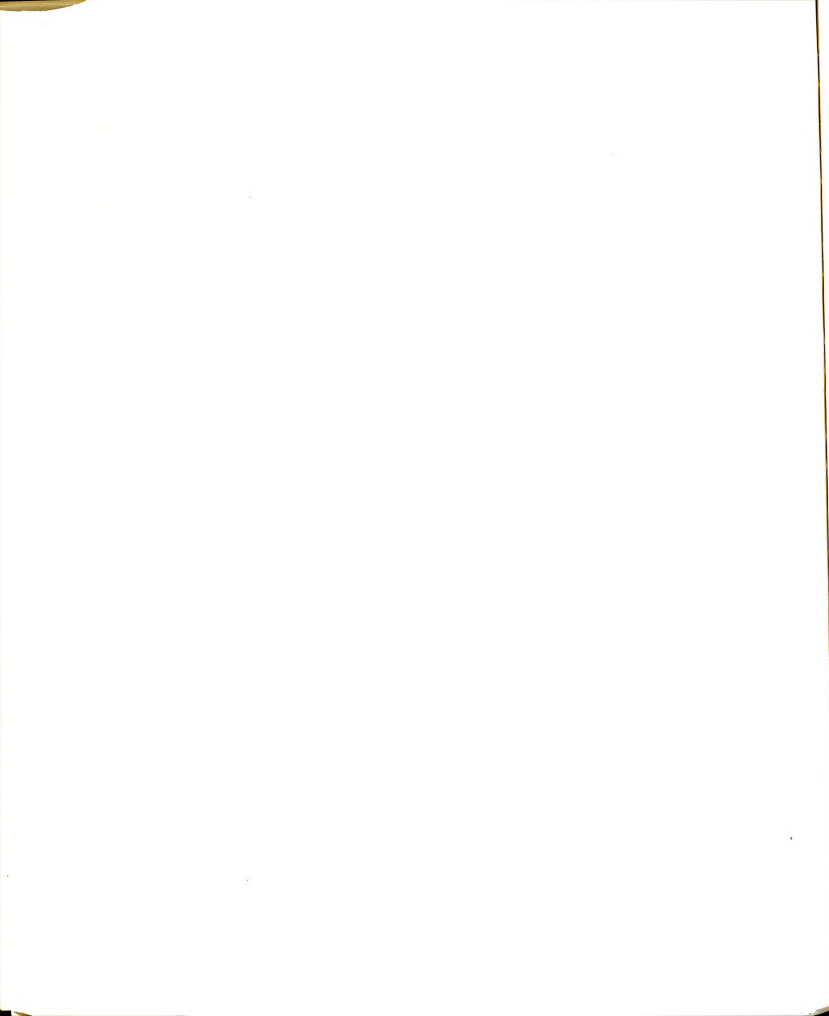
ANNEX B

1. (a) The level below which imports or exports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of Article 3 shall be the level of actual imports or exports of such products during the twelve-month period terminating three months preceding the month in which the request for consultation is made.

(b) Where a bilateral agreement on the yearly level of restraint exists between participating countries concerned covering the twelve-month period referred to in paragraph (a), the level below which imports of cotton textile products causing or threatening to cause market disruption may not be restrained under the provisions of Article 3 shall be the level provided for in the bilateral agreement in lieu of the level of actual imports or exports during the twelve-month period referred to in paragraph (a).

Where the twelve-month period referred to in paragraph (a) overlaps in part with the period covered by the bilateral agreement, the level shall be:

(i) the level provided for in the bilateral agreement, or the level of actual imports or



exports, whichever is higher, for the months where the period covered by the bilateral agreement and the twelve-month period referred to in paragraph (a) overlap; and

- (11) the level of actual imports or exports for the months where no overlap occurs.

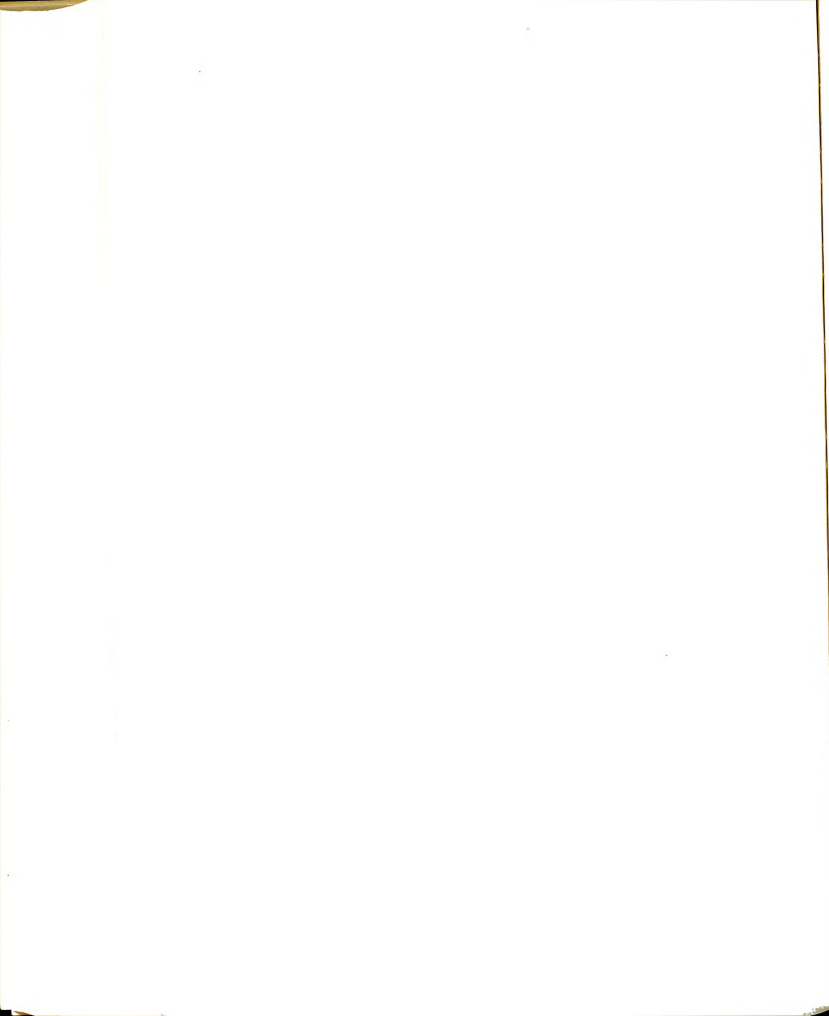
2. Should the restraint measures remain in force for another twelve-month period, the level for that period shall not be lower than the level specified for the preceding twelve-month period, increased by 5 percent. In exceptional cases, where it is extremely difficult to apply the level referred to above, a percentage between 5 and 0 may be applied in the light of market conditions in the importing country and other relevant factors after consultation with the exporting country concerned.

3. Should the restraining measures remain in force for further periods, the level for each subsequent twelve-month period shall not be lower than the level specified for the preceding twelve-month period, increased by 5 percent.

