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STUDIES IN INDIAN ECONOMICS

EDITED BY

C. N. VAKIL,

UNIVERSITY PROFESSOR OF ECONOMICS, BOMBAY

STUDIES IN INDIAN ECONOMICS

A series of volumes dealing with the Economic history
and problems of Modern India.

EDITED BY

C. N. VAKIL

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BETWEEN
INDIA AND JAPAN

BY

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UNIVERSITY PROFESSOR OF ECONOMICS, BOMBAY

AND

D. N. MALUSTE,

M.A., B.COM. (London), BAR-AT-LAW.

LONGMANS, GREEN AND CO. LTD.

P. 58, CHITTARANJAN AVENUE, CALCUTTA

53, NICOL ROAD, BOMBAY

36A, MOUNT ROAD, MADRAS

LONDON, NEW YORK AND TORONTO

1937

X: 54.20R42 .N3

G7

11162

PRINTED IN INDIA

Printed by M. N. Kulkarni at the Karnatak Printing Press, Chira Bazar,
Bombay 2 and Published by A. W. Barker, Manager, Longmans,
Green & Co. Ltd., 53 Nicol Road, Bombay.

PREFACE

One of the characteristic features of the economic history of recent times is the creation of a network of restrictions on international trade. The only free trade country in the world has become protectionist. Most countries are trying to organise their economic life on national lines, and are regulating their trade in consonance with their general economic policy. Tariff walls, bilateral agreements, quotas, restrictions on imports or exports and the like determine the channels of trade. Though the experts have pointed out the folly of these methods which result in the shrinkage of international trade and the lowering of the standard of living of different peoples, it is generally believed that the interference of the State in trade as in other economic activities in one form or another has come to stay.

These international developments have had their influence on the commercial policy of the Government in this country, and there have consequently been appreciable changes in the nature and direction of our foreign trade. Customs revenue is now the most important source of income of the Central Government. In the case of certain commodities we have high revenue duties, while in the case of a few others there have been introduced protective duties, following the change in our fiscal policy in 1924. More recently the Government has adopted a system of preferential duties for Empire goods. The State has also attempted to regulate our trade with other countries; the trade with Japan, which is only next in importance to that with the U. K. is, for instance, now regulated by the Indo-Japanese Trade Agreement.

In view of the importance that questions of trade have thus assumed, and the need of safeguarding our interests in foreign markets, conditions which are liable to be affected by changes in national policies, the Government of India have recently decided to appoint Trade Commissioners in several centres. Such Commissioners are already working in London, Hamburg, Milan and Osaka and it is

These tendencies establish the need for a more systematic study of our trade relations with other countries and of problems arising from the same. Though some literature exists on this subject, it is chiefly with reference to the U. K. Till recently it has been the United Kingdom, the British Empire and the western world that have mainly attracted the attention of students in this country. The interest in our trade with other countries is only of recent origin.

The present work aims at a systematic study of our commercial relations with Japan. The importance of such a study need not be emphasized. Whereas since the war our trade with the United Kingdom and the British Empire is on the whole declining, that with Japan is increasing. Further, in recent years the competition of Japanese industries with our industries has become very acute, and the "cheap" goods from that country have hit them very hard. The chief sufferer has of course been the Indian Cotton Textile Industry. To protect that industry, the Government had to raise the import duties on cotton goods, which led to the boycott of Indian cotton by Japan, followed by negotiations for a trade agreement with Japan.

Besides this, Japan is also interesting to us from another point of view. In more than one sense, India is on the threshold of a new era. Our trade and industries are not well organised, and there are many deficiencies in our economic organisation. About half a century ago, Japan was in nearly the same position as India is to-day. But since then she has made a tremendous progress in her national life, and from a position of insignificance, she has come to be a "Great Power," feared and admired by the nations of the world. Thus Japan points us a way—though not the only one—whereby we in this country can develop our trade and industry and raise our standard of living.

