



The  
Menace  
of Japanese  
Competition

*being*  
*a*  
REPORT  
*by*  
The Federation of British Industries  
21 Tothill Street  
London, S.W.1

Price 6d.

## **INTRODUCTION**

The following report was prepared by a special committee set up by the Federation of British Industries to investigate and report on the basis and increasing growth of Japanese competition in British Empire markets.

May, 1933

## REPORT ON JAPANESE COMPETITION throughout the British Empire

### The Menace of Japanese Competition.

Japan is the first of the Far Eastern nations to employ its low standard of living to invade, on a large scale, the industrial markets of the West. It is a mountainous country, poor in natural resources, with a rapidly growing population which cannot be fed from its domestic resources. This basic condition, for which the adoption of the habits of Western civilisation by the Japanese is responsible, has supplied the driving force behind the recent intensification of Japanese competition in the export markets of the world.

In 1872 the birth rate was 17 per thousand, in 1928 it was 34.4—more than double of that of Great Britain.

The population of Japan proper at the last census in 1930 was 64.4 million, representing an increase of nearly 5,000,000 in five years. For this annual increase of nearly a 1,000,000 mouths it is calculated that five million bushels of rice are needed, equal to the output of 133,000 acres of land.

For the past twenty years the annual increase in rice land has been from 25,000 to 35,000 acres a year only. For the hungry multitude, therefore, there are but two ways out—emigration, or industrialisation ; or both.

Emigration on a large scale is limited by a variety of factors, especially anti-immigration laws ; even in nearby territories there are, as is well known, very serious obstacles to Japanese expansion. Industrialisation, on the other hand, demands access to iron for cheap construction, and to coal or oil for cheap power. Japan has practically no iron ore, little coal—and that of bad quality—whilst her annual output of oil has declined steadily since the peak was reached in 1916.

Industrialised Japan, therefore, can only live by importing these materials on a large scale and paying for them by correspondingly expanding domestic exports. Of these latter, two have been of major importance ; silk and cotton. Until recently the basis of Japan's

foreign trade was that she raised raw silk so as to export it in payment for imports of raw cotton, and by making cotton into yarn and cloth she paid for the foods she was obliged to seek from foreigners. Apart from this she relied on foreign loans. But, especially since the war, it has become increasingly apparent that this primitive arrangement would not suffice to provide for her rapidly growing internal needs. Since it is estimated that another 15 to 20 millions are likely to be added to her population during the next twenty or thirty years, only a fraction of which can possibly be fed out of her own domestic resources, it is inevitable that Japanese competition must become increasingly intense\*. In addition, the growing tariff obstacles placed in the way of Japanese exports by countries both on the continent of Europe and in America, have resulted in Japan both gradually extending the general range of goods manufactured for export, and intensifying the pressure of international competition wherever she is able to find an opening. Every means in her power of underselling her competitors in these markets is employed. The depreciation of the yen, during the past year, has been deliberately used to embark on a reckless national sales policy, with disastrous results to British and other traders in various markets of the world.

It seems impossible to doubt that the difference in wages, labour conditions and standard of living, make it impossible for the East and West to compete on equal terms in articles in whose costs wages form a substantial part.

As an illustration of the situation no better example can be taken than that of the Rayon industry, an industry in which the British section is both up-to-date in its methods and equipment and occupies the position of the third largest producer in the World. The growth of the Japanese Rayon industry has been phenomenally rapid. Six years ago her production for the year was about 5,500,000 lbs. or 4 per cent. of the world's total output, and she stood ninth in the list of producing countries. In 1932 her production was about 64,000,000 lbs. or 13 per cent. of the World's output. A very small increase in production would put her into the second place. The following are the outputs of the three principal producers. American stands first with 131,000,000 lbs. Italy second with 70,000,000 lbs. and Britain third with 69,000,000 lbs.

The effect on British exports of this increase in Japanese competition was made clear in certain figures recently given by Mr. George Douglas of the Bradford Dyers Association, when he pointed out that whereas Japan's exports of Rayon fabric had increased ninefold in five years, British exports had diminished by two-thirds in the same time. In other words, Great Britain exported seven or eight

\* See Appendix III. Letter received since the Report was prepared.

times as much as Japan in 1928, and in 1932 Japan exported over three times as much as Great Britain.

Rayon and cotton textiles generally are not the only British manufactures which have been affected by Japanese aggression. In the following report examples are given of the increasing pressure of Japanese competition in such widely varying articles as heavy chemicals, electric lamps, cycles, buttons, zip fasteners and cement, and last, but not least, rubber boots and shoes.

It is the purpose of this report to submit that Japan's ability to undercut British manufacturers in the markets of the World is due : first and foremost to the difference between Eastern and Western standards of life, as exemplified by the relations of their wage rates, hours of work and general conditions of labour ; and second to the "unfair" advantage enjoyed by Japanese exporters in the form of exchange depreciation, government subsidies and freight dumping.

The sub-committee is of opinion that it is inconsistent both with our national policy of protecting British industry and the inter-imperial policy arrangements concluded at Ottawa that this Japanese competition should be permitted to continue unchecked in the British and colonial markets, without concerted action being taken to safeguard British interests in those markets.

### **The Basis and Growth of Japanese Competition.**

The force behind Japan's competition in the world markets is her teeming mass of low paid labour accustomed to conditions of life which have been variously estimated as at least one third of our Western standards, and an even smaller fraction in cases where the Japanese industry employs predominantly cottage methods of production.

But low wages and inferior working conditions are not alone responsible for the full advantage recently gained by Japan in the markets of the world. The development of Japan's export trade has, in addition, been deliberately fostered and artificially assisted by the State.