ANNEX C

Extract from the CONTRACTING PARTIES' Decision of 19 November 1960

"These situations (market disruption) generally contain the following elements in combination:

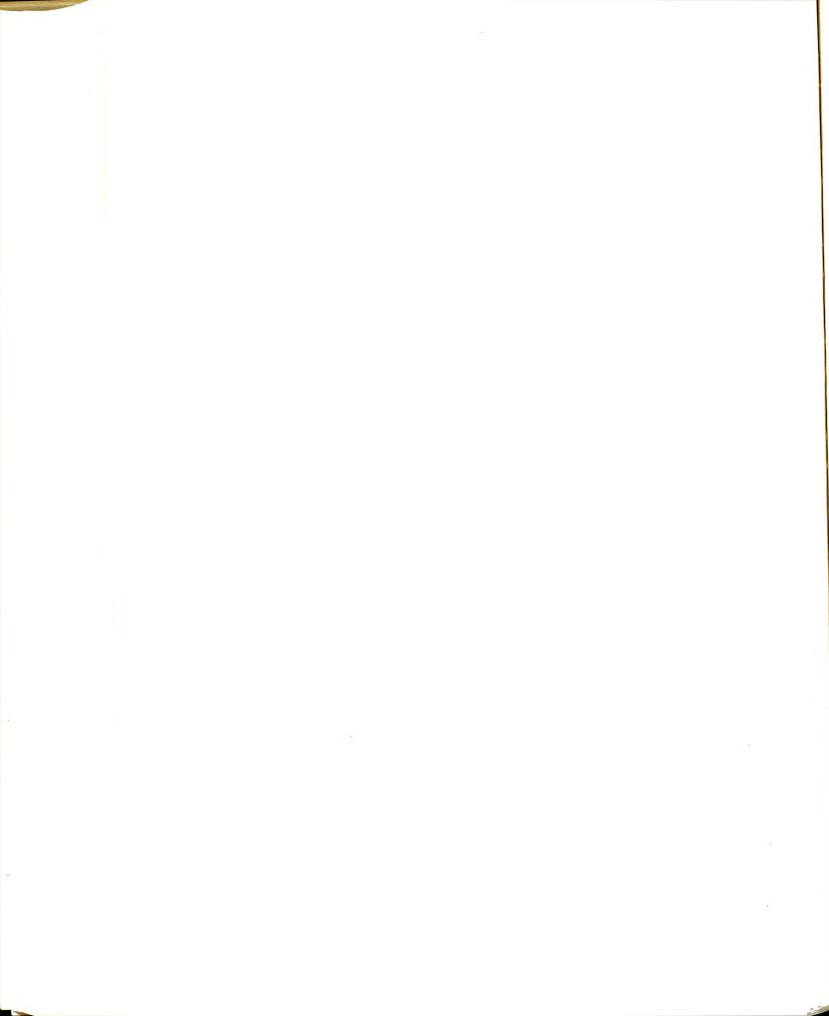


- (i) a sharp and substantial increase or potential increase of imports of particular products from particular sources;
- (ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
- (iii) there is serious damage to domestic producers or threat thereof;
- (iv) the price differentials referred to in paragraph (ii) above do not arise from governmental intervention in the fixing or formation of prices or from dumping practices.

In some situations other elements are also present and the enumeration above is not, therefore, intended as an exhaustive definition of market disruption."

ANNEX D

For the purposes of applying Article 9, the following list of the groups or sub-groups of the S. I. T. C. is suggested. This list is illustrative and should not be considered as being exhaustive.



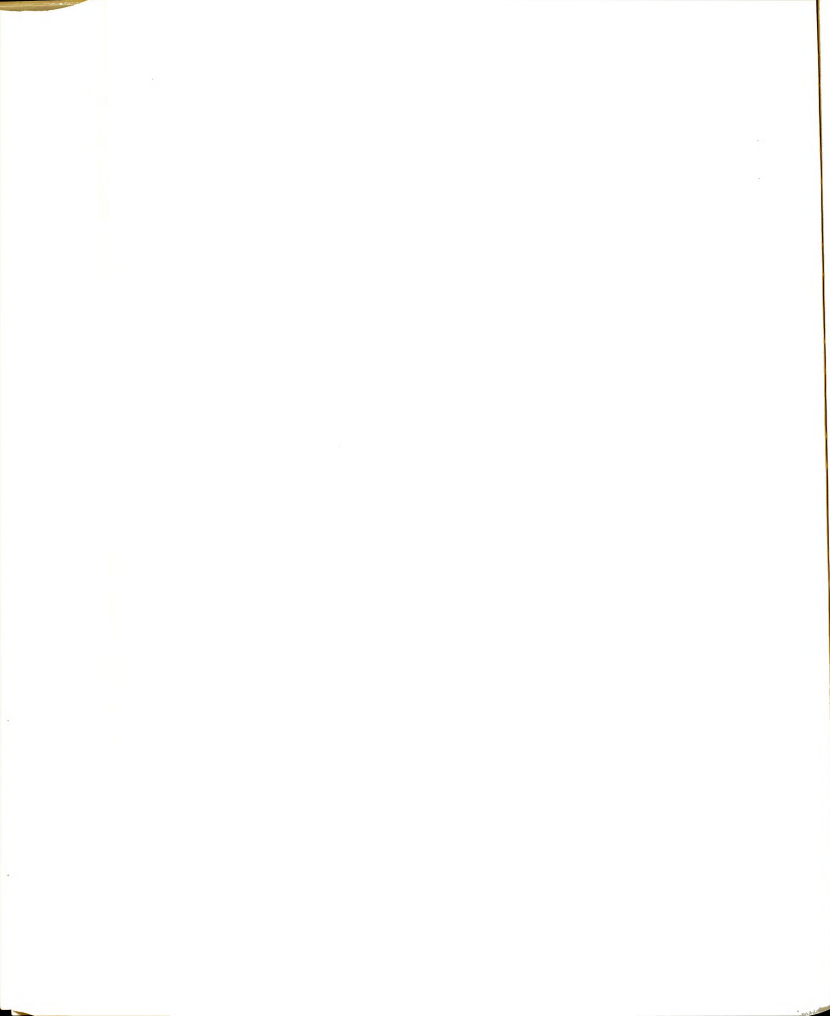
| | <u>SITC Rev.</u> | <u>BTN</u> |
|---|------------------|-------------|
| I Cotton yarns and fabrics | 651.3 | 55.05 |
| | | .06 |
| | 652.4 | .07 |
| | | .08 |
| | | .09 |
| | | 58.04A |
| II Cotton made-up articles and special fabrics | ex 653.7 | ex 46.02 |
| | ex 654 | ex 58.01-03 |
| | ex 655 | ex 58.05-10 |
| | ex 656 | ex 59.01-17 |
| | ex 657 | ex 60.01 |
| | | ex 62.01-05 |
| | | ex 65.01-02 |
| III Cotton Clothing | ex 841 | ex 60.02-06 |
| | | ex 61.01-11 |
| | | ex 65.03-07 |