We have therefore devoted the first two chapters of this work to an examination of the economic development of Japan. We also believe that in order to have an intelligent grasp of the issues arising from our trade with any country, we should have at least a general understanding of the economic organisation of that country ; it is im-

possible to understand the course of the trade in the absence of such a background. These two chapters are thus intended to prepare the reader for the study of trade statistics, on which the subsequent chapters are based. After an analysis of the relevant statistics in chapters three, four and five, the tendencies thus revealed are reviewed in brief in chapter six. Chapter seven discusses the nature of the Japanese Competition, of which we hear so much. The last chapter examines critically the two agreements made with Japan in recent years.

We have purposely kept the treatment of the subject within reasonable limits by confining the discussion to essential points only. We have, however, given ample references for the sake of those who desire to explore the subject further. Detailed references to the statistical sources have not been given as this material has been obtained from the well-known statistical publications issued both in India and Japan.

This work was first written in the form of a thesis for the M.A. degree of this University by Mr. Maluste during the years 1932-34, when he worked as a research Scholar in this School. Certain significant changes have occurred in our trade relations with Japan since then, and it was found necessary to revise and rewrite the book in the light of recent events before publication. Though I undertook to do this work at the request of Mr. Maluste, who was then away from India, the publication of the book was delayed, as due to other pre-occupations, I could not devote the necessary time to it. The delay was not, however, entirely unwelcome ; it made it possible for us to take note of the recent agreement with Japan.

*School of Economics and Sociology,
University of Bombay.
31st August, 1937.*

C. N. VAKIL

ACKNOWLEDGMENT

The undersigned acknowledges his indebtedness to the University of Bombay for the substantial help it has granted towards the cost of the publication of this work.

31st August, 1937.

D. N. MALUSTE

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APPENDIX I.

Indo-Japanese Trade Agreement, 1934.

CONVENTION.

ARTICLE I.

The territories to which the present Convention applies are, on the part of His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, British India, together with States in India which, by treaty with His Majesty the King or otherwise, may be entitled to be placed with regard to the stipulations of the present Convention on the same footing as British India (such territories being hereinafter referred to as India) ; and on the part of His Majesty the Emperor of Japan, all the territories and possessions belonging to or administered by His Majesty the Emperor (such territories being hereinafter referred to as Japan).

ARTICLE II.

Articles produced or manufactured in the territories of one of the High Contracting Parties, on importation into the territories of the other, from whatever place arriving, shall not be subjected to duties or charges other or higher than those imposed on like articles produced or manufactured in any other foreign country.

ARTICLE III.

Notwithstanding anything contained in the present Convention, the Government of India shall have the right of imposing or modifying from time to time special customs duties on the importation into India of articles produced or manufactured in any other foreign country, at such rates as the Government of India may consider to be necessary to correct the effects of any variation of the exchange value of the yen relative to the rupee subsequent to the 31st day of December, 1933 ; provided that no modification in any such rate shall be made until it has been in force for at least five weeks.

In imposing or modifying or on being requested by the Government of Japan to modify such special customs duties, the Government of India shall give full consideration to all relevant factors which tend to raise the export prices of articles produced or manufactured in Japan, and shall limit the rates of such duties to what is necessary to correct the effects of any

variation of the exchange value of the yen relative to the rupee on the duty paid value of articles produced or manufactured in Japan and imported into India.

Reciprocally, the Government of Japan shall have the right of imposing or modifying from time to time special customs duties on the importation into Japan of articles produced or manufactured in India, other or higher than those imposed on like articles produced or manufactured in any other foreign country, at such rates as the Government of Japan may consider to be necessary to correct the effects of any variation of the exchange value of the rupee relative to the yen ; provided that such right shall not accrue to the Government of Japan so long as the exchange value of the rupee relative to the yen is not below the value of 0.732 yen, and that no modification of any such rate shall be made until it has been in force for at least five weeks.

In imposing or modifying or on being requested by the Government of India to modify such special custom duties, the Government of Japan shall give full consideration to all relevant factors which tend to raise the export prices of articles produced or manufactured in India, and shall limit the rates of such duties to what is necessary to correct the effects of any variation of the exchange value of the rupee below 0.732 yen on the duty-paid value of articles produced or manufactured in India and imported into Japan.