It was the Japanese Government who first started Japan on the industrial road by providing factories, importing the machinery, engaging experts abroad, and finally, handing over the works to private enterprises when the industry appeared to be properly established. Throughout the period of its development, Japanese industry has been assisted by the Japanese Government to develop new outlets by such means as special tariffs, subsidies, and even in some cases by State guaranteed profits. In addition, manufacturers of certain specified staple commodities have been exempted by special

Imperial Orders from the payment of income tax on profits derived from such manufacture for the first four years of operation of a factory.

Since 1925, the principle of Government aid to export trade has been recognised by law in the form of a subsidy, *i.e.*, a "foundation" grant, to help in the formation of guilds or associations either of manufacturers producing goods principally for export, or of actual exporters. The establishment of cartels and similar centralised bodies in practically every industry has given the industrial system of Japan as a whole a cohesion and elasticity which is almost all-embracing in its scope. Under this system, price cutting and the zoning of markets can, with Government assistance, be co-ordinated into a national campaign for an export drive.

In conformity with the national plan to place Japanese goods on the markets of the world, a Bureau of Foreign trade has been created by the Government to arrange for Trade Commissions and travelling inspectors to be concentrated on finding markets for Japanese products all over the world. Full advantage, it has been announced, is to be taken of exchange depreciation to push sales.

The co-ordination of shipping and its subsidy by the National Government is another of the means adopted by the Japanese Government for enabling its manufacturers to undersell unfairly those of other countries.

The following is a summary of the subsidies given to shipping by the Japanese Government :

Construction loans of Government postal etc. receipts and interest contributions ...	30.5 million yen
Operating subsidies 1920-32 ... ..	155 " "
	185.5 " "
Total	185.5 " "

So far as subsidies relating to ship operation are concerned, it is understood that except in the boom years 1915-18, and 1920, the subsidies have exceeded the other net earnings of the recipient companies, while in certain post war years only the receipt of such subsidy has prevented a heavy trading loss.

Mention must be made of what is one of the deadliest weapons in a period of trade depression, *viz.*, the device of continuing exchange depreciation. Following the abandonment of the international gold standard by Great Britain in 1931, the Japanese Government not only depreciated her exchange to the level equivalent to the fall in the gold value of sterling, but brought it substantially below that level. That depreciation seems likely to continue. The following figures help to make the position clear.

The Japanese exchange, which had stood at about 9·9 yen to the £ during most of 1930 and until September 1931, rose to under 7 yen to the £ as a result of the departure of Great Britain from the gold standard. It was then allowed to slip back to its sterling parity by the end of the year. Thereafter, until July of last year, it was allowed to fluctuate with the dollar. In August it suddenly slumped by 13% falling by 20% by the end of the year. Since imports of raw materials were expanded above normal during the earlier part of the year or period, when the exchange was relatively high, advantage was able to be taken of the depreciation by the latter part to expand exports by over 50% over the corresponding period of 1931. The excess of exports in the second half of 1932 at 245 million yen was, except for the second half of 1925, the highest figure reached since 1917.

As the Budget is being balanced by the issue of Treasury Bills and National Bonds to be underwritten by the Bank of Japan, and the Bank of Japan has been authorised to extend the limit of the fiduciary note issue from 120 million yen to 1,000 million yen, there appear to be no serious obstacles to Japan continuing to use exchange manipulation to help her trade for some time to come. But these are not the only grounds for anticipating that this competition will continue. The following facts show that it is the basis of Japan's present world policy:—

During the Great War Japan exported a greater value of goods than she imported, otherwise, with the exception of 1906 and 1909, when she had small surpluses, her imports have always exceeded her exports. During the last decade her adverse balance in this respect amounted to an average of 268,000,000 yen annually, or, in other words, her exports only sufficed to pay for about 88 per cent. of her imports. How, then, did she pay for the remainder? The last figures available for her invisible imports and exports are those of 1930. In that year she received on balance 100,000,000 yen for profits from undertakings abroad and remuneration for services rendered abroad after deducting amounts due to foreigners for profits earned or services rendered in Japan, and 121,000,000 yen on balance for payments in connection with shipping. Though she received 116,000,000 yen for insurance and 50,000,000 for tourists in Japan her payments abroad for these two items equalled her receipts.

The other items on invisible account are adverse to her. She paid 80,000,000 yen more for interest on Japanese securities held by foreigners than she received on foreign securities held by Japanese and money brought home from capital invested abroad and new foreign capital invested in Japan was 140,000,000 less than the total capital withdrawn by foreigners from Japan, plus new Japanese investments abroad. The total result was that, in addition to an

adverse balance of 155,000,000 on visible imports and exports, she had an additional sum of 14,903,000 yen to pay in settlement of her invisible items. The account was put on the right side by shipments of 290,000,000 yen of gold in excess of the amount imported.

The year 1930 is fairly typical, and it is clear that Japan does not pay for her excess of imports over exports by means of an excess of invisible exports over invisible imports. She has been obliged to use other means. As the result of great profits made during the Great War she accumulated, in addition to large balances abroad, 1,177,000,000 yen worth of gold, practically the whole of which she has since exported in payment of her excess of imports. As early as 1926 Inouye said that the whole of a sum of 3,600,000,000 yen made during the war had been used for this purpose.

Under these circumstances it is difficult to see how Japan can return to the gold standard except at a very low parity, unless she can obtain substantial foreign loans, which is unlikely to be the case for a considerable time.

If Japan has exhausted her foreign balances and has no more gold available for export, and is unable to borrow abroad either on long or on short term, then her rate of exchange must fluctuate round about a point at which her international debits and credits will balance. The main factor in determining this point will be the total relative value of her imports and exports of commodities. Japan can alter her rate of exchange by increasing her imports, and/or decreasing her exports or vice versa. Can she decrease her imports without causing a serious disturbance in her internal economy? Her average annual import in 1925-31 amounted to 2,046,000,000 yen, and of this raw cotton accounted for 579,000,000 or 28 per cent of the total. In 1931 it was 22 per cent. In that year other raw materials amounted to 36 per cent. and foodstuffs and tobacco to 14 per cent. of the whole. In none of these items, which comprise 72 per cent. of the total importation, would there appear to be room for a reduction without a corresponding diminution in her export trade.

