

not used

JAPANESE TRADE AND INDUSTRY

PRESENT AND FUTURE

by

MITSUBISHI ECONOMIC RESEARCH BUREAU

1936

- - - - -

CHAPTER XXXII

JAPANESE FOREIGN TRADE POLICIES

1. General Survey

Trade policies throughout the world since the onset of the economic depression have been characterized by national control of foreign trade with the main object of checking imports. The control of imports arose from the necessity to protect internal markets and the international balance of payments. This last consideration also led to strenuous efforts to promote the export trade, which conflicted with the import control exercised in a very large part of the world. The net result of these two entirely opposing policies was that tariff walls were consistently raised, and international markets narrowed, with a consequent severe contraction of world trade. The suspension of the gold standard, which followed in rapid succession in a number of countries, almost invalidated the increase in customs tariffs, and compelled the adoption of more direct measures such as restriction or downright prohibition of imports, import license systems or the Government control of imports. The failure of the World Economic Conference in 1933 led to the formation of blocs and autarchic principles which further crippled international trade, and naturally led to individual negotiations between countries as a measure to tide

over the present difficulties. Trade treaties changed to compensation systems, as countries with unfavourable trade balances endeavoured to readjust their foreign trade relations. Although the reciprocal and compensation principle removed some obstacles to world trade, it raised new difficulties in the countries still adhering to the gold standard, by fostering trade within circumscribed blocs.

The remarkable advance of Japanese foreign trade after the reimposition of the gold embargo was especially noteworthy as it occurred at a time of universal trade contraction. Japanese articles have invaded every corner of the world market under the double advantage of low exchange rates and production costs. It is easy to understand why import restrictions should be particularly directed against Japanese goods, as evidenced by the successive institution of quotas, surtaxes and other forms of discriminatory treatment in various countries.

The expansion of the Japanese export trade has continued in spite of these numerous obstacles, but the almost universal adoption of the compensation system is expected to add a new force to trade restrictions, particularly in Central America, South America and the African colonies.

The change in commercial policies, which has greatly interfered with international trade during the past few years, has not been without influence on the trade policy of Japan. Poor in natural resources and depending much upon imports, the problem of checking imports in order to protect domestic industries required serious consideration. Trade policy in the past was built on fairly liberal principles. The reactionary period

following the World War and the universal debasement of currencies, however, accentuated the protective tendency of the Japanese customs tariff, but rates in most instances continued moderate, for the decline of the yen since the reimposition of the gold embargo was sufficient to check the import of finished articles. Emphasis was rather laid on the protection and promotion of the export trade, and various Government measures tending in this direction were successively passed by Parliament in recent years. In imports, Japanese trade policy has been forced to give consideration to existing restriction on Japanese goods and to the balance of trade with foreign countries. A survey of Japanese foreign trade during the past few years reveals that there has been a substantial excess of exports to countries with liberal trade policies and to new markets, while imports generally exceeded exports in trade with countries adhering to protective policies and import restrictions. This situation finally led to the enactment of the Trade Protection Law, which was recently invoked for the first time against Canada.

2. Tariff System

The Japanese import tariff as altered in 1910, was not subjected to a general revision up to the year 1926. A few minor sectional changes were, however, made during the period 1920-22, and an advalorem duty of 100% was imposed in 1924 on a few items, this duty being commonly known as the luxury tax, the object being to encourage individual economy during a period of financial retrenchment. The general tariff revision of 1926 aimed at greater protection of domestic industries, the internal price level being at that time notably higher than international standards.

During 1929, the tariff rate on timber was raised, and the luxury duties were abolished and included in the ordinary tariff at much lower rates. The universal trend towards protective trade principles stimulated a general revision which was carried out in June, 1932, the new tariff advancing duties upon wheat and more than twenty other items, with the object of protecting domestic industries. Other commodities, with the single exception of newsprint paper, were also subjected to an increase of 35% in specific duties, while the only reductions were made on timber and four other items.

3. Facilities for Trade Promotion

Facilities for promoting Japanese foreign trade have made remarkable progress in recent years due to the wholehearted cooperation between the Governmental and civil organizations. The trade intelligence services have been vastly improved through the increase of consulates and the establishment of overseas trade information bureaux and other intelligence organs. The increase in the number of commercial museums, supported by the Japanese Government and civil organizations has also enhanced the value of foreign trade publicity.

Principal activities for the promotion of foreign trade are as follows:

Export Compensation System. The Export Compensation Law was promulgated in May, 1930 and became effective in August 1st, 1930. The Law authorizes the Government to compensate the losses incurred through the purchase of export bills on shipment to certain undeveloped markets.

The markets specified have been successively extended, and, at present, include almost all parts of the world, excepting old markets such as Great Britain, the United States, British India and the Netherlands East Indies.

TABLE 491

Compensation Bills and Losses
(in 1,000 yen)

FISCAL YEAR	1930	1931	1932	1933	1934
Compensation bills	1,903	4,957	9,425	21,020	27,625
Loss compensated					
Budget maximum	938	1,876	2,314	9,313	9,313
Actual compensation	15	33	337	541	--

The Export Compensation Law has also been enforced in Taiwan since October 10th, 1934. Some municipalities have instituted compensation systems of their own in order to promote the export trade of local industries.