ARTICLE IV.

While reserving to the Government of India and to the Government of Japan the right to make such changes in their customs tariffs as may be necessary for the protection of their own interests, the High Contracting Parties agree that when any modification of its customs tariff by either country results in the trade interests of the other being adversely affected in any appreciable measure, the Governments of the two countries shall, upon the request of the Government of the country adversely affected, forthwith enter into negotiations with the object of reconciling as far as possible the interests of the two countries.

ARTICLE V.

The present Convention shall be ratified. The instruments of ratification shall be exchanged in London as soon as possible. The date on which the instrument of ratification of each of the High Contracting Parties has been completed will be communicated to the other through diplomatic channels, and the present Convention shall enter into force, in advance of the exchange of the instruments of ratification, as from the date on which the latter of the two communications required under the present Article shall have been made.

ARTICLE VI.

The present Convention shall remain in force until the 31st day of March, 1937.

In case neither of the High Contracting Parties shall have given notice to the other six months before the said date of his intention to terminate the Convention, it shall continue operative until the expiration of six months from the date on which either of the High Contracting Parties shall have given notice of termination to the other.

In witness whereof the respective Plenipotentiaries have signed the present Convention and have affixed thereto their seals.

Done at London, in duplicate, this twelfth day the seventh month of the 9th year of Showa, corresponding to the twelfth day of July, 1934.

APPENDIX II.

Indo-Japanese Trade Agreement, 1934.

PROTOCOL.

ARTICLE I.

For the purposes of the present Protocol :—

the expression "cotton year" means a year beginning on the 1st day of January ;

the expression "cotton piecegoods year" means a year beginning on the 1st day of April ;

a cotton piecegoods year and the cotton year in which that cotton piecegoods year begins are referred to as "corresponding" ; and the expression "yard" means a linear yard.

ARTICLE II.

The customs duties to be imposed on importation into India of cotton piecegoods manufactured in Japan shall not exceed the following rates :—

(a) plain grey—50 per centum *ad valorem* or 5½ annas per pound, whichever is higher ;

(b) others—50 per centum *ad valorem*.

If hereafter the Government of India should decide to impose a specific duty on cotton piecegoods other than plain greys, it will not impose on such piecegoods, being the manufacture of Japan, a specific duty exceeding 5½ annas per pound.

ARTICLE III.

(1) If in any cotton year 1 million bales of raw cotton are exported from India to Japan, the quantity of cotton piecegoods which may be exported from Japan to India in the corresponding cotton piecegoods year shall be a basic allotment of 325 million yards.

(2) If the exports of raw cotton from India to Japan in any cotton year are less than 1 million bales, the allotment of cotton piecegoods for the corresponding cotton piecegoods year shall be the basic allotment diminished by 2 million yards for every 10,000 bales of the deficit or for any residual quantity thereof exceeding 5,000 bales.

(3) If the exports of raw cotton from India to Japan in any cotton year exceed 1 million bales, the allotment of cotton piecegoods for the cor-

responding cotton piecegoods year shall be the basic allotment increased by $1\frac{1}{2}$ million yards for every 10,000 bales of the excess or for any residual quantity thereof exceeding 5,000 bales ;

Provided that the allotment of cotton piecegoods shall not in any case exceed 400 million yards for any cotton piecegoods year.

(4) If the exports of raw cotton from India to Japan in any cotton year exceed $1\frac{1}{2}$ million bales, the excess shall be added to the quantity of raw cotton exported from India to Japan in the following cotton year for the purpose of determining the allotment of cotton piecegoods for the cotton piecegoods year corresponding to such following cotton year.

(5) For the purposes of the calculations under the present Article and under Articles 4, 5, 6 and 7, any raw cotton or cotton piecegoods which have been imported and then re-exported shall be excluded.

ARTICLE IV.