### **Japanese Labour Costs.**

Basically, however, Japan's ability to maintain a competitive advantage in export trade depends, not so much on her Government's power of regimentation in financial and commercial affairs, as on the extremely low standard of living of her working population. The vital part played by Japan's primitive labour conditions, long hours of work, and low wages, is made clear by the following facts which have been extracted from reports specially compiled by representatives of the industries which have been hit by Japanese competition.



(a). **Cotton Textiles.** Japan has been able to develop her cotton textile industry to its present importance by reason of certain definite factors. Apart from the enormous advantage she has lately enjoyed through the depreciation of the yen, she has found in the surplus girl population of the agrarian districts an almost illimitable supply of labour, docile and possessed of natural manual dexterity, who quickly become experts in running either spinning or weaving machinery at rates of wages far below those payable in this country. As a result the cotton textile industry has grown by leaps and bounds in the past few years until the export of cotton piece goods during recent months has averaged 200,000,000 yards a month. According to the best available information (I.L.O. and the British Cotton Mission to the Far East) the direct money wages of male workers are barely one-third of British rates, and barely one-fourth in the case of female workers. These figures apply generally in the case of spinning and also as regards the larger weaving sheds; but there are many thousands of looms in small sheds, principally in country districts, where, even if not run entirely as family concerns, are operated at a definitely lower wage rate than the normal, and these are engaged largely in producing striped drills for export to markets which used to be predominantly British, including even our own Colonies. Indirect wages costs to the employers in the shape of provision for living accommodation, food and welfare vary from possibly 40% of the money wages in the case of one outstanding firm to 15%-20% in the general run of firms. Besides the advantage in wage costs the Japanese have a further advantage in hours of working, averaging nearly 60 per week as against 48 in this country, and in addition in certain processes (particularly weaving) the workers look after more machines than is permitted in this country. This is particularly noticeable in the weaving section, where apart from the growing utilisation of the Toyoda automatic loom, weavers of plain cloths and sateens look after 12 and even 16 Lancashire-type looms (see Report of British Cotton Mission to the Far East), and though in these cases the speed of the looms is somewhat slower than is customary in Lancashire the nett output per operative is considerably greater. A further advantage is that the Japanese cotton textile industry is largely run on a two-shift basis, thus reducing overhead charges.

(b). **Wool Textiles.** In the wool textile industry, while the large mills in Japan work as a rule the regulation two shifts of 8½ hours per day, there are many cases of single shifts of 11 and even 12 hours, and an average of 10 hours per shift is probably a reasonable estimate for the wool industry. Money wages vary from 16.50 yen a month to 20/30 yen per month for women workers, and from 45 to 48 yen per month for men. Careful figures taken out by

the British Economic Mission to the Far East in 1930-31 put the Yorkshire wages costs per hour at from 3 to 3½ times as high as Japanese hourly costs, and the wage cost per unit of production at 2½ to 3 times that of the Japanese, these estimates being on the normal value of the yen, which means that to-day the wages cost per hour in this country would be 5 to 5½ times and the wages cost per unit of production 4 to 5 times that of Japan.

(c). **Silk and Rayon.** Wages in the silk and artificial silk trade are a particularly important element in the price of the finished article. Hence the fact that a British male operative receives more for one hour's work than his Japanese opposite number gets for a whole day has made it impossible for a British manufacturer to compete in the open market under such conditions. Moreover, it is not only a question of lower wages for a given quantity of work. The Japanese in addition work for longer hours. The hours of work of a Japanese operative are 25% longer than those of the corresponding British worker, being 60 hours as against 48 hours per week.

According to figures prepared by the Tokyo Chamber of Commerce and Industry, the wage rates in Tokyo in November 1932 were as follows :—

The equivalent wage in sterling per week is worked out at an exchange rate of 1 yen = 1/3d. (rate on March 1st, 1933 was 1 yen = 1/2½d.). The British wage based upon a 48 hour week is given in column 4 for comparison purposes.

<i>Worker</i>	<i>Yen per day</i>	<i>Equivalent wage in sterling per 6½ day week</i>	<i>British wage per 48 hour week</i>
		1 Yen = 1/3d.	
Silk reeler (female) ...	0.72	5/10d.	—
Cotton spinner (female) ...	0.85	6/10d.	—
Silk thrower (female) ...	0.88	7/4d.	32/-
Cotton weaver (machine) (female) ...	0.78	6/4d.	45/- to 69/-
Silk weaver (hand) (female)	1.41	11/4d.	45/-
Hosiery knitter (male) ...	2.10	17/1d.	80/-
"    "    (female)	1.10	8/1d.	50/-

According to the report on the artificial silk spinning industry in Japan, by H.M. Consul General in Osaka, the following wages are those ruling in Japan, as compared with those in Great Britain :

<i>Worker In the production of Rayon Yarn</i>	<i>Yen per day</i>	<i>Equivalent wage in sterling per 6½ day week</i>	<i>British wage per 48 hour week</i>
Spinner (Men) ...	1.5	14/7d.	75/6d.
Reelers (Girls) ...	.85	8/3d.	34/-
Sorters (Girls) ...	.90	8/9d.	34/-
Bleachers (Men) ...	1.30	12/8d.	58/8d.

In considering wages in Japan account must be taken not only of the basic wage, but also of such supplementary wages as overtime pay, special allowances, bonuses and the payments of remuneration in kind, since the payment of such supplementary wages is extensively practised in Japan and often constitutes an appreciable part of the workers earnings. The money value of these items cannot be assessed, but there is no doubt that even in the most favourable cases they would not materially alter the broad conclusion derived from the above tables.

