

Def. Doc. No. 1918 Appendix 11

carpets were adversely affected. Furthermore, on April 18, 1934, the amendment bill for the tariffs covering many items incidental to the budget for the same year was submitted to Parliament and was put into effect on the 19th. The said bill was passed by Parliament and was promulgated as law on July 1. As a result of this amendment, there were 24 items whose tariffs were lowered, 1 item whose tariff was raised, 15 items whose preferential tariffs alone were lowered, 13 items of goods whose intermediate and general tariffs were lowered, 2 items of goods whose intermediate and general tariffs were raised. The goods, the tariffs of which were raised, were jute, twisted thread, crude peanut oil and iron alloys.

3. The Custom Duty Law of Canada and Japanese goods.

Regarding the taxes which were imposed on imported goods in Canada, the following points need to be taken into account, together with the tariff (the intermediate tariffs are applied to the Japanese goods) stipulated in the Custom Duty Tariff Law.

- (a) Official price and industry protection tax. For the purpose of protecting domestic industry since 1922, Canada fixed the official price, that is, the estimated value (for example, \$1.25 per one pound of rayon textile) of specified goods which was to constitute the basis of the imposition of the import duty. In addition to the tax imposed on these goods,

the difference between the said estimated value and the invoice price was collected as an industry protection tax. In 1935 items to which the said official prices were applied were as many as 35. Following the cabinet change which took place at the end of the same year, the new government took into consideration the claim of Japan, etc. and abolished all the official prices except those of several articles such as rubber shoes, fruits, vegetables, etc. (official prices had never been applied to British preferential articles.)

(b) Official rate of exchange and tax on exchange dumping

Canada created the tax on exchange dumping in order to cope with the fluctuation of the exchange rate which had taken place since 1931. That is to say, to the countries whose currency's external value diminished by 5% as compared with that of Canada, import duties were levied on the basis of the specifically fixed official exchange rate instead of on the basis of the actual exchange rate. On the invoice value of the imported goods, the difference between official and the market exchange rate is being collected as an exchange dumping tax. However, this regulation applies only to the articles of the same class and kind that Canada produces. On articles other than these, such as raw silk, oranges, unpolished rice, tableware, green tea, machinery, dolls, etc. taxes are imposed on the basis of the actual exchange



rate and the exchange dumping tax is not levied.

The official exchange rate had been fixed at 49.85 per ¥100 for Japan. As a result of repeated negotiations, it was fixed at \$39.50 as of January 1, 1936 and is to be gradually decreased after the next year. The articles of the same class and kind that Canada produces covered a wide range of items. But as a result of the recent negotiations, it was decided that the articles which are not produced in great quantities in terms of Commerce are not subject to the above treatment. Consequently, it was decided that for the present soya-bean, red bean, black bean and cotton table-cloths are excluded from the said articles. (concerning the negotiation between Japan and Canada refer to chapter 2 of Section 1).

It is stipulated in the Customs Duty Law that the industry protection tax and exchange dumping duty may not exceed 50% of the converted amount on the basis of the official price and the official exchange rate.

C. Sale, tax and consumption tax

In addition to customs duty, 6% sales tax and 3% consumption tax are imposed on imported goods for the purpose of securing revenue. These taxes are imposed on the estimated value on the basis of the above. (a) and (b) plus import tax. But British preferential goods are exempt from the consumption tax.



Australia

1. Suspension of the Gold Standard
(December 17, 1929)
2. Customs Tariff

The Australian Customs Tariff now in operation was originally set up in accordance with the Customs Tariff Act of 1920 -- 1921. with a view to protecting the industries which had developed during the war, especially the textile and metal industries, also with a view to provide the preference to the British Commonwealth. The tariff rates have since been raised more than ten times, each time with an increase in protection, till they reached what they are now.

On October 13, 1932, however, following the announcement of the text of the Ottawa Commercial Agreement then concluded between Britain and Australia, a tariff revision bill was introduced in the Federal Parliament with a view to putting in practice the tariff preference as stipulated in the agreement, and this was made operative on the 14th. The items mentioned included 442, kinds with the intention on the whole to extend the preference clause in favor of the British Empire by lowering tariffs leviable on British articles on the one hand, while on the other hand raising tariff rates on foreign goods. The Japanese goods that were to be unfavorably affected by the revised tariff rates were as follows: cotton duck-cloth, rayon textiles, shell-buttons, panama hats, silk hose, brass and bronze ware, glass-bottles, window sheets, hand-bags, brushed, cotton yarn, writing-paper, writing materials,

cotton-waste, artificial wild-silk, silk, artificial silk, wild-silk, celluloid sheets, table-cloths, and handkerchiefs.

On August 2, 1934, with the object of encouraging Australia's domestic cotton and cotton-planting industries, the tariff rates not only general but also preferential on cotton yarn and cotton cloths, were raised, dealing a severe blow to Britain than to Japan.

On December 6, 1934, the British Government introduced to Parliament a wide-range tariff revision Bill, which was made operative on the 7 of the same month. The items of Japanese goods that were to be affected by the newly-raised tariff rates were as follows: garters (65% ad valorem), zip fasteners (57.5% ad valorem), electric appliances and parts (57.5% ad valorem), and arsenic acid (30% ad valorem).