(1) The allotment of cotton piecegoods which may be exported from Japan to India during the first half of any cotton piecegoods year shall be 200 million yards ;

Provided that, if in the first half of any cotton piecegoods year the exports of cotton piecegoods from Japan to India exceed the allotment for the whole of that cotton piecegoods year, the allotment for the first half of the following cotton piecegoods year shall be 200 million yards less such excess.

(2) The allotment of cotton piecegoods which may be exported from Japan to India during the second half of any cotton piecegoods year shall be the annual allotment for that year less 200 million yards ;

Provided that, if the quantity exported from Japan to India in the first half of any cotton piecegoods year is less than 200 million yards, as increased or diminished under Article 5, the allotment for the second half of that cotton piecegoods year shall include the quantity of the deficit up to quantity not exceeding 20 million yards.

ARTICLE V.

Notwithstanding anything hereinbefore contained,

(a) If less than the allotment for any cotton piecegoods year is exported from Japan to India in that year, the quantity of the deficit up to a quantity not exceeding 20 million yards may be exported in the first half of the following cotton piecegoods year in addition to the allotment for that half-year ; and

(b) A quantity not exceeding 20 million yards of cotton piecegoods may be exported from Japan to India in any cotton piecegoods year ; other than the cotton piecegoods year in which the present Protocol terminates, in addition to the allotment for that year ; but such excess shall be deducted from the allotment for the first half of the following cotton piecegoods year.

ARTICLE VI.

If the present Protocol should come into effect at any time other than the beginning of a cotton piecegoods year, the first cotton year shall, for the purposes of the Protocol be deemed to begin on the 1st day of January, 1934, and the first cotton piecegoods year on the 1st day of April, 1934.

ARTICLE VII.

(1) For the purposes of the present Protocol, cotton piecegoods shall be divided into the four categories of :—

- (a) Plain greys,
- (b) Bordered greys,
- (c) Bleached (white) goods, and
- (d) Coloured (printed, dyed or woven) goods ;

and the allotment for any cotton piecegoods year shall be divided into sub-allotments among these four categories, consisting of portions of the allotment as follows :—

Plain greys	45 per centum.
Bordered greys	13 "
Bleached (white) goods	8 "
Coloured (printed, dyed or woven) goods	34 "

and, save as provided in paragraph (2), the export of cotton piecegoods in each category in any cotton piecegoods year shall be restricted to the said portions.

(2) Transfers may be made from one sub-allotment to another, subject to the following conditions :—

- (a) The allotment for any cotton piecegoods year shall not thereby be increased ;
- (b) The amount transferred from a sub-allotment for bordered greys or from a sub-allotment for bleached (white) goods shall not exceed 20 per centum of the amount of such sub-allotment, and the amount transferred from any other sub-allotment shall not exceed 10 per centum of the amount of such sub-allotment ; and
- (c) A sub-allotment for bordered greys or a sub-allotment for bleached (white) goods shall not be increased by more than 20 per centum of the amount of such sub-allotment and any other sub-allotment shall not be increased by more than 10 per centum of the amount of such sub-allotment.

(3) The principles of the present Article shall apply also to quantities of cotton piecegoods exported from Japan to India under Article 5 in excess of the yearly allotments, as if such quantities were yearly allotments.

ARTICLE VIII.

Nothing contained in the present Protocol shall be deemed to affect the rights of either High Contracting Party under Article 2 or Article 3 of the Convention regarding the Commercial Relations between India and Japan of this day's date.

ARTICLE IX.

The present Protocol shall come into force simultaneously with the Convention regarding the Commercial Relations between India and Japan of this day's date and shall remain in force until the 31st day of March, 1937.

Done in London, in duplicate, this twelfth day of the seventh month of the 9th year of Showa, corresponding to the twelfth day of July, 1934.

APPENDIX III.

Agreement between Japan and Burma, 1937.

PROTOCOL.

ARTICLE I.