(d). **Cement.** Though information regarding the number hours worked per week in the Japanese cement industry is apparently not available, data of a general character received from various sources seems to suggest that the rates of wages paid are not more than 25% to 33½% of the rates paid in the British cement industry.

(e). **Chemicals.** The official working time in Japanese soda factories, for process men, is supposed to be 10 hours a day, but in the factories in regard to which information has been procured, the men are in fact required to work 2 hours extra per day for which their wages are increased 20%. One factory which uses a continuous process is worked by a day and night shift, each of 12 hours. The men are given three holidays of one full day a month.

The wages of these process workers vary from 1.38 yen per day (12 hours) for "temporary workers" to 1.98 yen per day (12 hours) for foremen. The majority are paid 1.44 yen per day. It is probable, however, that in addition the men get a bonus of one month's pay a year, since this is a general custom in Japanese industry.

The wage rates, allowing for the bonus, and taking their sterling equivalents both at par and at the present exchange, are summarised as follows :—

<i>Japanese Currency Yen per day.</i>		<i>Sterling Equivalent per day of Rate—Bonus</i>	
		<i>Par</i>	<i>Present Exchange</i>
<i>Rate</i>	<i>Rate-Bonus (12th)</i>	<i>s. d. (Yen=2/0.58)</i>	<i>s. d. (Yen=1/3)</i>
1.38	1.50	<i>s. d. 3 1</i>	<i>s. d. 1 10½</i>
1.44	1.56	<i>s. d. 3 2</i>	<i>s. d. 1 11</i>
1.98	2.15	<i>s. d. 4 5</i>	<i>s. d. 2 8</i>

In addition, a number of coolies are employed at a wage of 1 yen per day. The rates of pay of artisans are not known, but are presumably on a proportionately low scale.

Information concerning another factory in regard to which less detailed information is available, shows that a three-shift system is worked, with an average number of hours worked per day of 8. Wages range from 1.30 yen to 2.70 yen per day. The sterling equivalents are :

	<i>At Par</i>	<i>At present exchange</i>
	<i>s. d.</i>	<i>s. d.</i>
1.30 yen	2 8	1 7½
2.70 yen	5 6	3 4½

In the English factories a three-shift system is worked. The lowest rate of pay for shift-workers (taking into account extra pay at week-ends) is 10/- per day. The average wage of shift foremen is £6 14 0 per week, or 19/- per day.

It can, therefore, be said that the Japanese workers are paid less than one-fifth of the wages paid to the English workers.

(f). **Electric Lamps.** This is believed to be largely a "cottage industry" producing for export only. There are known to be some 450 small workshops in the form of wooden frame buildings which serve both as workshops and dwelling houses. Meals and sleeping accommodation are provided by the proprietor for his employees who in nearly all cases are members of his family or relatives.

The average daily wage for men is 80 sen (1/-), while for women it is 50 sen (7½d.). Children as young as 13 years of age are employed, girls receiving 20 sen (3d.) a day and boys 5 yen per month (2½d. per day). The working day consists of ten hours.

Contrasting the above with the daily rates of wages paid to workers in British factories :—

Mechanics ...	13/9d.
Glass Blowers	18/4d.
Women ...	8/6d.

it will be seen that the labour cost in Japan is almost infinitesimal compared with that ruling in this country.

(g). **Cycles.** The workmen in the Japanese cycle industry are normally employed ten hours per day with two one-day holidays a month. That is to say, the works are open every day including Sundays, with the exception of the 15th and 30th of each month. Female labour is engaged upon a limited number of operations only. Mechanics and machinists receive about 60 yen (72/6) per month and girls for assembly work about 30 yen (36/3) per month. In addition half yearly bonuses equivalent to one month's wages are paid. The Japanese factory also incurs retiring allowances dependent upon the number of years service. These allowances arise whenever labour is being paid off.

(h). **Buttons (pearl).** Being a "cottage industry," Japanese wages are not ascertainable, but an estimate based upon the cost of raw material and selling prices of the finished goods, suggests that wage rates are only about 10% of the British equivalent.

(j). **Rubber Boots and Shoes.** The following calculations of Japanese wages for rubber footwear are based upon recent cabled information.

<i>Hourly Rate</i>		<i>Weekly Rate</i>	
Men ...	33.80 Sen	21.29 Yen	(63 hour week)
Women	14.40 Sen	8.20 Yen	(57 hour week)

Calculated at the current rate of exchange, namely 15 pence to the Yen, and reducing to a basis of 48 hours per week, the equivalents in Sterling would be :

<i>Weekly Wage</i>	
Men ...	20/3d.
Women ...	8/7½d.

When these rates are compared with the current wages paid in English factories ; given as follows :—

Men ...	55/- per week
Women ...	37/6 " "

it will be seen that Japanese labour cost in the case of men is about 35 per cent. of the British scale, and for women less than 25 per cent.

(k). **Brooms and Brushes.** The production of brooms and brushes is largely in the hands of "outworkers," in fact according to statistics compiled by the Department of Commerce and Industry, 744 families were engaged in the output of Brushes which totalled 2,498,598 dozen in 1930. Owing to the construction of the industry it is extremely difficult to compare the wages of Japanese and British workmen.

According to the Ministry of Labour, the wages for men in Japan are about 4/8d. (3.75 yen) per day and for women 10½d. (70 sen) to 1/7½d. (1.30 yen) per day. The rates of wages in Great Britain are fixed by the Trade Board and different piece rates apply for different classes of brushes. The normal number of hours per week is 48 and the average earnings for piece work are men 1/8d. per hour, women 9½d. per hour, subject to certain percentage reductions for Cost of Living.

(l). **Pottery.** A wide disparity also obtains between the labour costs in the pottery industry in Japan and Great Britain.

The extent of this difference is indicated by the following rates of wages paid, the Japanese wages being converted at 1 yen=14.9d.