By the revision of the tariff rates enforced on March 29, 1935, the British preferential tariff was on the whole unfavorably affected, while the general tariff was left unchanged, but in some cases both the general and preferential rates were reduced, and in other cases the preferential tariff was raised and with the general left unchanged. In the revised schedule a subdivision was made of the items for duties. The items of Japanese goods whose rates of duties were raised were as follows: clothing (knitted), hats and hat-frames other than those made of felt (55% ad valorem), children's socks, children's sleek water-hoses, ladies' socks,

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gents' half-hose, full golf-hose, ladies' stockings, bags other than metal ones, purses, and wallets. The following were the items of major Japanese goods listed on the newly-raised tariff schedule effective on November 29, 1935: towels, lamps, and lantern and parts (40 -- 60 % ad valorem). In the rates of duties on the following articles, however, decrease was made: glass-ware, packing-paper and brushes. Along with the revision above, an intermediate tariff was set up with regard to, numerous items. In this connection, however, it must be noted that seemingly it was the intention of the Australian Government not to extend this privilege to all countries indiscriminately but to apply it to only some specified items only in favor of those countries with which it had concluded treaties.

3. The Tariff Revision Act in October, 1933.

(a) On October 4, 1933, a bill was introduced proposing a reduction of duties on the goods of high exchange-rate countries and an increase of duties on the goods of low exchange-rate countries. After a series of negotiations between the Japanese and Australian Governments, some amendments were made in the said bill, and it was decided that the reduction of the customs tariff should be effected only in the case of countries enjoying the benefit of the British preferential tariff with regard to the items of goods receiving protective tariffs, maintain high

exchange rate (the beneficiaries in this case being Britain and Canada), and that part of the bill dealing with the raising of tariff rates on the goods of low exchange rate countries was struck out. As a result, the disadvantages that we were otherwise likely to suffer were removed to a considerable extent, but still we were obliged to stand in an unfavorable situation in competing with British and Canada goods, such as electric bulbs, enamelled ironware, aluminum ware, cotton handkerchiefs, cotton napkins, some kinds of glass manufactures and potteries and bicycles and part. Though the bill of 1933 was revised as stated above, it meant nothing more than the mere abandonment, in accordance with the provisions of the bill, of the enforcement of exchange-dumping taxes. In the Industrial Protection Law of Australia of 1921, are found provisions governing exchange dumping taxation the Australian Government is empowered by that law to impose exchange dumping taxes upon goods imported from low exchange rate countries at unreasonably low prices, pending examination reports by the Customs Tariff Committee. It should not be therefore concluded that no dumping taxations will ever be levied upon Japanese goods under any circumstances, or at any future time. The Customs Tariff Committee has reportedly made inquiries into whether or not dumping practices were resorted to by the Japanese traders in the line of Japan-made rubber-shoes, cotton towels, ammonium

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sulphate, potteries, electric bulbs, enamelled ironware, colored pencils, suspenders, and garters. So far, however, no Japanese goods have been subjected to the dumping taxation.

(b) Primage Tariff

The tariff in question was set up on July 10, 1930, with increase of revenue in view, through duties on all imported articles irrespective of their being dutiable or duty-free. The rate was at first 2.5% ad valorem, but this was raised in November of the same year to 4%, and ultimately, as the result of the revision effected in July, 1931, increased to 10% ad valorem on almost all items of imported articles. The imposition of these taxes was customarily enforced only after Parliament's passage of the bill necessary for the purpose, and it was not before the creation of the Primage Tariff that it was promulgated as formal law. The law was made effective retroactively from October 5, 1933, its rates being classified into four (a) duty-free, (b) 4% ad val., (c) 5% ad val. and (d) 10% ad val. The items falling in the categories of (a) (b) and (c) were all listed and other items not listed therein were grouped together in class (d).

It is to be remembered that it is stipulated in the British-Australian Agreement, that the present taxation, as far as finance permits, may be increased in its rates or abolished. Accordingly,

it so happens. That the Australian Government finds it expedient to revise the tariff rate every year as the financial situation demands.

(b) Primage Tariff

The bill in question was introduced in the House of Representatives on 10th July 1931, with a view to increasing the revenue in view of the fact that on all imported articles a percentage of their value is paid as duty. The rate was at first 2.5% ad valorem, but this was raised in November of the same year to 4% and ultimately, on the result of the revision effected in July, 1931, increased to 10% ad valorem on almost all items of imported articles. The imposition of these taxes was customarily enforced only after Parliament's passage of the bill necessary for the purpose, and it was not before the House of Representatives that it was promulgated as formal law. The law was made effective retrospectively from October 1st, 1931, and being classified into four (a) duty-free, (b) 10% ad val., (c) 10% ad val. and (d) 10% ad val. The items not listed therein were grouped under (a) and (c) and (d) respectively. It is to be noted that the items specified in the schedule Australian goods, the tariff on which, as far as finance permits, may be increased in its rate or abolished. Accordingly,

Excerpt from the "General Trend of International
Commerce and Japan, 1936 Ed" pp. 46-47.

China

1. Raising of Tariff

The Kuomintang Government, taking the opportunity of the expiration of the Sino-Japanese Tariff Agreement on May 15, 1933, suddenly announced its revised tariff rates on imports on May 22, and put them in effect on the same day. The revision covered almost all the items on the tariff list, and the rates were drastically raised particularly on most of Japan's important trade-goods for China (The tariffs on cotton cloth and marine products were increased from 10 to 60 percent as compared with the former rates. A duty of 0.25 golden unit per picul was imposed on wheat flour which was formally free of duty. Furthermore the tariffs on coal, cement, artificial silk fabrics and miscellaneous goods were raised from 30 to 100 per cent while, the rates on such foreign imports as industrial raw materials and machinery were generally lowered or kept unchanged.) Later, in July, 1934, the Chinese Government again published newly revised tariff rates on imports, raising the rates on machinery, metals and foodstuffs but somewhat lowering those on cotton cloth, marine products, paper and the like.