For the purposes of the present Protocol :—

the expression "raw cotton" means cotton grown and produced in Burma ;

the expression "cotton year" means a year beginning on the 1st day of October ;

the expression "cotton piecegoods year" means a year beginning on the 1st day of April ;

a cotton piecegoods year and the cotton year in which that cotton piecegoods year begins are referred to as "corresponding" ;

and the expression "yard" means a linear yard.

ARTICLE II.

The customs duties to be imposed on importation into Burma of cotton piecegoods manufactured in Japan shall not exceed the following rates :

(a) plain greys—50 per centum *ad valorem* or 5½ annas per pound, whichever is higher ;

(b) others—50 per centum *ad valorem*.

If hereafter the Government of Burma should decide to impose a specific duty on cotton piecegoods other than plain greys, it will not impose on such piecegoods being the manufacture of Japan a specific duty exceeding 5½ annas per pound.

ARTICLE III.

(1) If in any cotton year a quantity of raw cotton which is not less than 65 per centum of the total quantity of raw cotton available for export from Burma in that year or 70,000 bales, whichever quantity is less, is exported from Burma to Japan the quantity of cotton piecegoods which may be exported from Japan to Burma in the corresponding cotton piecegoods year shall be a basic allotment of 42 million yards.

(2) The quantity of raw cotton estimated in the official forecast of the cotton crop in Burma published in the *Burma Gazette* in December to be available for export shall be accepted provisionally for the purposes of

paragraph (1) to be the total quantity of raw cotton available for export in that cotton year ; and the sum of the total quantity of raw cotton exported from Burma up to the 31st May in the same cotton year and of the quantity of raw cotton remaining available in Burma for export on that date, added together, shall be accepted finally for the purposes of paragraph (1) to be the total quantity of raw cotton available for export in that cotton year.

(3) If the exports of raw cotton from Burma to Japan in anyone cotton year exceed 65 per centum of the total quantity of raw cotton available for export from Burma in that year the excess shall be added to the quantity of raw cotton exported from Burma to Japan in the immediately following cotton year for the purpose of determining the allotment of cotton piecegoods for the cotton piecegoods year corresponding to such following cotton year :

Provided that the quantity to be added to the quantity exported in the following cotton year shall not exceed 65 per centum of the quantity by which the quantity accepted provisionally under paragraph (2) to be the total quantity available for export exceeds the quantity accepted finally under paragraph (2) to be the total quantity available for export.

(4) If the exports of raw cotton from Burma to Japan in any cotton year are less than 65 per centum of the total quantity of raw cotton available for export from Burma in that year or 70,000 bales, whichever quantity is less, the allotment of cotton piecegoods for the corresponding cotton piecegoods year shall be the basic allotment diminished by 300,000 yards for every 1,000 bales of the deficit or for any residual quantity thereof exceeding 500 bales : provided that no such reduction of the basic allotment shall be made if the average of the market prices at Rangoon of Myingyan cotton of the standard known as "M. R. F." throughout the said cotton year exceeds the average of the market prices at Bombay of Oomra fine cotton throughout the said cotton year, or if, although Japan shall have exported less than 65 per centum of the total quantity of raw cotton available for export in the said cotton year or 70,000 bales, whichever quantity is less, no further supplies of raw cotton are available for export during the said cotton year.

(5) For the purposes of the calculations under the present Article and under Articles 4, 5, 6, and 8 any raw cotton or cotton piecegoods which have been imported and then re-exported elsewhere than to India shall be excluded.

ARTICLE IV.

Except as hereinafter provided the allotment of cotton piecegoods which may be exported from Japan to Burma during the first half of any cotton piecegoods year shall be 21 million yards, and the allotment of cotton piece-

goods which may be exported from Japan to Burma during the second half of any cotton piecegoods year shall be 21 million yards diminished by any reduction made under paragraph (4) of Article 3 :

Provided that if the quantity exported from Japan to Burma in the first half of any cotton piecegoods year is less than 21 million yards as increased or diminished under Article 5, the allotment for the second half of that cotton piecegoods year shall include the quantity of the deficit up to a quantity not exceeding 2,625,000 yards ;

And provided that if the quantity exported from Japan to Burma in the first half of any cotton piecegoods year exceeds 21 million yards as increased or diminished under Article 5, the allotment for the second half of that cotton piecegoods year shall be diminished by the amount of such excess.