ANNEX E

Interpretative Notes

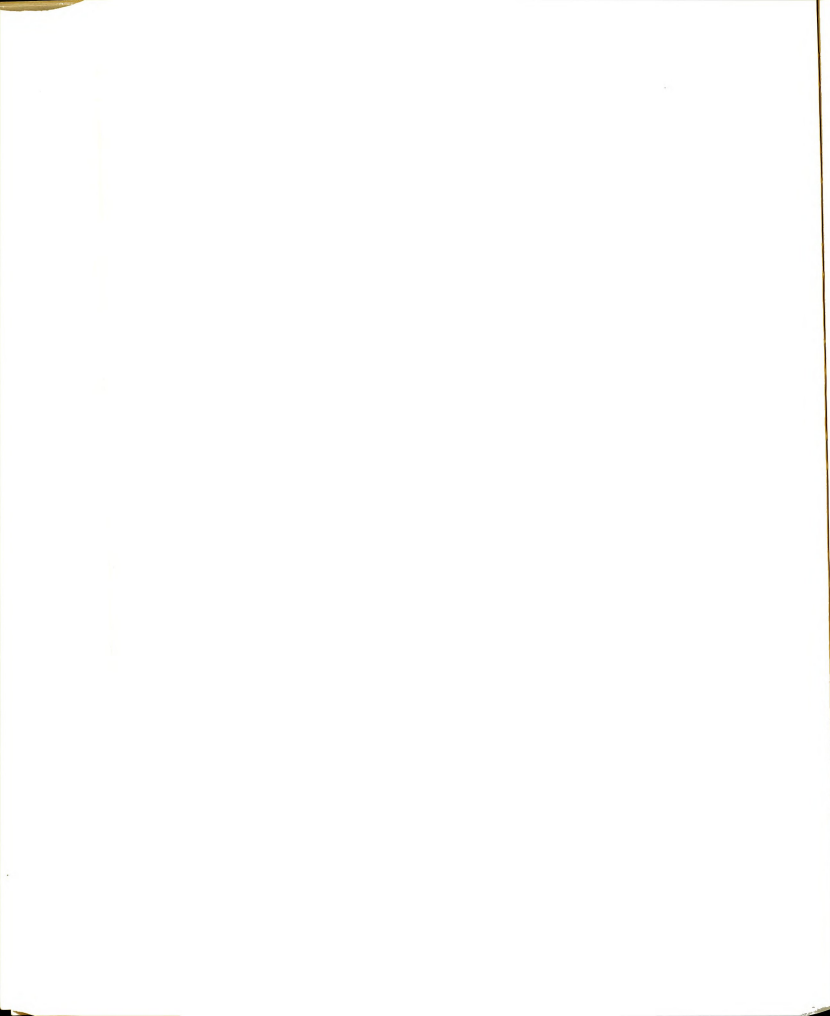
1. Ad. Article 3, paragraph 3

In Canada, there is no legislation whereby imports may be limited in a precise quantitative manner as envisaged in this paragraph. The provision available for limiting imports in order to avoid injury or a threat of injury to a domestic industry is contained in Section 40 A(7)(c) of the Customs Act which authorizes the application of special values for duty purposes. These special values cannot be used to achieve a precise level of imports. Accordingly, the participating countries recognize that, should Canada find it necessary to take action to limit imports pursuant to this arrangement, it would not be in a position to ensure that imports would not fall below the minimum level as defined in this paragraph.



2. Ad. Article 9

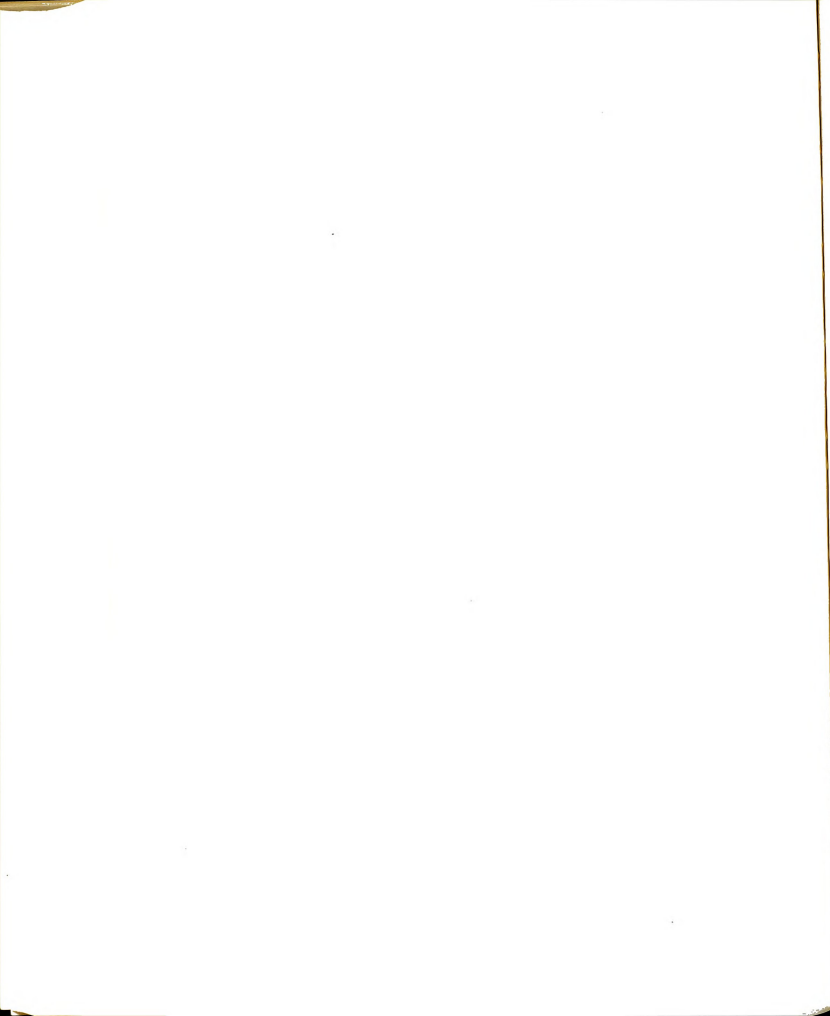
Notwithstanding the provisions of Article 9, any country which is applying a criterion based on value will be free to continue to use that criterion for the purposes of Article 9.



APPENDIX F

UNITED STATES-HONG KONG COTTON

TEXTILE AGREEMENT



UNITED STATES-HONG KONG COTTON

TEXTILE AGREEMENT*

The details of the agreement are as follows:

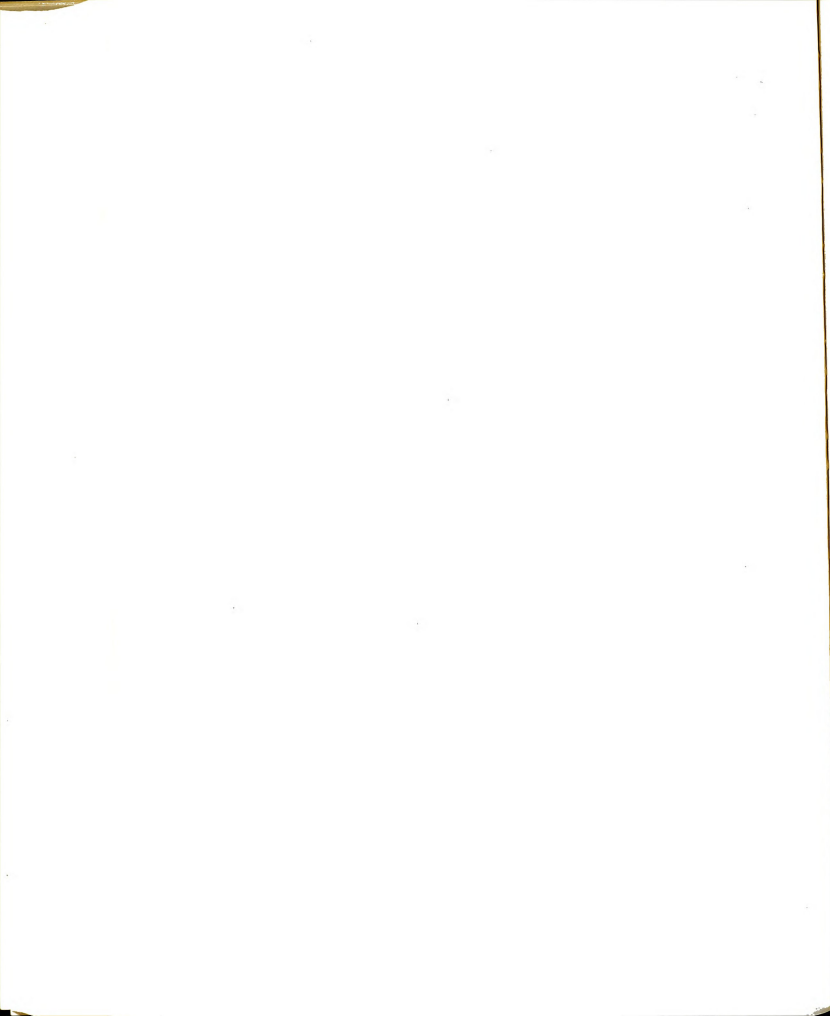
(1) The restraint levels in 35 categories of cotton textiles total 248.9 million square yards equivalent for the period October 1, 1963, to September 30, 1964. The annex under this release lists the specific restraint levels by categories agreed between the two Governments.