The tariff rates were thus reduced slightly so far as our principal exports were concerned, but the rates on our special export items, such as needles and porcelain building materials, were greatly increased, resulting in raises of 55-75 percent as compared with the former rates. This was carried out as a part of China's policy of protecting her own industries.

2. ~~Embargo~~ and restriction of import export and taxation in the Kwangtung Area.

Since January, 1933, the government of Kwangtung Province had been carrying out the so-called three-year program of provincial administration in order to revise the system of excessive taxation. However, its finance being too exhausted to make both ends meet, the provincial government was obliged to seek a new source of revenue. It adopted, therefore, various measures which were different from those being taken by the central authorities in regard to the embargo and restriction of the exportation and importation of goods. Namely, the Kwangtung Provincial Government placed in June of the same year an embargo on the importation of Manchurian agricultural, livestock and marine products. (However, the beans imported via Vladivostok, whenever certified by Chinese consul there, were to be regarded as a home-produced goods and the inter-provincial duties were to be levied thereon. Later on, the regulations for the importation of beans to the 4 North-eastern Provinces were enacted and put into force from

September 1.) At the same time, a licence system was established as regards the importation of refined and crude oil and cement. Especially regarding the latter item, the "Regulations for the Punishment of the Contraband of Foreign Cement" and the "Regulations for the Disposal of Smuggled Cement and Regulations for Reward and Punishment" were enacted as a means to prevent its importation. In September, the "Bureau for the Collection of the Taxes on Foreign Agricultural Products" was established in order to levy special taxes on more than 40 kinds of agricultural products, including the rice imported from abroad. (This tax was wholly revised in May, 1934, and the number of the dutiable goods exceeded one hundred.) The sugar tax which had hitherto been imposed on both foreign and home products was abolished in May, 1934, when the sugar manufacturing factory was established under direct government management, and the tariff on foreign sugar was raised in accordance with the policy adopted of protecting home-produced sugar.

Moreover, a licence system was adopted for the importation of artificial fertilizer and canned food, and the special taxes were imposed on foreign-made cosmetics, hides and paper.

Def Doc No. 1918 16-A-1

CONVENTION REGARDING THE COMMERCIAL
RELATIONS BETWEEN JAPAN AND INDIA

Signed at Tokio, in Japanese and English, August 22, 1904
(37th year of Meiji).

Ratified March 14, 1905 (38th year of Meiji).

Ratifications exchanged at Tokio, April 15, 1905.

Promulgated March 16, 1905.

His Majesty the Emperor of Japan and His Majesty the King
of the United Kingdom of Great Britain and Ireland and of the
British Dominions beyond the Seas, Emperor of India, being
equally desirous of facilitating the commercial relations

between Japan and India have resolved to conclude a
Convention to that effect, and have named as their respective
Plenipotentiaries:

His Majesty the Emperor of Japan, Baron Jutaro Komura,
Jusammi, First Class of the Imperial Order of the Rising Sun,
His Imperial Majesty's Minister of State for Foreign Affairs;
and

His Majesty the King of the United Kingdom of Great
Britain and Ireland and of the British Dominions beyond the
Seas, Emperor of India, Sir Claude Maxwell MacDonald, Knight
Grand Cross of the Most Distinguished Order of St. Michael and



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St. George, Knight Commander of the most Honourable Order of the Bath, His Britannic Majesty's Envoy Extraordinary and Minister Plenipotentiary;

who, having reciprocally communicated their powers, found in good and due form, have agreed as follows:--

Article 1.

Any article, the produce or manufacture of the dominions and possessions of His Majesty the Emperor of Japan shall enjoy, upon importation into India, the lowest customs duties applicable to similar products of any other foreign origin.

Article 2.

Reciprocally any article, the produce or manufacture of India shall enjoy, upon importation into the dominions and possessions of His Majesty the Emperor of Japan, the lowest customs duties applicable to similar products of any other foreign origin.

Article 3.

The privileges and engagements of the present Convention shall extend to native states of India which by treaty with His Britannic Majesty or otherwise may be entitled to be placed with regard to the stipulations of the Convention on the same footing as British India.

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~~His Britannic Majesty's Government shall communicate from~~
time to time to the Imperial Government of Japan a list of
these states.

Article 4

The present Convention shall be ratified and the ratifications
shall be exchanged at Tokio as soon as possible. It shall come
into effect immediately after the exchange of ratifications,
and shall remain in force until the expiration of six months
from the day on which one of the High Contracting Parties shall
have announced the intention of terminating it.

In witness whereof the above mentioned Plenipoten-
tiaries have signed the present Convention and have affixed
thereto their seals.

Done in duplicate at Tokio, in the Japanese and English
languages, this 29th day of 8th month of the 37th year of
Meiji, corresponding to the 29th day of August, of year one
thousand nine hundred and four.

(L.S.) Baron JUTARO KOMURA.

His Imperial Japanese Majesty's Minister of State for
Foreign Affairs.

(L.S.) Claude. M. MACDONALD.