<i>Japanese wages per day</i>	...	Males	...	2/-
		Females	...	11d.
<i>English wages per hour</i>				
China	...	Males	...	1/4½d.
		Females	...	7½d.
General Earthenware		Males	...	1/4d.
		Females	...	7½d.

The Japanese are copying British patterns and designs extensively and British manufacturers agents state that the Japanese product is being offered in Empire markets at less than half the British factory price.

### Direction and Character of Japanese Export Trade.

The tables in Appendix II (a) and (b) give the trend and character of the principal items of Japanese export trade since 1913. It will be seen that Japanese export trade was expanding steadily right up to the onset of the world slump in 1929 and, while her trade then declined in conformity with the decline in total world demand, in the succeeding years she managed to secure a steadily increasing share of the diminishing total of world demand. The rapidity of Japanese export development is illustrated by the fact that, on a quantitative basis, Japan's total of exports in 1931 was nearly double that of 1913, whereas no other country is able to show a similar improve-

ment. In the same period British exports in 1931 were estimated to amount to less than 75 per cent. of the pre-war volume.

The table also points to the increasing scope and growing importance of fully manufactured goods in her export trade. For example, whereas, before the War, exports of cotton piece goods amounted to little over a half of the exports of yarns, by 1927 they amounted to nearly seven times as much and by 1932 to nearly 14 times. In addition, even on a volume basis this change over has been particularly marked. Exports of cotton yarns at 1,360,503 piculs in 1913 declined steadily after the war to 95,117 piculs in 1931, while at the same time the home consumption for the further manufactured varieties increased by 250 per cent. Cotton tissue exports rose from 235,177,000 sq. yards to 1,413,780,000 sq. yards in 1931. The urge to extend the sphere of production by increasing the varieties of manufactured goods exported is illustrated in the substantial expansion in the purchase of raw rubber. In 1913 the imports of crude indiarubber and gutta percha totalled 20,115,000 kin only. By 1920 this had increased five times, and by 1931 by nearly 37 times and amounted to 737,435,000 kin, the expansion in the past three years being particularly rapid.

The statistics in Appendix II showing the direction of Japanese export trade fully reflects the result of Japan's plan of commercial expansion. Raw silk is still her principal export to the U.S.A. but in the case of most other countries, fully manufactured goods occupy the first place.

The balance of Anglo-Japanese trade up to 1929 was largely in favour of Great Britain, a condition which in 1932 was reversed. But whereas exports of British manufactured goods to Japan have contracted substantially in value, the imports of Japanese manufactures into this country have remained stationary, a state of affairs which implies that, if allowance is made for the decline in prices, they must have increased appreciably in volume.

The following table, giving the imports into the U.K. of certain outstanding Japanese goods, illustrates the extent of this growth in the volume of Japanese competition :

<i>Imports into U.K. from Japan</i>				
	1928	1929	1930	1931
Rubber boots and shoes (doz. prs.)	Nil	Nil	96,696	2,825,532
Electric glow lamps (No.) ... ..	6,123,673	18,555,045	19,292,659	25,568,565
Cotton Stockings and Hose (doz. prs.)	843,400	739,396	1,144,288	947,400
Underwear & fancy hosiery of cotton (dozens) ...	1,004,189	895,077	1,096,068	1,120,568

But Empire markets have been even more affected by Japan's export drive. This is made clear in the following information summarising the experiences of certain of the individual trades which have been worst hit.

**(1). Cotton.** The following is extracted from a survey by the Cotton Trade Statistical Bureau of the World trade in cotton piece goods.

"In India the imposition of the additional tariff on non-British piece goods was followed by a drop in imports, but British trade has fallen much more seriously than Japanese trade . . . Japanese trade with the Straits Settlements has reached record figures . . . Imports into the Middle East reveal a further extension of Japanese competition. A substantial rise in total imports into Egypt in the third quarter of 1932 was entirely due to increased imports from Japan, which in September had reached the record figure of 9.6 million yards or nearly half the total imports. In East Africa, Japan has firm control of the market, and although Great Britain did a larger trade in 1932 than before the departure from the gold standard, this did not prevent a further expansion of Japanese trade . . . In British West Africa the bulk of the trade is still held by Great Britain . . . In comparison, the extent of Japanese competition in this market is very small, but there are signs that it is increasing (Japan exported to Nigeria, the Gold Coast and Sierra Leone 1.4 million square yards in the first nine months of 1932, against 133,100 square yards in 1931 and 20,500 square yards in 1930.)

The extension of Japanese competition in South America, particularly Argentina, bears no relation to the depressed state of these markets. Although exports to Argentina from Great Britain, the United States and Italy have been falling since August, Japanese exports, after a drop in September, continued to increase throughout the second half of 1932 . . . Japan is maintaining a steady trade with South Africa and Australia."

The following facts relate specifically to towels, an item which has been especially subject to the recent dumping.

The markets particularly affected by Japanese competition are Australia, New Zealand, South Africa, East and West Africa, Br. W. Indies and Egypt. In the latter areas Japanese goods are reported to be sold at from 10 to 25% less than British costs of production. The major proportion of business in these markets has been lost, especially in white turkish towels and towelling, upon which the Japanese factories appear to have specialised.

The position in the silk industry is much the same.

**(2). Silk and Artificial Silk.** In East Africa, Japan has captured 98 per cent. of the business in the face of the rest of the



world. Her shipments to Australia, New Zealand, South Africa and the West Indies are growing rapidly. Competition is no longer confined to the lower quality goods. The following tables indicate the extent of Japanese intrusion in a few markets.

*Statistics of Artsilk Imports into Jamaica,  
Tanganyika, and Ceylon.*

**Jamaica**

• Imports of Artsilk fabrics into Jamaica.

**1930 Silk Broadcloth**

(Note: This classification presumably includes artsilk fabrics, and from the figures given for 1932 must be predominantly artsilks).