(2) The Government of Hong Kong agrees to limit, during the period from October 1, 1963, to September 30, 1964, the corduroy fabric content of apparel exports to the United States to a level of no more than 4 million square yards and to insure that the pattern of trade by garment categories established during the first year of the Long-Term Arrangements with respect to corduroy apparel items will be maintained during the second-year period.

(3) The United States Government agrees to lift its requests for restraints in categories 33, 44, and 57.

(4) The United States Government also agrees that the specific restraint levels, by categories and corduroy fabrics content, will be increased by 5%, in accordance with the provisions of the Long-Term Arrangements, to the

*Press release 583, November 15, 1963.



extent that restraints may be renewed in these categories, for the twelve-month period commencing October 1, 1964.

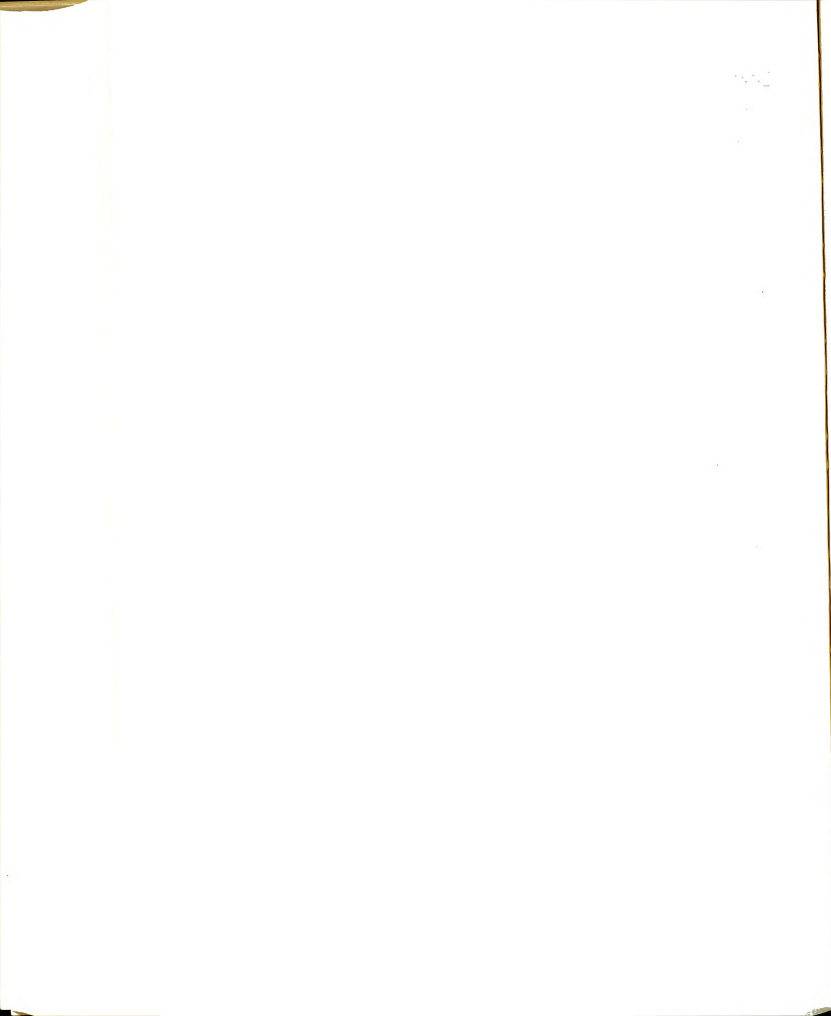
(5) The Government of Hong Kong has also agreed to continue for another year the arrangements which it had undertaken to space its exports in restrained categories during the first year of the Long-Term Arrangements.

(6) The two Governments will continue to provide each other periodically with such information on exports in restrained and unrestrained categories as may facilitate the implementation of the arrangement.

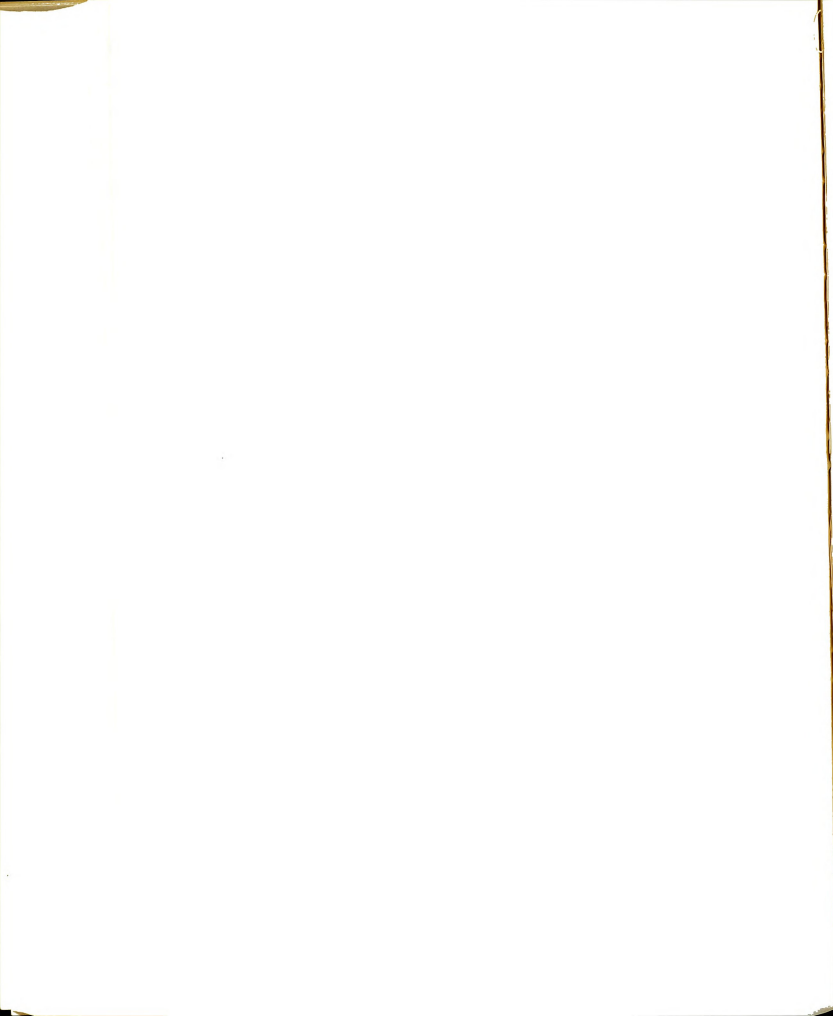
A list of the specific restraints on 35 categories of cotton textiles is provided in the annex below.

ANNEX

| <u>Category</u> | <u>Description</u> | <u>Restraint Level</u> |
|-----------------|---|------------------------|
| 1 | Cotton yarn, carded, singles | 206,000 lbs. |
| 5 | Gingham, carded | 3,455,358 syds. |
| 6 | Gingham, combed | 721,000 syds. |
| 9 | Sheeting, carded | 48,095,287 syds. |
| 15 | Poplin and Broadcloth, carded | 1,545,000 syds. |
| 16 | Poplin and Broadcloth, combed | 566,500 syds. |
| 18 | Print cloth, shirting type, 80 x 80 type, carded | 113,300 syds. |
| 19 | Print cloth, shirting type, other than 80 x 80 type, carded | 643,750 syds. |
| 22 | Twill and Sateen, carded | 16,683,525 syds. |
| 23 | Twill and Sateen, combed | 669,500 syds. |
| 24 | Woven fabric, not elsewhere specified, yarn dyed, carded | 242,050 syds. |
| 25 | Woven fabric, not elsewhere specified, yarn dyed, combed | 236,900 syds. |
| 26 | Woven fabric, not elsewhere specified, other, carded | 29,600,169 syds. |
| 27 | Woven fabric, not elsewhere specified, other, combed | 1,030,000 syds. |
| 28 | Pillowcases, carded | 463,500 nos. |
| 30 | Towels, dish | 808,467 nos. |
| 31 | Towels, other | 9,991,000 nos. |