His Britannic Majesty's Envoy Extraordinary and Minister
Plenipotentiary.

CERTIFICATE

Statement of Source and Authenticity

I, HYAYASHI, Kaoru, Chief of the Archives Section, Japanese Foreign Office, hereby certify that the document hereto attached in English consisting of 5 pages and entitled "Covention Regarding the Commercial Relations between Japan and India. (August 29, 1904) " is an exact and true copy of an official document of the Japanese Foreign Office.

Certified at Tokyo, on this 23rd day of July 1947.

K. Hayashi
Signature of Official

Witness: K. Urabe

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CERTIFICATE OF SOURCE AND AUTHENTICITY

I, HAYASHI, Kaoru, who occupy the post of the Chief of the Archives Section, Japanese Foreign Office, hereby certify that the document hereto attached, written in Japanese, consisting of 2 pages and entitled "Concerning the stoppage of buying Indian Cotton" is an exact and authorized excerpt from an official document in the custody of Japanese Government (Foreign Office).

Certified at Tokyo,
on this 4th day of August, 1947

/S/ HAYASHI, Kaoru (seal)

I hereby certify that the above signature and seal were affixed hereto in the presence of the Witness.

At the same place,
on this same date

Witness: /S/ URABE, Katsuma (seal)



IMPERIAL ORDINANCE NO. 124 - 1936.

Promulgated June 25th, 1936.

ARTICLE - I

In accordance with the provisions of Article I of Law No. 45 of 1934, articles produced or manufactured in countries with which the trade of Japan since the 10th year of Taisho (1921) has shown annually a large excess of imports, and which have no Treaty of Commerce and Navigation with Japan, and are applying, at the time of coming into force of the present Ordinance, unreasonable restrictive measures in respect of the importation of goods produced or manufactured in Japan, shall not be imported into Japan for the duration of one year from the date of coming into force of the present Ordinance, except with the permission of the competent Minister of State.

The articles mentioned in the preceding paragraph are limited to such of the articles enumerated in the Import Tariff annexed to the Customs Tariff Law as are set forth in the List "A" appended to the present Ordinance.

The countries referred to in the first paragraph hereof shall be proclaimed by the competent Minister of State.

ARTICLE II

An import duty of 50 per cent ad valorem, in addition to the import duties prescribed in the Import Tariff annexed to the Customs Tariff Law



shall, in accordance with the provisions of Article I of Law No. 45 of 1934, and for the duration of one year from the date of coming into force of the present Ordinance, be imposed on articles produced or manufactured in countries proclaimed in accordance with the provisions of the third paragraph of the preceding Article.

The articles mentioned in the preceding paragraph are limited to such of the articles enumerated in the Import Tariff annexed to the Customs Tariff law as are set forth in the List "B" appended to the present Ordinance.

ARTICLE III

The articles enumerated in the Import Tariff annexed to the Customs Tariff Law as are set forth in the List "C" appended to the present ordinance, shall not be exported for the duration of one year from the date of coming into force of the present Ordinance, in accordance with the provisions of Article I of Law No. 45 of 1934 except with the permission of the competent Minister of State.

ARTICLE IV

Articles, the importation of which is permitted under Article I, must be imported within three months from the date of the permission.

In case the competent Minister of State is satisfied that there are proper reasons for the prolongation of the period prescribed in the preceding

paragraph, he may grant a prolongation thereof.

The permission shall become void when the articles are not imported during the period prescribed in the preceding two paragraphs.

ARTICLE V

Any person who imports any of the articles enumerated in the Import Tariff annexed to the Customs Tariff Law which are set forth in the Lists "A" or "B" appended to the present Ordinance, shall produce a Certificate of Origin to the Customs House, except when such article is mail matter or when the cost price of the same does not exceed 100 yen.

The Certificate of Origin above referred to shall designate the marks, numbers, names, number and quantity of the article to be imported and also the locality where it was produced or manufactured, and shall be attested by the Imperial Consulate, or, in places where there is no Imperial Consulate, by the Customs House, other Governmental of public office, or the Chamber of Commerce and Industry, existing in the place where the said article was produced, manufactured, purchased or shipped; unless otherwise provided by treaty, in which case such treaty provisions shall prevail.

ARTICLE VI

In accordance with the provisions of Article II of Law No. 45 of 1934, the competent Minister of State may, in case he considers it necessary, order importers, exporters, traders, warehouse men or other possessors of

articles enumerated in the import tariff annexed to the Customs Tariff Law as are set forth in the List "A" or "C" appended to the present Ordinance to report on quantity, value, stock or other necessary matters of importation or exportation of the said articles; or let officials concerned visit their offices, places of business, warehouses, and other places and investigate their books and other materials. The official concerned shall have a certificate identifying his status when he visits or investigates in accordance with the provisions of the preceding paragraph.

ARTICLE VII

The functions of the competent Minister of State in the present Ordinance shall be exercised by Governor-General of Chosen in Chosen, by Governor-General of Taiwan in Taiwan, and by Governor of Karafuto in Karafuto.

SUPPLEMENTARY PROVISIONS.

The present Ordinance shall come into force on the date of promulgation.

The present Ordinance shall apply neither to articles which, at the time of its coming into force, are actually in transit for Japan or are stored in bond.

LIST "A"

Import Tariff Nos.