From U.K.	£36,674
„ Japan	8,141
„ Others	—

**Total** £62,985

<b>1931</b> From U.K.	£24,498	(yards not given)
„ U.S.A.	18,850	„ „ „
„ France	9,285	„ „ „
„ Japan	23,471	„ „ „
„ Switz.	6,522	„ „ „

**Total** ... £88,055

**1932 January to September**

From U.K.	£17,446	<i>Yards</i> 527,230
„ Japan	51,861	2,020,219

NOTE: Above information re 1932 sent by cable from Jamaica 24th November, 1932, with the note that "Japanese sales increasing rapidly."

**Ceylon**

The following table shows that the total increase of artificial silk imports into Ceylon during the period 1925-1931 together with the increase of Japan's share and the decline of the United Kingdom's share :

	Artificial Silk Imports	
	1925	1931
	<i>Rupees</i>	<i>Rupees</i>
Japan ... ..	—	1,479,951
United Kingdom ...	279,394	144,867
<b>TOTAL</b>	<b>445,490</b>	<b>1,731,684</b>

**Tanganyika figures for 1932**

(Supplied by Department of Overseas Trade, letter F.1652 dated 12.12.32.).

<i>Description</i>	<i>Country of origin</i>	<i>Jan-Sept. 1931</i>	<i>Jan-Sept. 1932</i>
	<i>Total</i>	331,999	777,607
<i>Artificial Silk</i>			
<i>Piece goods</i>	United Kingdom	9,749	4,159
	Germany ...	9,718	2,669
	Italy ...	15,173	1,521
	Japan ...	290,085	766,931

**NOTE:** Imports of artificial piece goods in Tanganyika Territory during September 1932, totalled 82,355 yards of which Japan supplied 82,308 yards.

**Rubber Boots and Shoes.** Competition from Japanese rubber manufactured products has been increasingly felt. The principal increase is in respect of rubber footwear, though manufacturers of many other rubber products are being severely hit. Japanese exports of rubber footwear to India, New Zealand, South Africa, Malaya and Europe more especially U.K. have expanded substantially.

From the following table it will be observed that as far as India is concerned (an observation which also applies to S. Africa and East Africa), these one time British markets have been completely captured by Japan:

<b>Imports into British India</b>			
<i>Canvas Rubber Soled Footwear</i>	<i>1928/29</i>	<i>1929/30</i>	<i>1930/31</i>
	<i>pairs</i>	<i>pairs</i>	<i>pairs</i>
<i>Total</i> ... ..	1,901,080	2,781,488	5,038,897
From U.K. ...	157,400	193,268	28,265
„ Japan ...	32,819	785,826	4,611,825

**Brooms and Brushes.** Japanese competition in brooms and brushes in the British and Empire markets has shown no signs of abating. Though in many cases total imports have tended to fall off in value, this contraction has been largely confined to supplies received from Great Britain. Japan has, therefore, secured a larger proportion of the total import trade of Empire markets.

**Cement.** Competition from Japanese cement in Empire markets has increased substantially during the past few years. Whereas, for example, India imported over 80% of her requirements from Great Britain, in 1927-28, as against only 8% from Japan, the position obtaining in the months April to November, 1932, indicated that Great Britain and Japan shared equally 90% of her total imports. In the case of Ceylon, the imports of Japanese cement

have risen from 26% of the total in 1931 to 44% in 1932, despite the fact that imports on Government account are of British origin as in Government contracts British cement is insisted upon or receives particular preference. Reports suggest that selling prices of Japanese cement in many of these markets are below production costs, in fact Japanese cement is being sold in Hong Kong at about half its home price in Japan.

**Cycles.** Japanese competition has become increasingly severe in India and is rapidly spreading over the whole of the Far Eastern markets, including Australasia. Similar competition is beginning to be experienced even in South America. Japanese selling prices largely approximate to British factory costs, so that allowing for delivery charges, duties, commissions, etc., British selling prices are at least 100% higher.

**Pottery.** Competition from Japan in the pottery industry has become particularly serious. Imports into the U.K. from Japan of general earthenware have grown steadily and despite the tariff, in 1932 expanded by 60 per cent. over 1931, while at the same time Japanese imports represented 31 per cent. of the total in 1932, as against less than 10 per cent. in 1931.

The growth in Japanese imports into the Empire markets has been even more rapid. In 1929 sales of Japanese earthenware to Australia amounted to 1.13 per cent. only, whilst in the year ended June 1930 they had increased to 11.58 per cent.

The following table of the imports of China and Porcelainware into Union of South Africa shows a similar development :

**Imports into Union of South Africa.**

		<i>Japan</i>	<i>% of Trade</i>	<i>All Countries</i>
		£		£
<b>China and Porcelain-ware</b>				
Year	1928... ..	11,797	6.29	187,403
	„ 1929... ..	20,911	7.69	272,068
	„ 1930... ..	18,571	10.43	178,037
	„ 1931... ..	462,28	27.50	168,116

**Appendix I.**

**JAPAN.**

**A. Shipbuilding.**

**Loans.** Funds created out of postal savings, postal transfer savings, saving and reconstruction saving certificates are invested by the Deposits Bureau or loaned by them to Government-controlled banks for re-investment in commercial undertakings, including shipping, *e.g.*, Industrial Bank of Japan is authorised "to make loans on mortgage of ships redeemable by annual instalments with a period not exceeding 15 years or at a fixed term of not more than 5 years."

Full particulars of such loans not available but an Act of 1st June, 1930 authorised such a loan of :

	5,000,000	yen for	1930
	10,000,000	" "	1931
	10,000,000	" "	1932
	5,000,000	" "	1933
<i>Total</i>	30,000,000		yen

for the building of vessels of 5,000 tons gross or over with a speed of 14 knots or over. Rate of interest not to exceed 6% and Government to contribute 1½ to 2% amounting *e.g.*, in 1930 to 83,334 yen. (On this basis the total interest contribution would be approximately 500,000 yen).