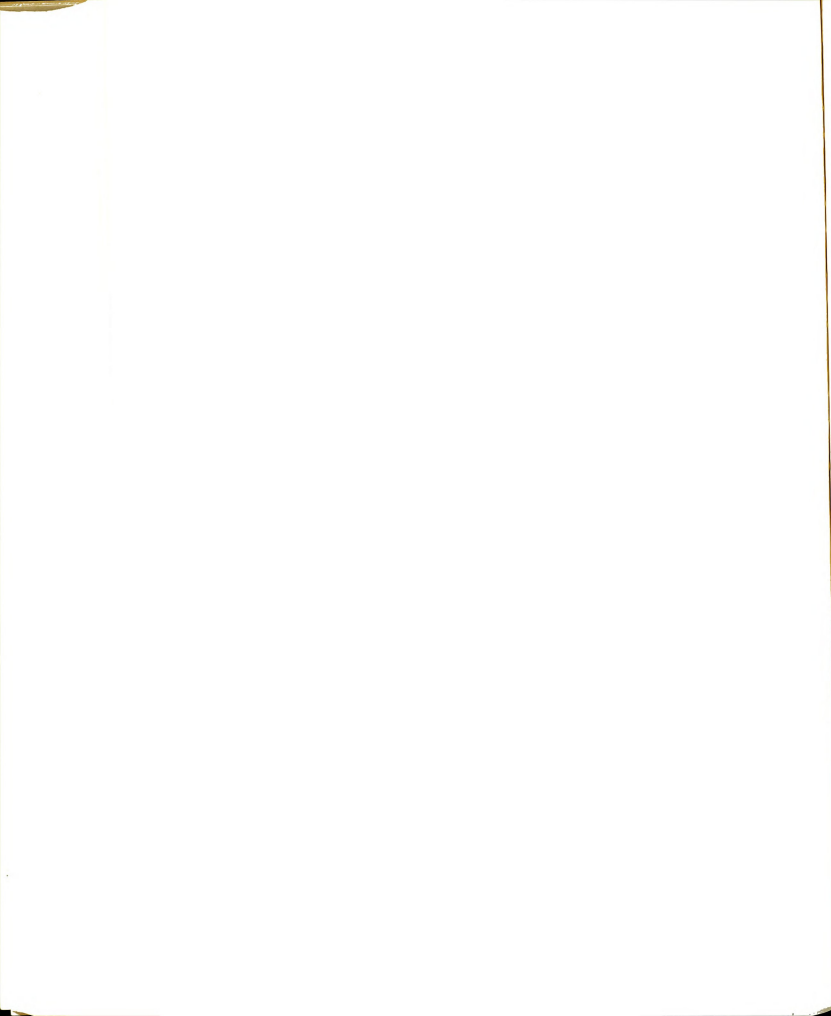


| <u>Category</u> | <u>Description</u> | <u>Restraint Level</u> |
|-----------------|---|------------------------|
| 36 | Bedspreads and quilts | 51,500 nos. |
| 39 | Gloves and mittens | 225,750 doz. prs. |
| 41 | T-shirts, all white, knit, men's and boy's | 126,000 doz. |
| 42 | T-shirts, other, knit | 267,750 doz. |
| 43 | Shirts, knit, other than T-shirts and sweatshirts | 367,952 doz. |
| 45 | Shirts, dress, not knit, men's and boy's | 273,000 doz. |
| 46 | Shirts, sport, not knit, men's and boy's | 786,500 doz. |
| 48 | Raincoats, 3/4 length or longer, not knit | 11,373 doz. |
| 49 | Coats, other, not knit | 43,172 doz. |
| 50 | Trousers, slacks and shorts (outer), not knit, men's and boy's | 735,000 doz. |
| 51 | Trousers, slacks and shorts (outer), not knit, women's, girl's and infant's | 1,280,858 doz. |
| 52 | Blouses, not knit | 1,065,750 doz. |
| 53 | Dresses, including uniforms, not knit | 57,750 doz. |
| 54 | Playsuits, sunsuits, wash- suits, creepers, rompers, etc., not knit, not else- where specified | 126,000 doz. |
| 60 | Pajamas and other nightwear | 472,500 doz. |
| 61 | Brassieres and other body- supporting garments | 1,475,250 doz. |
| 62 | Wearing apparel, knit, not elsewhere specified | 299,250 lbs. |
| 64 | All other cotton textiles | 3,502,000 lbs. |



APPENDIX G

TABLE I
INDEPENDENT AND DEPENDENT VARIABLES USED IN
THE MULTIPLE LINEAR REGRESSION
AND CORRELATION ANALYSIS



| Year | ^y _a Quantity Imported of Cotton Twill-Back Velveteens Sq. Yd. | ^x ₁ ^a Price Per Sq. Yd. Received by Japanese Exporters | ^x ₂ ^b Population | ^x ₃ ^c National Income Billions of Dollars | ^x ₄ ^c Personal Income Billions of Dollars | ^x ₅ ^c Disposable Income Billions of Dollars | ^x ₆ ^c Real National Income Billions of Dollars |
|------|---|---|--|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1951 | 387,348 | .835 | 154,872,000 | 277.0 | 255.3 | 226.1 | 306.1 |
| 1952 | 439,613 | .655 | 157,553,000 | 289.5 | 271.1 | 236.7 | 313.0 |
| 1953 | 220,914 | .703 | 160,184,000 | 303.6 | 286.2 | 250.4 | 325.8 |
| 1954 | 52,633 | .663 | 163,026,000 | 299.7 | 287.6 | 254.8 | 320.2 |
| 1955 | 1,280,526 | .599 | 165,931,000 | 330.2 | 310.2 | 274.4 | 353.9 |
| 1956 | 1,104,486 | .674 | 168,903,000 | 350.8 | 332.9 | 292.9 | 370.4 |
| 1957 | 996,189 | .589 | 171,984,000 | 366.9 | 351.4 | 308.8 | 374.4 |
| 1958 | 770,492 | .684 | 174,882,000 | 367.7 | 360.3 | 317.9 | 365.1 |
| 1959 | 563,272 | .682 | 177,830,000 | 400.5 | 383.9 | 337.1 | 394.6 |
| 1960 | 274,626 | .715 | 180,684,000 | 414.5 | 401.3 | 349.9 | 402.0 |
| 1961 | 597,374 | .761 | 184,756,000 | 426.1 | 417.4 | 364.4 | 408.9 |
| 1962 | 866,009 | .729 | 186,656,000 | 453.7 | 442.1 | 384.4 | 430.5 |
| 1963 | 873,303 | .703 | 189,417,000 | 478.1 | 463.0 | 402.4 | 448.1 |