Articles

16

Wheat

22

Flours, meals or groats of grains and starches:
1. Wheat flour

282

Sheep's wool (under sheep's wool, goat's hair and camel's hair)

295

Waste or old sheep's wool (under waste or old fibres waste yarns and waste threads).

LIST "B"

Import Tariff Nos.

Articles

52

Meats, poultry, game.
1. Fresh.
A. Beef

53

Butter (under Butter, artificial butter and ghee)

55

Condensed Milk

71

Hides and skins, not otherwise provided for.

108

Animal fats.
B. Beef tallow

217 217

Casein.

LIST "C"

Import Tariff Nos.

Articles

282

Sheep's wool, goat's hair and camel's hair.

295

of wool or containing wool (under waste or old fibres, waste yarns and waste threads).

341

of wool or containing wool (under Rags).

Proclamation No. 1 of Department of Finance
and the Department of Commerce and Industry

The country mentioned in Imperial Ordinance No. 124 of 1936
is hereby proclaimed as follows:

Commonwealth of Australia,
the 25th day of June, 1936.

Finance Minister

Baba, Eiichi

Commerce and Industry Minister

Ogawa, Gotaro

C E R T I F I C A T E

Statement of Source and Authenticity

I, SATO, Tomoo, the Secretary of the Cabinet, hereby certify that the document hereto attached in Japanese consisting _____ pages and entitled "Imperial Ordinance No. 124" is an exact and true copy of the Official Gazette published on 25 June, 1936, by the Japanese Government.

Certified at Tokyo,
on this 30th day of July, 1947.

SATO, Tomoo (Seal)
(Signature)

Witness: IWANAGA, Kenichi (Seal)
(Signature)

Certificate

I, Nihro, Katsumi, of the defense, hereby certify that I am conversant with the English and Japanese languages, and that the foregoing translation is, to the best of my knowledge and belief, a correct translation of the original document.

Tokyo.

Date. 31st day of July, 1947.

/s/ K. Nihro

Def. Doc. # 1918-17-B-1

Translated by
Defense Language Branch

10th Year of Showa (1935)

Code telegram between Ottawa and
Foreign Office arrived on the
afternoon of July 24.

To HIROTA, Foreign Minister

From KATO, Minister

No: 67



In reference to your cablegram No. 53:

I conveyed in detail the purport of your cablegram to the Foreign Vice-Minister, as the Prime Minister was away travelling for about a week from the 21st.

When asked at that time if Canada had completed the procedure as to the surtax, the Vice-Minister stated that it had been completed on the 22nd and come into effect on the same day, but would be applied to cargoes arriving on and after the 5th of August. He further stated that independently of this, the Prime Minister proposed the lowering of the official quotation to 41.5, and this lowering was decided to be put into practice for a period of 6 months, simultaneously with a lowering for the Scandinavian countries, and was promulgated by the decree of the Governor-General; in consequence this rate of exchange, 41.5 toward Japan is now effective. The Governor-General's decree concerning the surtax is as stated in another cable

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No. 68. His decree concerning the lowering of the official quotation will also be cabled.

This cable was transmitted to Vancouver and thence to Britain and America by code.

Def. Doc. # 1918-17-B-1

CERTIFICATE OF SOURCE AND AUTHENTICITY

I, HAYASHI, Kaoru, who occupy the post of Chief of the Archives Section, Foreign Office, hereby certify that the document hereto attached, written in Japanese, consisting of 2 pages and entitled "Telegram No. 67 arrived on 24th July Showa 7 (1932) from Minister KATO at Ottawa to Foreign Minister HIROTA", is an exact and authorized excerpt from an official document in the custody of Japanese Government (Foreign Office).

Certified at Tokyo,
on this 26 day of August, 1947

/S/ HAYASHI, Kaoru (seal)

I hereby certify that the above signature and seal were affixed hereto in the presence of the Witness.

At the same place,
on this same date

Witness /S/ URABE, Katsuma (seal)

Def. Doc. # 1918-17-B-2

Ottawa,

Received, July 24th p.m., 1935.

Gaimudaijin, Tokio.

No. 68-1. (Betuden)

The 22nd day of July, 1935. Whereas the Government of Japan, contrary to the provisions of article VII of the treaty of commerce and navigation, of the 3rd April, 1911, between His Majesty the King and the Emperor of Japan, which has been in force between Canada and Japan since the 1st May 1913, has seem fit to impose upon certain commodities composing the principal exports of Canada to Japan a discriminatory surtax of 50 per cent ad valorem, effective July 20th, 1935;

And whereas section 7 of the customs tariff provides, inter alia;

"(I) Goods imported into Canada the product or manufacture of any foreign country which treats imports from Canada less favourably than those from other countries, may be made subject by order of the governor in council in the case of goods already dutiable to a surtax over and above the duties specified in schedule A to this act, and in the case of goods not dutiable to a rate of duty, not exceeding, in either case, thirty-three and one-third per centum ad valorem."

(tuzuku)

Kato

- 1 -



1 Plain.

Ottawa, July 23rd p.m.

Received, July 24th p.m. 1935.

Gaimudaijin, Tokio.