ARTICLE V.

Notwithstanding anything hereinbefore contained

(a) if less than the allotment for any cotton piecegoods year is exported from Japan to Burma in that year the quantity of the deficit up to a quantity not exceeding 2,625,000 yards may be exported in the first half of the following cotton piecegoods year in addition to the allotment for that half year ; and

(b) a quantity not exceeding 2,625,000 yards of cotton piecegoods may be exported from Japan to Burma in any cotton piecegoods year, other than the cotton piecegoods year in which the present Protocol terminates in addition to the allotment for that year ; but such excess shall be deducted from the allotment for the first half of the following cotton piecegoods year.

ARTICLE VI.

Cotton fents i.e., *bona fide* remnants not exceeding four yards of length, shall not be included in the quantity of cotton piecegoods which may be exported from Japan to Burma under Articles 3, 4, and 5 but the quantity of cotton fents which may be exported from Japan to Burma in any cotton piecegoods year shall not exceed 1,050,000 yards being 2½ per centum of the basic allotment.

ARTICLE VII.

For the purposes of the present Protocol the first cotton year shall be deemed to commence on the first day of October, 1936, and the first cotton piecegoods year on the 1st day of April, 1937.

ARTICLE VIII.

(1) For the purpose of the present Protocol cotton piecegoods shall be divided into the four categories of :—

(a) Greys,

- (b) bleached (white) goods,
- (c) coloured printed goods, and
- (d) coloured dyed or woven goods ;

and the allotment for any cotton piecegoods year shall be divided into sub-allotments among these four categories, consisting of portions of the allotment as follows :

greys	15 per centum
bleached (white) goods	10 "
coloured printed goods	45 "
coloured dyed or woven goods	30 "

and save as provided in paragraph (2), the export of cotton piecegoods in each category in any cotton piecegoods year shall be restricted to the said portions.

(2) Transfers may be made from one sub-allotment to another, subject to the following conditions :

(a) The allotment for any cotton piecegoods year shall not thereby be increased ;

(b) The amount transferred from a sub-allotment for greys or from a sub-allotment for bleached (white) goods or from a sub-allotment for coloured dyed or woven goods shall not exceed 20 per centum of the amount of such sub-allotment and the amount transferred from a sub-allotment for coloured printed goods shall not exceed 5 per centum of the amount of such sub-allotment ;

(c) A sub-allotment for greys or a sub-allotment for bleached (white) goods or a sub-allotment for coloured dyed or woven goods shall not be increased by more than 20 per centum of the amount of such sub-allotment and a sub-allotment for coloured printed goods shall not be increased by more than 5 per centum of the amount of such sub-allotment.

(3) The principles of the present Article shall apply also to quantities of cotton piecegoods exported from Japan to Burma under Article 5 in excess of the yearly allotments as if such quantities were yearly allotments.

ARTICLE IX.

Nothing contained in the present Protocol shall be deemed to affect the rights of either High Contracting Party under the Convention regarding the Commercial Relations between Burma and Japan of this day's date.

ARTICLE X.

The present Protocol shall come into force simultaneously with the Convention regarding the Commercial Relations between Burma and Japan of this Day's date and shall remain in force until the 31st day of March 1940.

APPENDIX IV.

The announcement regarding the new Indo-Japanese Agreement, 1937.¹

(1) The notice of denunciation given on October 21, 1936, of the convention regarding commercial relations between India and Japan, signed in London on July 12, 1934, shall, with the concurrence of the Government of Japan, be withdrawn and the said convention shall continue in force throughout the period of which the new Protocol shall remain in force.

(2) There shall be a new protocol regarding importation of Japanese cotton piecegoods into India to take the place of the protocol concluded at the time of signing the convention on July 12, 1934, and which by terms of Article 9 of it expired on March 31, 1937.