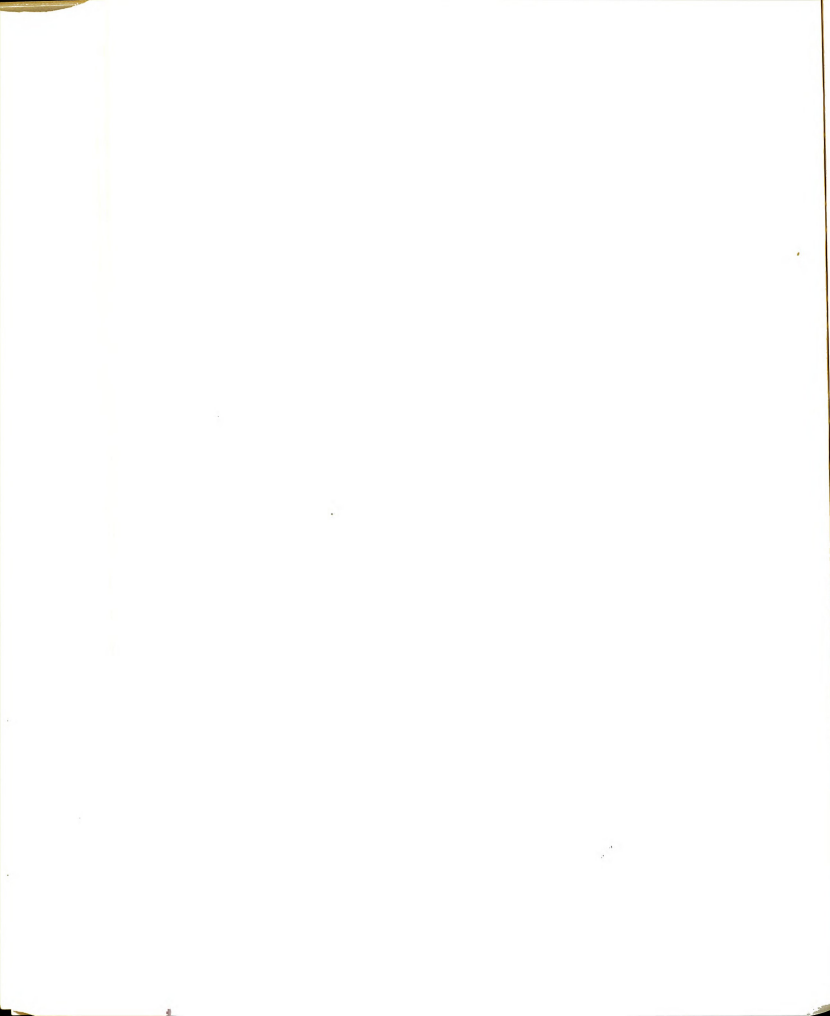
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^cFederal Reserve Bulletin, Vols. 37-49 (Washington, D. C.: Board of Governors, 1951-63).

^dColumn 10 ÷ Column 4.

| X_7^c Real Personal Income | X_8^c Real Disposable Income | X_9^d Real Per Capita Disposable Income | X_{10}^c Velveteens Imported Divided by Cotton Products | X_{11}^c Velveteens Imported Divided by Textiles & Apparel | X_{12}^c Velveteens Imported Divided by Wholesale Price Index | X_{13}^c Cotton Products Divided by Man-Made Fibers | X_{14}^c Cotton Products Divided by Textiles & Apparel |
|---------------------------------------|---|---|--|---|---|--|---|
| Billions of Dollars (9) | Billions of Dollars (10) | (11) | (12) | (13) | (14) | (15) | (16) |
| 282.1 | 249.8 | 1612.94 | 96.5 | 109.7 | 75.5 | 103.3 | 105.7 |
| 293.1 | 255.9 | 1624.22 | 108.5 | 95.4 | 93.5 | 99.7 | 103.6 |
| 307.1 | 268.7 | 1677.45 | 95.4 | 105.6 | 85.4 | 96.6 | 102.9 |
| 307.3 | 272.2 | 1669.67 | 97.2 | 101.1 | 91.3 | 93.6 | 98.3 |
| 332.5 | 294.1 | 1772.42 | 110.3 | 91.3 | 101.4 | 94.9 | 100.7 |
| 358.9 | 309.3 | 1831.23 | 99.7 | 102.7 | 93.0 | 102.7 | 102.4 |
| 358.6 | 315.1 | 1832.15 | 111.2 | 89.7 | 109.5 | 99.5 | 99.8 |
| 357.8 | 315.7 | 1805.22 | 93.3 | 106.2 | 95.6 | 99.1 | 99.1 |
| 378.2 | 332.1 | 1867.51 | 97.0 | 104.3 | 96.1 | 101.6 | 101.2 |
| 389.2 | 339.4 | 1878.42 | 95.2 | 108.1 | 91.8 | 107.1 | 102.9 |
| 400.6 | 349.7 | 1903.07 | 86.0 | 117.2 | 85.9 | 107.4 | 100.6 |
| 419.5 | 364.7 | 1953.86 | 89.9 | 111.2 | 89.9 | 108.3 | 101.1 |
| 433.9 | 377.1 | 1990.85 | 92.5 | 108.1 | 92.4 | 106.7 | 99.8 |