Exporters' Associations. The original purpose of these associations organized under the Exporters' Association Law, was to promote the export trade through joint facilities and measures, including joint consignments and overseas branches. The activities of these associations have in recent years been extended to the control of the export trade.

Export Goods Inspection. According to official regulations enforced since 1928, exports of specified articles are prohibited unless they have previously passed an examination by associations, federations, prefectural authorities or other bodies officially authorized by the Minister of Commerce and Industry. There also exists a Government Inspection System which operates for some articles, notably, raw silk (1926), silk tissues(1928) and rayon tissues(1929).

4. Control of Exports and Imports

In view of the universal tendency towards import restriction, the Japanese Government have been compelled to resort to individual negotiations with countries discriminating against Japanese goods, and this course led automatically to increased Government intervention in the export and import trade.

Indo-Japanese Commercial Convention. The Indo-Japanese Commercial Convention was the first example of individual negotiations which resulted from the advance in Indian tariff rates to check the fast increasing influx of Japanese cotton textiles. Communications between the two Governments concerned led to the opening of trade negotiations in Simla in September, 1933, as a result of which a new Indo-Japanese Commercial Convention was officially signed at London on July 12th, and put in operation on September 14th, 1934. The Convention contains a quantitative agreement, by which Japan is required to purchase one million bales of raw cotton in return for a maximum export quota of 325,000,000 yards of cotton tissues.

Quantitative Trade Agreements with the United States and Great Britain. As a result of an agreement concluded between the Japanese and American Governments, the annual export quota of pencils to the United States was fixed at 125,000 gross in April, 1934, and that of cotton carpets at 7,970,000 square yards in April and May, 1934, respectively. In October, 1935, another agreement was concluded with the United States regarding cotton tissues exported to the Philippine Islands, by which the Japanese Government voluntarily limited Japanese exports to that destination to within 45,000,000 square metres.

A quantitative agreement was also concluded with Great Britain in May, 1934, regarding Japanese exports of electric bulbs to that country.

Anglo-Japanese and Dutch-Japanese Negotiations. With the Indo-Japanese negotiations in full swing, the President of the Board of Trade of the United Kingdom proposed more comprehensive negotiations between British and Japanese cotton goods manufacturers, which materialized in the form of civil negotiations opened in London on February 14th, 1934. The opinions of the participating parties were, however, completely at variance in regard to whether the possessions, other than the Dominions, should be included in the "agreement zone", and the parley finally failed on March 14th. As the result, following Mr. Runciman's declaration on May 7th, 1934, an import quota system relating to cotton cloth was enforced in British Crown colonies.

In view of the remarkable advance of Japanese goods in the Netherlands East Indies, which adversely affected the import trade from the Netherlands and Lancashire, emergency import restrictions were enacted in the Netherlands East Indies in 1933. The endeavour of the Netherlands East Indian Government to restrict Japanese imports took still more concrete form in its proposal to commence trade negotiations at Batavia, which opened on June 8th, 1934. In these negotiations the Japanese Government insisted upon the conclusion of a gentlemen's agreement and the rejection of discriminatory treatment, and agreed to take proper measures based upon reciprocal trade if this demand was acceded to. The Netherlands East Indian Government, on the other hand, wished the negotiations to be based upon the quota and barter system. The negotiations became deadlocked

in March, 1935, following the rupture of the Dutch-Japanese Shipping Conference, and the two Governments agreed to open discussions again in April, 1935, but no agreement has yet materialized.

Similar trade negotiations are now pending with Australia and Egypt.

Adjustment of Trade Relations with Central and South America, and Africa. Japanese trade with these regions has shown a marked development during the past few years, but the great predominance of exports has given rise to import restrictions on Japanese goods. In view of the demand for compensatory imports, attempts have been made to readjust trade relations through the purchase of wool, wheat and a few other products from Argentine, Uruguay and other South and Central American countries. Exporters' associations were established in rapid succession for the purpose of collecting special control commissions from exporters to those countries, to obtain funds for compensatory imports. However, such "compensation" imports have so far been negligible. In the case of Egypt, strenuous efforts have been made to balance the trade through the import of Egyptian cotton and the inauguration of regular calls at Alexandria by N.Y.K. liners. For the purpose of balancing trade relations with the Union of South Africa, South African wool was partly substituted for Australian wool through the efforts of the Ministry of Foreign Affairs, Japanese woollen manufacturers and exporters to South Africa sharing the loss resulting from the wide margin in prices. This great difference in price has up to now prevented any notable development of imports from South Africa, and trade relations continue to remain one-sided.

5. Trade Protection Law

The trade policy of Japan aims principally at the protection of domestic industries and there has been almost no occasion to resort to the retaliatory tariff system, although it is legally provided for in the Customs Tariff Law. With the world tendency against imports of Japanese goods, Japan was forced to take emergency measures. The Trade Protection Law was enacted in April, 1934, with the purpose of protecting the export trade and adjusting trade balances.

This Law provides that the Government may prohibit or restrict imports of specified articles, and impose additional duties, as a measure to counter discrimination against Japanese trade abroad. The Law, effective for only three years, is also meant to provide a weapon in conducting trade negotiations with foreign Governments.

An Imperial Ordinance relating to the operation of this Law was issued on July 20th, 1935, and announced that Canada was the first country to which it was applied.

EXCERPT FROM PAGES 615-621.