Modifications.

(3) This new protocol shall come into force immediately on signature and shall remain in force until March 31, 1940. It shall provide for its purpose that the first cotton year shall commence on January 1, 1937, and the first cotton piecegoods year on April 1, 1937.

(4) Except for the following modifications, the substance of the new protocol will be exactly similar in substance to the former protocol, those modifications being :

(a) the basic quota of Japanese cotton piecegoods to be exported to India in the piecegoods year shall be 283,000,000 yards and it shall be linked with 1,000,000 bales of Indian raw cotton exported to Japan in the corresponding cotton year,

(b) in case the export of Indian raw cotton to Japan in any cotton year should exceed 1,000,000 bales the quota of Japanese cotton piecegoods for the corresponding piecegoods year shall be determined by increasing the above basic quota at the rate of 1,500,000 yards to every additional 10,000 bales, provided that quota should in no case exceed 358,000,000 yards,

(c) in case the export of Indian raw cotton to Japan in any cotton year should exceed 1,500,000 bales the quantity thus exported in excess of

¹ The text of the new agreement has not been published till the time of going to the press.

1,500,000 bales shall for the purpose of determining the relevant quota of Japanese cotton piecegoods be added to the quantity of raw cotton exported to Japan in the immediately following cotton year, it being understood that this carry over will not be cumulative.

Division of Year.

(d) raw cotton imported into Japan and then re-exported to a country other than Burma and cotton piecegoods which have been imported into India and then re-exported to a country other than Burma shall not be regarded as exports to Japan and imports into India, respectively,

(e) the piecegoods year shall continue to be divided into the same yearly periods as in the former protocol, and the same conditions shall apply, except that the quota for the first half-yearly period shall be 179,000,000 instead of 200,000,000 yards and the transfer from the quota for the first half yearly period to the quota for the second half yearly period shall be permitted up to a maximum of 25,000,000 yards between the quota for any cotton piecegoods year and that for the first half of the immediately following cotton piecegoods year, and a quantity not exceeding 25,000,000 yards may be imported in the first half of any cotton piecegoods year in addition to the allotment for that period, but such excess shall be deducted from the allotment for the second half of the same cotton piecegoods year,

Piecegoods quota.

(f) in the new protocol the quota for piecegoods shall be classified and apportioned as follows: plain greys 40 per cent., bordered greys 13 per cent., bleached (white) goods 10 per cent., printed goods 20 per cent. and other coloured (dyed or woven) goods 17 per cent.,

(g) cotton fents, that is bona fide remnants not exceeding four yards in length shall not be included in the cotton piecegoods quota, but the quantity of cotton fents which may be exported from Japan to India in any cotton piecegoods year shall not exceed 8,950,000 yards, provided that more than this quota of cotton fents may be imported into India in any one cotton piecegoods year, on condition, the quantity in excess shall be deducted from the quota of the following cotton piecegoods year. If less than this quota of cotton fents is exported from Japan to India in any cotton piecegoods year the quantity of the deficit may be added to the quota for the following year.

(5) Finally, as there will be no hiatus between the last cotton and cotton piecegoods years of the former protocol and the first such years of the new protocol the excess of over 1,500,000 bales of raw cotton exported from India, including Burma, to Japan in the cotton year 1936 shall be carried forward to the cotton year 1937 for the purpose of determining the

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quota for cotton piecegoods that may be imported into India from Japan in the cotton piecegoods year 1937-38, and the excess, if any, of imports of cotton piecegoods into India, including Burma, in the cotton piecegoods year 1936-37, after full adjustment between the categories as provided for in Article 7 of the former protocol, shall be deducted from the piecegoods year 1937-38. Further, should the quantity of piecegoods imported into India and Burma in the cotton piecegoods year 1936-37 after such adjustment, be less than 400,000,000 yards, the quantity of deficit, up to a quantity not exceeding 25,000,000 yards shall be added to the quota for the first half of the cotton piecegoods year 1937-38.

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