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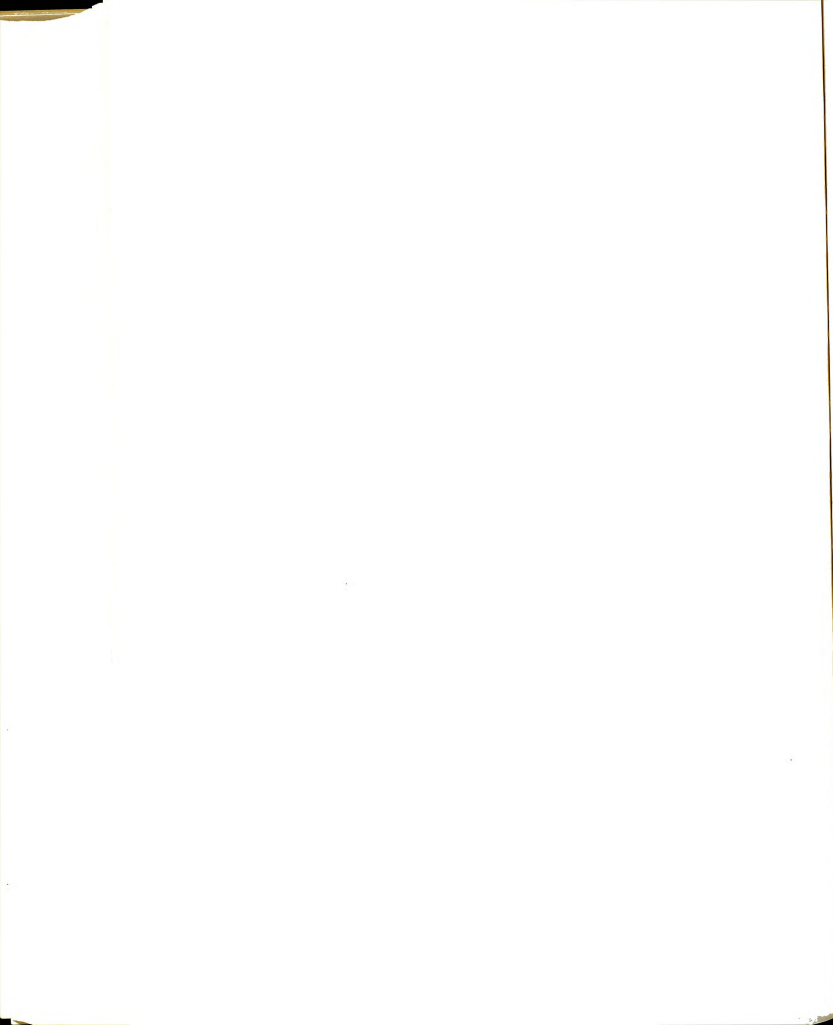
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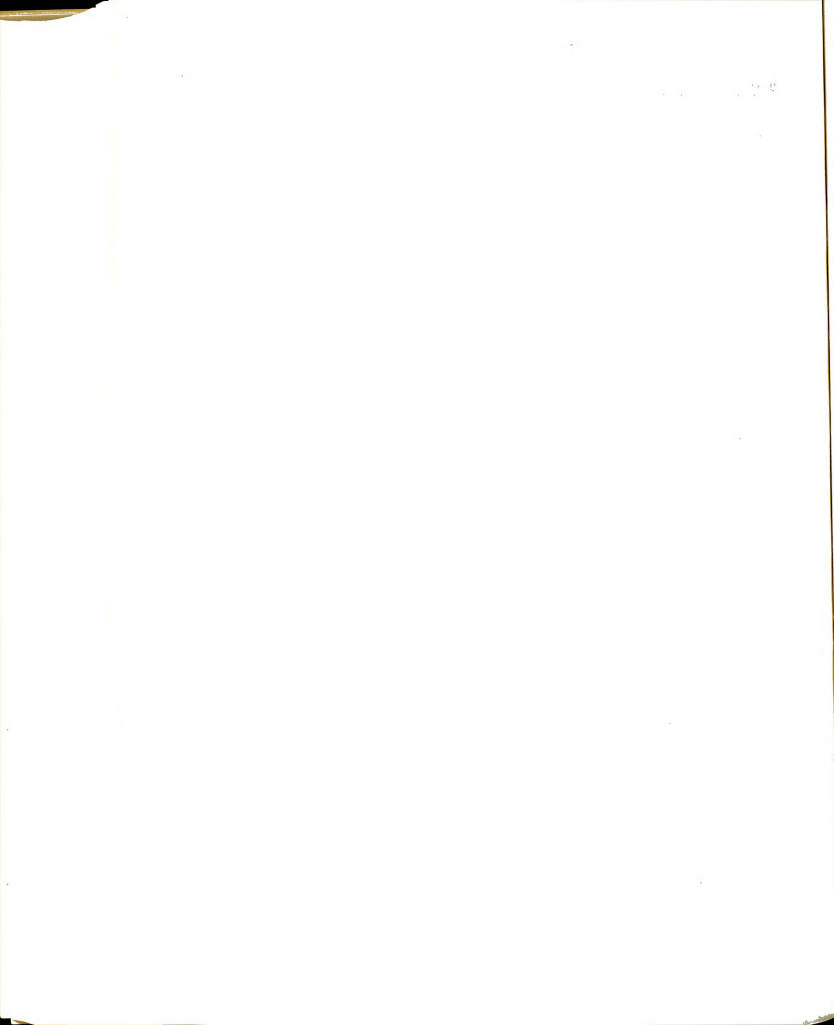
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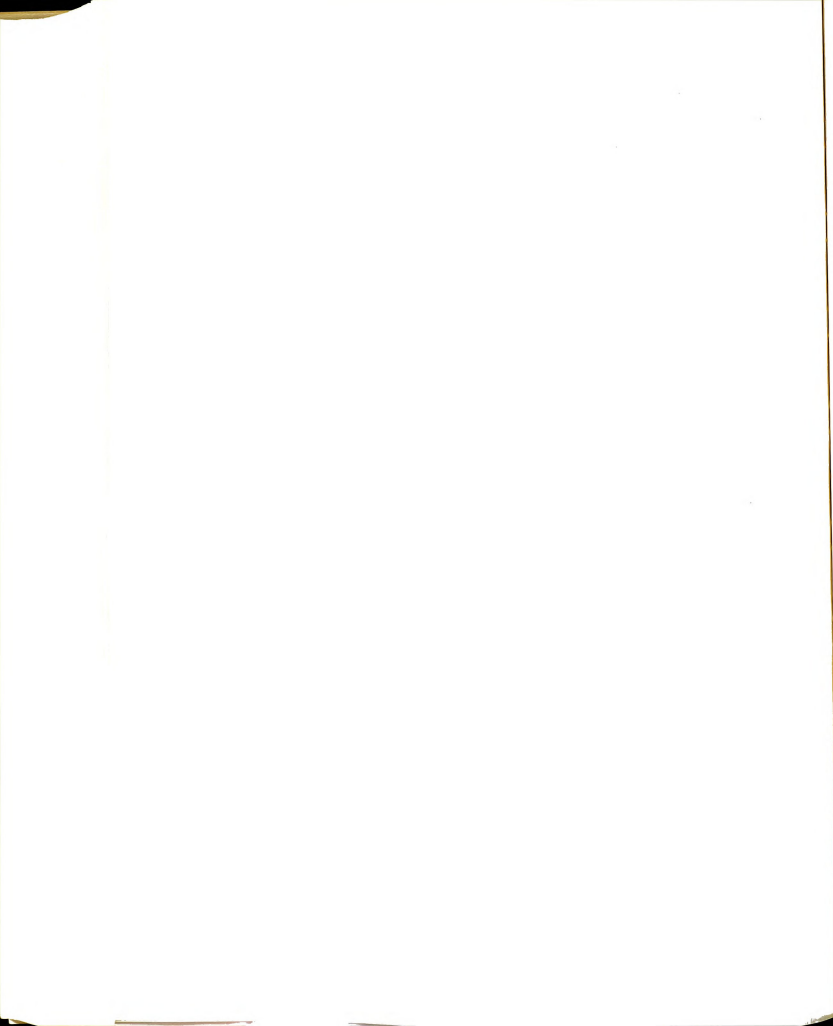
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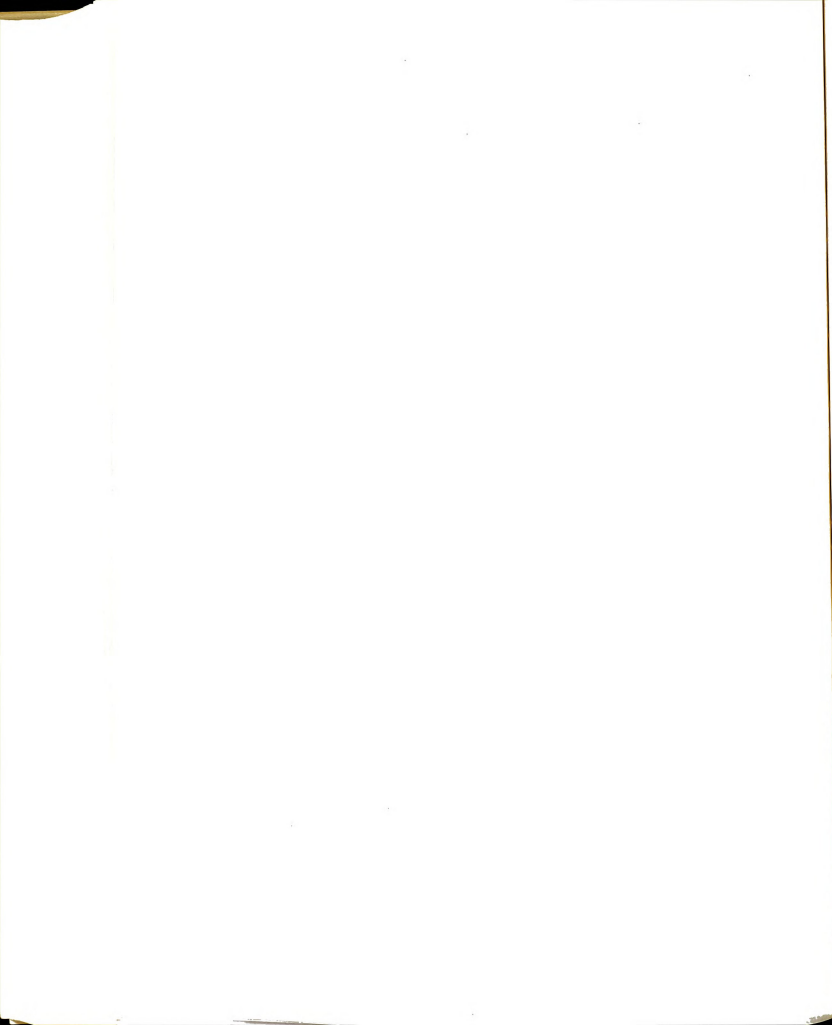
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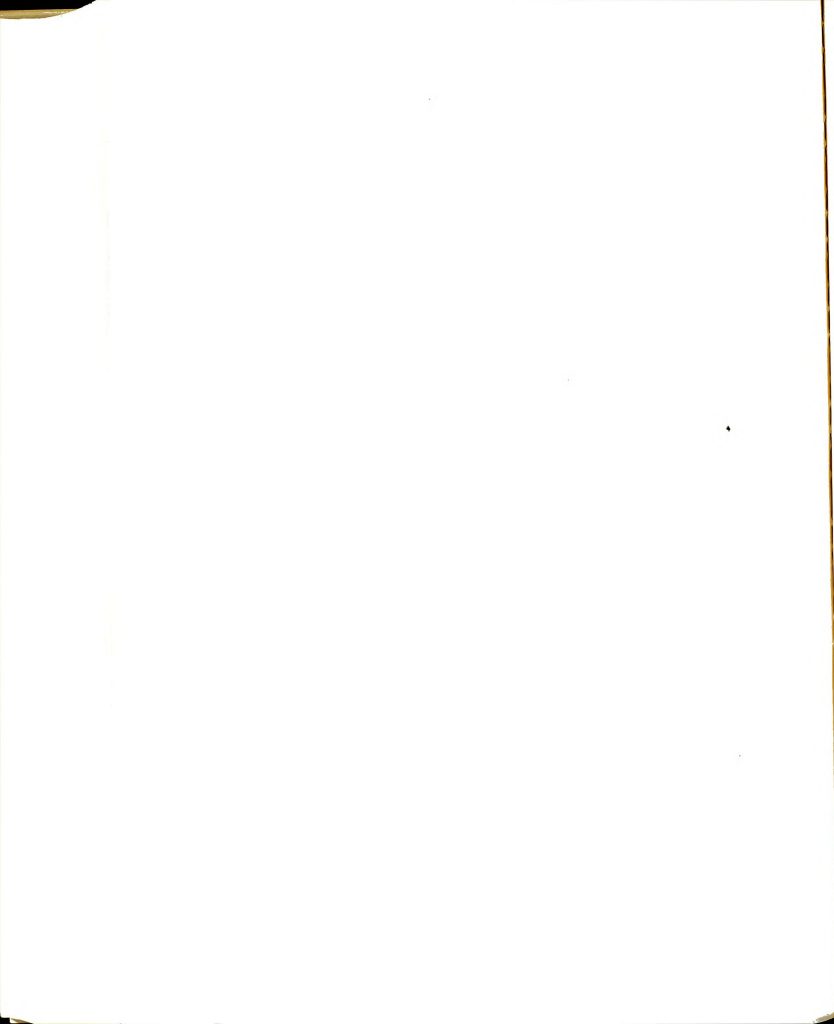