No. 68-2. (Betuden)

And whereas it is deemed desirable that the date of the entry in force of an order made pursuant to the provision of the said section 7 of the customs tariff should be fixed to exempt from the operation of the order goods presently in transit from Japan to Canada;

Now, therefore, the Deputy of His Excellency the Governor General in Council, on the recommendation of the Secretary of State for External Affairs, with the concurrence of the Acting Minister of National Revenue, and under the authority of the aforesaid section 7 of the customs tariff, is pleased to order and it is hereby ordered that all goods the produce of manufacture of Japan shall, on importation into Canada on and after August 5th, 1935, be subject to the following tariff treatment: -

(A) Goods dutiable as of August 3rd, 1935 at the rates specified in schedule A to the customs tariff:- to be subject to a surtax of 33 1/3 p.c., ad valorem, over and above the duties specified in said schedule A;

(B) Goods duty free as of August 3rd, 1935:- to be subject to a duty of 33 1/3 p.c., ad valorem.

Kato.

C E R T I F I C A T E

Statement of Source and Authenticity

I, HAYASHI, Kaoru, Chief of the Archives Section, Japanese Foreign Office, hereby certify that the document hereto attached in English consisting of 2 pages and entitled "Telegram No. 68, despatched from Kato, Japanese Minister at Ottawa, to Hirota, Foreign Minister, received on July 24, 1935." is an exact and true copy of an official document of the Japanese Foreign Office.

Certified at Tokyo,

on this 26th day of July, 1947.

/s/ K. HAYASHI
Signature of Official

Witness: /s/ K. URIBE

Def. Doc. # 1918-18-B-1

Commonwealth Offices,
Treasury Gardens,
MELBOURNE, C. 2
26th December, 1936.

Sir,

I have the honour to inform you that the Government of the Commonwealth of Australia has decided to take the following action as on and from 1st January, 1937, in relation to trade between Australia and Japan.

1. The Commonwealth Government will repeal Statutory Rule No. 92, of 1936, notified in the Commonwealth Gazette on 8th July, 1936.

2. The Commonwealth Government will reduce the existing Intermediate Tariff rates on cotton piece goods and artificial silk piece goods admissible under the following items of the Australian Customs Tariff 1933-1936:-

Cotton piece Goods-

Tariff Item 105(A)(I)(a)
105(A)(I)(c)
105(A)(I)(d)
105(B)
105(C)
120(D)(I)
130(E)(I)

Artificial Silk Piece Goods-

Tariff Item 105(D)(I)(b)
to the following rates viz:-

Cotton Piece Goods-

Unbleached	1 1/4d. per square yard
Bleached	1 d. " " "
Printed, dyed or coloured	2d. " " "

Artificial Silk Piece Goods-

4d. " " "

The Commonwealth Government desires it to be understood that in informing you of its decision as to the alteration of these rates of duty, the Government is not committed to the consolidation of these duties at the rates specified.



3. The Commonwealth Government in addition to according Japan the benefits of the Australian Intermediate Tariff on cotton piece goods and artificial silk piece goods admissible under the aforesaid items of the Australian Customs Tariff will accord to Japan the benefits of the Australian Intermediate Tariff on cotton piece goods and artificial silk piece goods admissible under Items 105(A)(I)(e), 105(A)(3), and 105(A)(4).

4. The Commonwealth Government will exempt from primage duty Japanese cotton piece goods and artificial silk piece goods admissible in accordance with the decisions set out in paragraphs (2) and (3).

5. During the period 1st January, 1937, to 30th June, 1938, the Commonwealth Government will permit the importation into Australia of 76,875,000 square yards of Japanese cotton piece goods (other than calico for bag-making admissible under Tariff Item 105(A)(2) and 76,875,000 square yards of Japanese artificial silk piece goods at the rate of 51,250,000 square yards for each of the two classes of piece goods per annum. This decision is depended upon the satisfactory operation of the control system adopted in Japan with respect to the export of these piece goods to Australia; their orderly marketing in Australia, and their equitable supply to Australian nationals (merchants and manufacturers) and to Japanese nationals. It is to be understood that, except in respect of any of the aforesaid Japanese piece goods exported from Japan direct to Australia prior to the initiation of the control measures, and arriving at an Australian port on or after 1st January, 1937, importation can only be effected when the cotton piece goods and artificial silk piece goods are accompanied by an Export Control Certificate issued by the Japanese Government or by an Organization duly authorised by the Japanese Government to issue Export Control Certificates. Any cotton piece goods or any artificial silk piece goods exported from Japan within the quota allotment during the period ending 30th June, 1938, but not arriving in Australia until after that date will be admitted into Australia provided they are imported into Australia not later than 30th September, 1938.

Yours faithfully,
(Signed) Henry S. Gullett.
Minister directing Negotiations
for Trade Treaties.

Mr. K. Murai,
Consul-General of Japan,
MELBOURNE.

Excerpt from "Parliamentary Debates, House
of Commons, Monday 7th. May, 1934".

Mr. RUNCIMAN: The House will remember that when I last made a statement on this subject on 15th March I informed them that, on the failure of the representatives of the textile industries of Japan and of this country to come to an agreement, the whole position was under review between the two Governments. When I saw the Japanese Ambassador on 16th March, I handed him a memorandum inquiring whether, in the circumstances, the Japanese Government had any proposals to put forward for dealing with the problem. On 31st March I received a reply in which the Japanese Government expressed their willingness to consider any further proposals which His Majesty's Government in the United Kingdom might make, but made no proposals of their own.