**Other forms of assistance.** *Imperial Ordinance of May, 1921.*  
Total customs exemption of all shipbuilding materials. Import duty on ships purchased abroad.

**Scrapping and Replacement Scheme.** *August, 1932.*  
Ships improvement Act providing for :  
Scrapping 400,000 tons gross during 1932-4  
Replacing 200,000 " " " "  
with Government subsidy of :—  
15 yen per ton scrapped  
20 " " " replaced  
55 " " " for building of vessels suitable for  
conversion into auxiliary cruisers.  
Minimum cost to Government 10,000,000 yen.

It is reported in the Press that no owners have so far availed themselves of this scheme.

## B. Ship Operation.

**Subsidies.** Contracts are still entered into under the Ocean Lines Bounty Law of 1909 (replacing the Navigation Bounty Act 1896) providing for a subsidy based on mileage, with a 25% increase in case of vessels built to Government-approved plans, and disabilities on ships built abroad, but requirements as to tonnage speed, etc. have been increased.

In 1921 the N.Y.K. subsidies were put on a mail-pay basis with the object of giving them the benefit of higher rates and compensating them for freight control during the war. From 1929, however, this form of payment has only existed in the services to London and Melbourne.

In 1915 the Law was extended to permit liberal subsidising of loans in coastal and near trades to China, Siberia, etc.

### Average Annual Government Subsidy.

Prior to 1928-9	...	...	7,000,000	yen
From 1930-31	...	...	11,000,000	"
To-day	...	...	15,000,000	"

Provided as follows :—

Transoceanic Services	...	8,500,000	"
Coasting and Near Seas Services	...	3,000,000	"
Government of Formosa	...	1,700,000	"
Government of Korea	...	900,000	"
South Seas Mandated Territories	...	700,000	"
North Sakhalin Administration	...	400,000	"
Kwantung Administration	...	35,000	"

Details attached.

The latter also received from Colonial

Governments	...	...	4,000,000	"
-------------	-----	-----	-----------	---

On this basis the amount paid since 1920

would be	...	...	...	155,000,000	"
----------	-----	-----	-----	-------------	---

It is understood that except in the boom years of 1915/18 and 1920, the subsidies have exceeded the other net earnings of the recipient companies, while in certain post war years only the receipt of such subsidy has prevented a heavy trading loss.

On the other hand, the receipt of the subsidy, especially under the 1909 Act, imposes such exacting conditions on shipowners as to routes, rates, class of vessel to be employed, liability to requisition etc., that in fact the Government exercises practically complete control over their operations.

**Other Forms of Assistance.**

1. Advances up to 50% purchase price at 9% interest for purchase of tramp vessels under 15 years of age.
2. Government guarantee of 50 yen per ton on 500,000 tons taken over by Kokusai Kisen Kaisha in 1920 by debentures at 6% interest, later reduced to 3% redeemable 1928-49. 1927 Controlling Company failed and Government took over.

## Appendix II. (A)

## EXPORTS FROM JAPAN - PRINCIPAL COUNTRIES

*(Thousand Yen)*

	1913	Average 1920-22	1925	1929	1930	1931	1932
<i>Total</i>	632,460	1,612,895	2,305,590	2,148,619	1,469,852	1,146,981	1,409,992
United Kingdom	32,870	61,339	59,716	63,183	61,794	53,166	59,658
India ... ..	29,873	124,652	173,413	198,057	129,262	110,367	192,492
Straits Settlements	10,142	26,272	44,905	27,928	26,931	19,120	25,549
Hong Kong ... ..	33,622	66,264	73,629	61,065	55,646	36,754	18,041
Aden ... ..	—	—	—	—	6,136	4,809	8,307
East Africa ... ..	—	—	—	13,124	10,663	10,868	15,760
Union of S. Africa	475	5,614	9,539	13,179	14,196	19,283	16,418
Canada ... .. (British America)	5,090	16,259	20,838	27,079	17,904	13,067	8,562
Australia ... ..	8,638	38,840	47,496	44,075	25,486	18,406	36,895
New Zealand ... ..	—	4,905	3,101	4,095	3,226	1,967	2,993
China ... ..	154,660	343,672	468,439	346,652	260,286	155,751	141,178
Manchukuo ... ..	—	—	—	—	—	—	14,248
Kwang Tung ... ..	29,836	87,704	101,647	124,476	86,814	65,542	120,584
Asiatic Russia ... ..	4,271	15,846	3,113	15,102	26,973	14,941	13,065
Dutch East Indies	5,149	69,617	88,557	87,125	66,048	63,450	100,251
Siam ... ..	1,035	4,151	7,820	10,634	9,477	4,722	8,581
Philippine Islands	6,284	23,357	29,306	30,528	28,369	20,425	22,362
France ... ..	60,230	61,835	58,855	44,495	27,258	16,100	21,358
Germany ... ..	13,132	—	11,844	13,447	11,388	8,424	9,098
Holland ... ..	669	3,504	2,617	6,918	8,172	10,136	12,445
Belgium ... ..	3,706	2,202	1,828	2,890	1,985	2,452	4,064
Italy ... ..	29,417	4,597	8,202	6,109	6,154	3,216	5,660
Turkey ... ..	184	389	3,831	2,551	3,950	3,790	5,965
Egypt ... ..	1,371	13,968	25,266	31,352	28,997	22,830	41,877
U.S.A. ... ..	184,473	597,891	1,006,253	914,102	506,220	425,330	445,147
Argentina ... ..	1,423	10,843	8,464	8,580	4,449	4,701	7,553
Uruguay ... ..	—	—	—	4,467	4,115	1,151	423
Brazil ... ..	—	—	1,582	1,572	955	642	1,330
Chile ... ..	132	977	1,917	2,719	2,472	805	287
Peru ... ..	118	1,989	1,660	2,601	2,235	800	841