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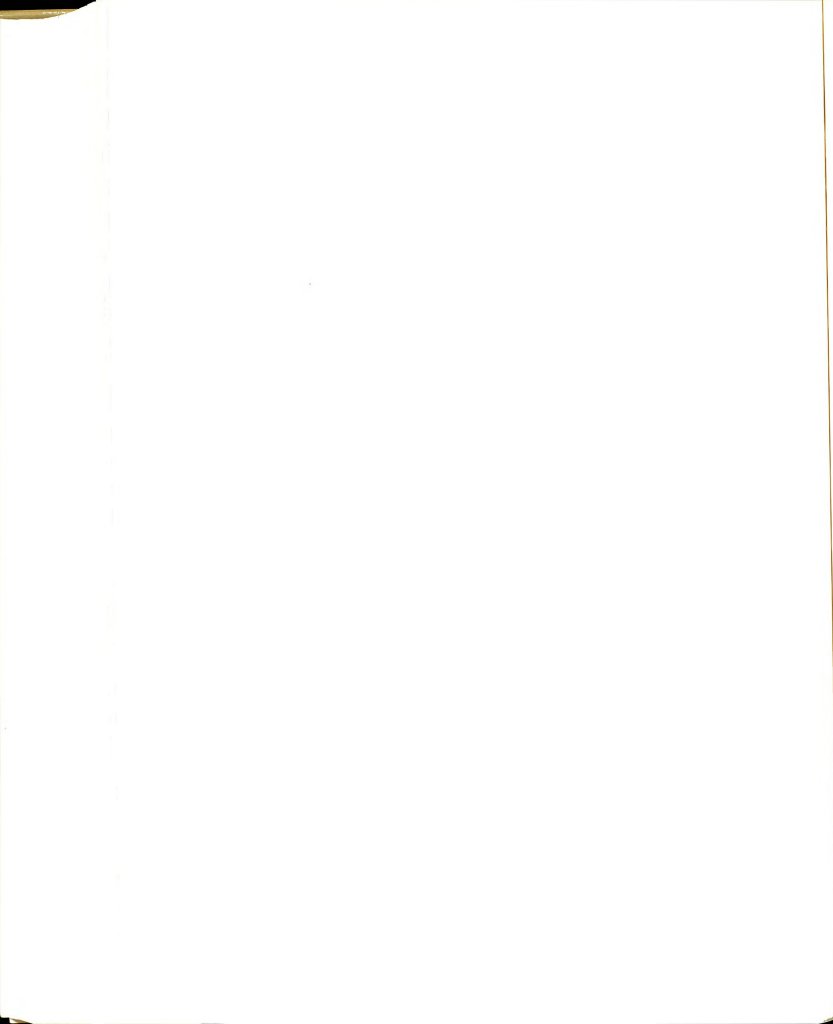
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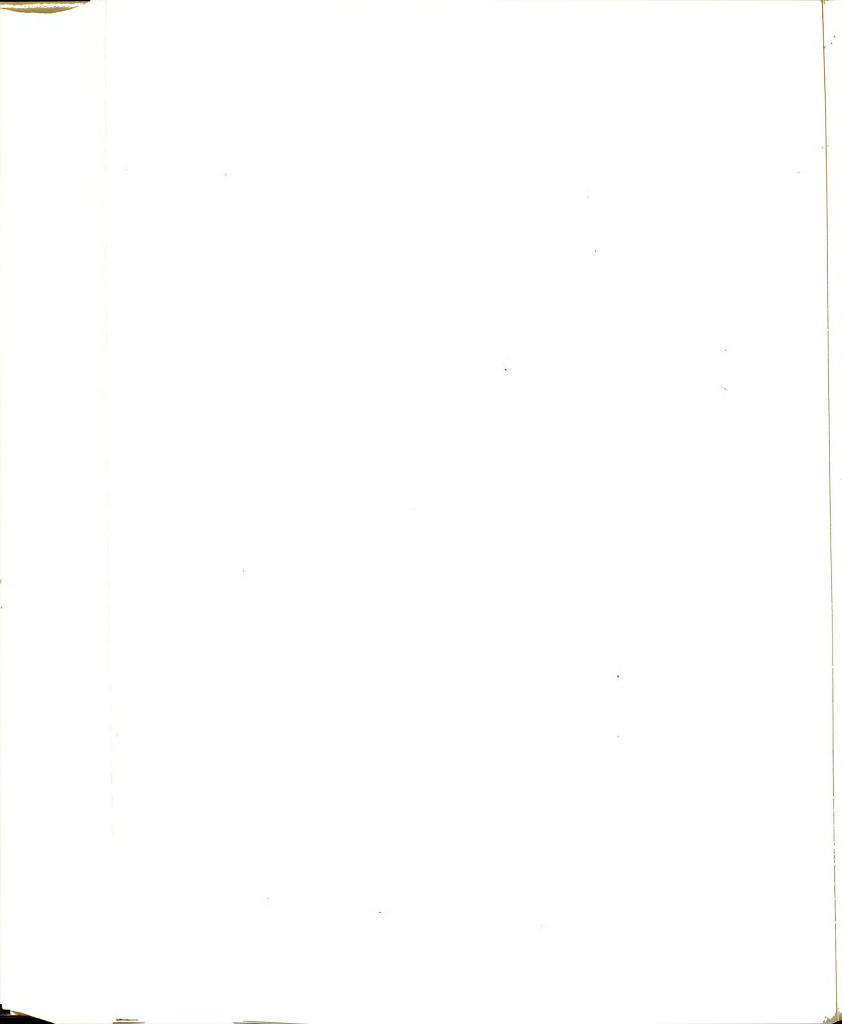
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