The Government have considered the whole problem again very carefully in the light of this reply. It is already a year since His Majesty's Government drew the attention of the Japanese Government to the serious position arising from Japanese competition. It is, of course, of the utmost importance that every effort should be made to deal with a problem of this magnitude in the most appropriate way. Unfortunately there appear to be nothing in the Japanese Governments note of 31st March to suggest that an early agreement on this subject was to



be expected. Although, therefore, the Government still hold the view that the problem which faces us is one which can only be settled satisfactorily by co-operation in some form between Japan and ourselves, His Majesty's Government cannot allow a situation to develop in which negotiations are protracted indefinitely without any immediate prospect of success and during this time the Japanese--quite naturally from their point of view--are continuously expanding their exports in our markets to the detriment of Lancashire, while our hands are tied. Accordingly His Majesty's Government have come to the conclusion that they would not be justified any longer in postponing, in the hope of agreement, such action as is open to them with a view to safeguarding the trade of this country. I therefore informed the Japanese Ambassador on Thursday last that in the circumstances His Majesty's Government were obliged to resume their liberty to take such action as they deemed necessary to safeguard our commercial interests. I assured him--and I am confident the House will join me in this--that such steps as it was proposed to take would be taken in no unfriendly spirit.

As regards the Anglo-Japanese Treaty, I am satisfied that His Majesty's Government can, without denouncing it, take proper and sufficient measures to protect the commercial interests of this country, and in these circumstances I see no reason to terminate a Treaty which has regulated the commercial relations between the two countries for over 20 years. As far as the

United Kingdom market is concerned, the Government do not feel they can any longer continue to suspend the review of the silk duties by the Import Duties Advisory Committee and my right hon. Friend the Chancellor of the Exchequer has asked the Committee to complete its report on these duties as quickly as possible.

In the case of Colonial markets, my right hon. Friend the Secretary of State for the Colonies has been in consultation with Colonial Governors. The Governments of the Colonies and Protectorates for which such action would be appropriate will be asked to introduce import quotas which, except in the case of West Africa, would apply to all foreign imports of cotton and rayon goods. With a view to reinstating this country in the position in those markets which she held before the present abnormal period, it is intended that the basis for apportioning these quotas as between foreign countries shall be as far as possible the average of their imports in the years 1927-1931. It is further proposed that the necessary legislation in the Colonial territories should be enacted with the least possible delay, and that it should be so framed that the actual quota regulation will be reckoned as commencing retrospectively from to-day, 7th May, so that no attempt at forestalling will be allowed to frustrate the policy and intentions of the measures under contemplation. In the most important of the West African Colonies, as the House is aware, there are treaty obligations

which preclude differentiation in favour of our own goods. It was for this reason that on 16th May of last year notice was given to release the West African Colonies from their obligations under the Anglo-Japanese Treaty, and action there will be limited to Japanese goods.

I have not attempted to deal in this statement with the position of any goods except cotton and rayon textiles. The Government are aware that Japanese competition is not limited to these goods, and they are considering in the case of each of the other industries involved what tariff action in Colonial markets is called for. As regards the home market, I have no reason to suppose that the matter cannot be dealt with by means of the ordinary procedure of the Import Duties Act. While His Majesty's Government cannot any longer refrain from taking steps to safeguard our trade interests, we shall, of course, be ready at any time to give the most careful consideration to any proposals which the Japanese Government may desire to put forward toward the solution by mutual agreement of this difficult problem. A solution of this kind ought to be possible where the Governments of the two countries are, as I am sure they are, anxious to agree.

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Memorandum on the Understandings Reached (Text)

The American Cotton Industry Mission and the Representatives of the Five Japanese Cotton Industry Organizations acknowledge the fact that both parties reached an agreement on the following principles and the method of their execution at the conference held from 15 to 22 January, 1937.

(A) COTTON CLOTH

1. The Japanese Delegates accepted the limitation by quota system as the most effective means to attain a satisfactory agreement concerning the exportation of Japanese cotton cloths to the United States of America Proper.

2. Quantity limitation of cotton cloth shall be applied as of January 1st, 1937.

The fundamental quota applicable to the years of 1937 and 1938 shall be as follows:--

The fundamental quota for the year 1937 shall be fixed at the lesser figure between 155,000,000 sq. yards and the present amount of Japanese cotton cloth to be shipped to America within the current year starting January 21st, 1937.

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The fundamental quota for the year 1938 shall be 100,000,000 sq. yards under the following conditions, that Japan shall enjoy the privilege of advancing an amount within the scope not exceeding one-fourth (25,000,000 sq. yards) of the quota for the year 1938 to the quota for the year 1937. In this case, however, the quantity for shipment in 1938 shall be the quota minus the amount which exceeded the fundamental quota for the year 1937.

In other words, the stipulated quota for two years is 255,000,000 sq. yards in all, of which the quota for the year 1938 shall not exceed 180,000,000 sq. yards or fall below the lesser amount between 155,000,000 sq. yards and the engaged quantity of Japanese cotton cloth to be shipped to America within the current year starting January 21st, 1937.

3. The computation of the quantity of the quota in question shall be based upon the Trade Statistics of the Japanese Government. The procedure for enforcing the quota in question shall be applied correspondingly to the measures of the cotton rug quota agreement which are now in effect in both Governments. Although the Japanese side will bear the responsibilities to the fullest measure for the attainment of the agreement on the quota in question, the American side shall construe this entirely as sincerity on the part of the Japanese side, and not as the fulfillment of contract obligations.

4. In this quota agreement, the word 'cotton cloth' implied all kinds of textile fabrics made of cotton as its staple material.