## Appendix II. (B)

**EXPORTS FROM JAPAN (Thousand Yen)**  
**PRINCIPAL ITEMS**

	1913	Average 1920-22	1925	1929	1930	1931	1932
<b>Total</b>	629,526	1,584,957	2,222,330	2,103,726	1,434,644	1,121,580	1,365,812
Portland Cement ... ..	656	7,015	4,266	9,182	10,067	9,090	8,546
Camphor ... ..	2,236	5,027	7,276	6,199	3,109	2,945	3,541
Menthol Crystal ... ..	2,873	3,662	12,478	5,170	3,475	2,984	3,690
Coal ... ..	23,629	35,509	33,201	23,215	21,783	15,009	13,451
Cotton Yarn... ..	70,998	115,895	123,117	26,756	15,033	8,511	21,546
Knitted Goods ... ..	8,847	22,201	30,979	36,711	30,462	21,176	26,935
Hats, Caps and Bonnets ... ..	5,619	5,277	9,068	18,129	9,364	10,531	7,731
Cotton Tissues ... ..	33,606	253,564	432,850	412,707	272,117	198,732	288,713
Glass and Glassware ... ..	3,319	14,515	17,329	13,211	9,609	6,534	9,282
Pottery ... ..	6,637	24,485	35,273	36,963	27,171	19,307	22,934
Iron Manufactures ... ..	725	13,501	14,709	15,196	14,095	10,246	14,197
* Machinery and Parts ... ..	2,522	14,673	9,686	13,616	13,956	13,641	10,940
Matches ... ..	11,865	20,085	8,733	3,715	2,965	1,409	938
Paper ... ..	3,096	19,397	29,237	26,289	27,560	20,995	14,013
Silk, Raw : Filature Steam ... ..	188,917	489,963	877,721	781,040	416,647	355,394	382,366
Silk Tissues ... ..	39,347*	118,760*	116,985*	149,955*	65,775	43,053	50,285
Art Silk Tissues ... ..	—	—	—	—	34,935	39,713	60,538
Sugar Refined ... ..	15,831	21,828	32,254	29,975	26,735	14,863	7,797
Tea ... ..	10,076	16,220	14,763	12,028	8,387	8,233	8,171
Buttons ... ..	3,312	6,840	8,663	7,213	5,619	4,675	5,863
Rubber Boots and Shoes ... ..	not shown	—	not shown	7,445	6,592	4,394	4,890
Toys ... ..	2,490	11,869	10,787	13,851	11,699	9,824	15,119

\* Note. Includes Art Silk Tissues



Since the preparation of the Report of the Special Committee of the Federation of British Industries on Japanese Competition entitled "The Menace of Japanese Competition," the following figures have been received in regard to Japanese Silk and Rayon daily wage rates (see page 8 of "Menace of Japanese Competition"). These new rates, which emanate from the Japanese Ministry of Commerce and Industry, give the average daily wages paid in the 13 principal cities of Japan, and show that striking reductions were in force in December, 1932.

<i>Worker</i>	<i>Yen per day</i>	<i>Equivalent wage in sterling per 6½ day week 1 Yen = 1/3d.</i>	<i>British wage per 48 hour week</i>
Silk reeler (female) ...	0.66	5/4d.	—
Cotton spinner (female)	0.77	6/3d.	—
Silk thrower (female) ...	0.78	6/4d.	32/-
Silk weaver (female) ...	0.69	5/7d.	45/-
Hosiery knitter (male)	1.42	11/7d.	80/-
„ „ (female)	0.71	5/9d.	50/-

14th June, 1933.

**Appendix III.**

*Copy of letter which is being circulated in foreign markets by agents for Japanese exporters.*

**Machinery Business.**

Gentlemen,

In late years, Japan has made a tremendous progress in the *Mechanical Industry*. No longer is it necessary to import any machines, but to-day machines of precision and complicated designs are well turned out in Japan. Those, filling entire home demands, are now in the position to export to the foreign countries.

The superiority of *Japanese-made Machinery* in design and efficiency is undisputed which is proven by fast growing export figures.

Do you regard it Dumping that the Japanese made merchandise can be supplied so cheap in superior quality? No, it is due mostly to the adoption of our progressed and efficient machines in our manufacture.

When nations vie with each other in checking imports of merchandise and endeavour to protect their own industries, a shift in the trend of merchandise for export seems imperative. The mission of our exporters lies no doubt in supplying our foreign clients with such machines as will help develop the industry of their countries.

Our Machinery Department has hitherto represented several foreign works and makers as their agents, and been doing very prosperous business. However, in order to cope with the time and changing situation, we have decided to concentrate our efforts in *export of Japanese Machinery*. We have already supports of many important works of machines and *our Machinery Department* is fully organised for that purpose.

We are desirous to have a good connection with first class firms who handle this business on a large scale and, we also welcome propositions for any new schemes from various enterprises.

A list of principal machines which we can handle is attached herewith.

We remain, Gentlemen,  
Yours faithfully,  
Machinery Department.

### **List of Machinery Produced.**

Wool, Cotton, Silk Spinning and Weaving Plants.  
Dyeing, Bleaching, Printing and Finishing Machinery.  
Humidifiers, Air Blowers, Air Compressors.  
Ice-Making Machinery.  
Steam Boilers, Steam Turbines, Generators, Motors.  
Diesel and Oil Engines, Locomotives, Road Rollers.  
Conveyers, Motor-rear Cars. Water Pumps.  
Chain Blocks, Electric Hoists, Ball Bearings.  
Machine Tools. Leather and Rubber Belts, etc.

**We are representing all first class makers and any enquiries will be treated with promptness and honesty.**