5. All kinds of cotton goods on which agreements have already been made between the parties concerned of both governments or the governments themselves shall be exempted from this agreement.

6. Whenever there is a fear that the quantity of Japanese cotton cloth transmitted to America by way of a third nation will diminish the validity of this quota agreement, the Japanese party recognizes the fact that the quantity thus transmitted, calculated by the U.S. custom-house, shall be inevitably included in the quota. In order to reduce the afore-said quantity of goods imported through a third nation, the American side shall practise the following two measures.

(a) Concerning cotton cloths thus imported, the American side shall report monthly to the Japanese side the quantity, names of the exporters and importers and names of the ports whereat the goods are transmitted.

(b) New York Cotton Fabrics Dealers Association and associations of the same type in other cities should be requested to cooperate by not permitting their members to deal with Japanese cotton fabrics other than those directly imported.

7. The amount of the cotton cloth reexported from America shall be deducted from the quantity shipped from Japan which is

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to be computed in the quota.

B. JOINT COMMISSION

A joint Commission shall be established comprising of an equal number of representatives from both parties by April 1st, 1937 at the latest.

The aim of the Commission is to manage the various problems related to the operation of the existing quota, which may arise in the future, and to handle the negotiations between both parties on the limitation of quantity or other means of control which should hereafter be conferred upon by both parties.

C. MISCELLANEOUS COTTON GOODS.

1. The Japanese side recognizes the purport of the quantity limitation on the types of table-cloth, bed-sheet, handkerchief, cotton gloves, underwear and other particulars made of cotton cloth, cotton thread or yarn.

2. To bear in mind the principle of the above mentioned limitations, the Japanese side shall encourage all parties concerned to hold necessary conferences of the Joint Commission or between organs of both Government.

3. The Delegates of both countries agreed that, having formed a joint commission, they will endeavor to realize, upon a mutual desire and trust, the quantity agreement of the aforementioned miscellaneous cotton goods by June 30, 1937 or as soon as possible.

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D. The Delegates of the American Cotton Industry believe that after the enforcement of the above mentioned agreement of the cotton goods trade between both countries, it will become unnecessary for the United States Government to take measures to place further restrictions upon the import of Japanese cotton goods. They also think that it will serve as a groundwork for a reciprocal treaty in the future between both countries and make it possible to revise a mutually advantageous custom duty.

E. This Agreement shall be enforced immediately provided that in case the Japanese side, wants to abrogate the agreement, they shall report their intention by wire by February 15, 1937.

The Delegate of the Five Japanese
Cotton Industry Organizations

SHOJI, Otokichi

The Dainippon Cotton Spinning Association
The Nippon Cotton Fabrics Industry Guild.

The Manufacturers' Society of Cotton
Thread and Cloth for Export.

The Nippon Exporters' Society of
Cotton Thread and Cloth for America.

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The Nippon Cotton Dealers' Society.

The Delegate of the Three American
Cotton Industry Organizations

MARQUISSON, Claudius T.
(T.N. MARKSON)

The Cotton Textile Institute.

The American Cotton Manufacturers
Association.

The National Association of Cotton
Manufacturers.

On January 22, 1937,
at OSAKA.

October 11, 1935.

CONVERSATION:

The Japanese Ambassador.

Mr. Sijiro Yoshizawa,
Counselor of the Japanese Embassy.

Mr. Sayre.

Mr. Veatch.

Mr. Dooman.

Subject: Imports into the Philippine Islands of Japanese Cotton Textiles.

The Japanese Ambassador, accompanied by Mr. Yoshizawa, Counselor of the Embassy, called on October 11, 1935, on Mr. Sayre, Assistant Secretary of State.

The Japanese Ambassador stated that he was glad to inform the American Government that the recently formed Association of Japanese Exporters of Cotton Piece Goods to the Philippine Islands will, for a period of two years beginning as of August 1, 1935, provided there is no increase in the Philippine tariff on cotton piece goods, voluntarily limit imports of Japanese cotton piece goods into the Philippine Islands to a figure not to exceed 45,000,000 square meters annually; with the proviso that 10 percent of such annual figure should be flexible, that is to say, if the importations during the first year exceed or are less than the amount of 45,000,000 square meters such excess or balance (in no case to exceed 4,500,000 square meters) shall be subtracted from or added to the allotment for the second year, and further that the semi-annual



volume of imports will not exceed 26,000,000 square meters in any one semester. The Ambassador further stated that the statistics of imports compiled by the Philippine Customs will be used as the basis of determining the volume of imports of Japanese cotton piece goods.

The Assistant Secretary of State stated that he was gratified to receive the information from the Ambassador that the Association of Japanese Exporters of Cotton Piece Goods to the Philippine Islands was prepared to regulate exports of Japanese cotton piece goods to the Philippine Islands. Mr. Sayre stated on behalf of the Secretary of State that so long as annual imports into the Philippine Islands of Japanese cotton piece goods do not exceed 45,000,000 square meters, the American Government will take no action directed toward securing an increase in the Philippine tariff rates on cotton piece goods to take effect prior to August 1, 1937, provided, however, that this statement does not entail a commitment of succeeding administrations of the American Government. The Japanese Ambassador then stated that, in the event that the next administration of the American Government should deem it necessary to approach the Philippine Government with a view to an increase of Philippine tariff rates on cotton piece goods, Japanese exporters would expect to determine, in the light of the then existing circumstances, whether or not they would continue to regulate their shipments to the Philippine Islands.