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GENERAL AGREEMENT ON TARIFFS AND TRADE

Cotton Textiles Committee

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COTTON TEXTILES 1962-1968

Addendum

Reply of the Government of Japan

By communication dated 7 October 1969, the following reply to the questionnaire on adjustments in the cotton textile sector, COT/W/110, has been received from the delegation of Japan for circulation to the Cotton Textiles Committee.

I. Measures for Facilitating Adjustments in the Cotton Textile Sector

1. What are the measures taken by your Government since 1960 to facilitate adjustments in the domestic cotton textile industry? Please give details of these measures.

Reply

(1) The measures to facilitate adjustments in Japan's cotton textile industry have been taken in accordance with two specific laws as follows:

(a) "Act on Provisional Measures for Adjustments of Textile Industry Equipment, etc." (enforced in October 1964, expected to expire at the end of June 1970).

(b) "Act on Provisional Measures for Structural Reorganization of Specified Textile Industry" (enforced in August 1967, expected to expire at the end of June 1974 except for the provisions concerning the spinning and weaving industries which will expire in June 1972).

(2) Act on Provisional Measures for Adjustments of Textile Industry Equipment provides for the restriction of installation and operation of spinning machinery.

Under this law:

(a) new installation of spindles is prohibited during the five-year period beginning in October 1964, and,

(b) surplus capacity is to be mothballed in accordance with the procedures provided by the law, and, for every two mothballed spindles to be scrapped, installation of one new spindle or operation of one mothballed spindle is permitted.

(3) Act on Provisional Measures for Structural Reorganization of Specified Textile Industry provides for measures to carry out structural improvement of specified spinning industries (cotton, rayon filament and synthetic fibre spinning industry) and specified weaving industries (cotton, silk and rayon filament weaving industry). (Since the end of May 1969, the knitting as well as the dyeing and finishing industries have been added to the specified industries subject to the structural improvement under the law, and it is provided that they will be given similar assistance as weavers.)

The main purposes of this law are to facilitate structural improvement of the above-mentioned specified textile industries, through (a) scrapping of excessive capacity, (b) modernization of production equipment and (c) attainment of optimum scale of operation with respect to mill or firm size.

In order to accomplish these measures under the law, the Textile Industry Rationalization Agency (shortened hereafter as the Agency) has been set up with the capital contributed by the Government. This Agency, among other things, buys surplus spindles out of the fund recollected from the industry and scraps them and gives assurances to financing organizations for the repayment of debts on its own responsibility for the structural reform of the weaving industry.

(4) Under the latter law, up to the present day, textile industries have carried out the following measures for their structural improvement.

A. Specified spinning industry;

(a) Scrapping of surplus spindles;

Under the instruction to spinners concerned by the Minister of International Trade and Industry in August 1968, excessive capacity totalling about 850,000 spindles was scrapped by the end of February 1969.

Those scrapped spindles had first been bought by the Agency to be scrapped later. All funds necessary for the Agency to buy the surplus equipment were advanced by the State through private financial agencies, but those funds appropriated for this purpose are to be repaid to the Agency by the spinners concerned in seven instalments together with interests by the end of March 1972. (This means that the Agency only finances the spinners concerned for scrapping their surplus equipment.)

(b) Modernization of equipment;

(i) Modernization of equipment in the specified spinning industry is being carried out by each firm on its own responsibility in line with the objectives set out in the Basic Programme for Structural Improvement and the Detailed Plans (which are made on a fiscal year basis for implementation of the former Programme).

(ii) Spinners who introduce improved machinery are allowed to make a depreciation at a special rate in the first year after the machinery has been installed.

(iii) The development of modernization in the specified spinning industry is as follows:

	Number of workers required to produce one bale (400lb.) of cotton yarn of 20's, 30's and 40's (in terms of 20's equivalent)	Number of spindles operating in three shifts
1966 (fiscal year)	4.8 workers	70,000
1967 (fiscal year)	4.2 workers	340,000
1968 (fiscal year)	4.0 workers	1,580,000
1971 (fiscal year) (estimate)	2.7 workers	3,800,000

(c) Attainment of optimum scale of operation;

Efforts for attainment of optimum scale of operation are made by each firm on its own judgement. Especially with respect to small and medium-sized enterprises concentration of production and/or attainment of optimum size of operation among medium or small size enterprises are encouraged.

To date, five groupings of small spinners have been formed, out of which three groups consisting of thirteen firms with 310,000 spindles were set up in 1967 and another two groups consisting of six firms with 100,000 spindles were formed in 1968.

B. Weaving industry

Weaving industry is one of the typical industries composed mostly of small and medium-sized firms, and each type of product has its own local characteristics. Accordingly, measures for structural adjustment for weavers are to be carried out in each production area according to a plan suitable for its respective regional characteristics.

Weavers in each production area form a co-operative, which draws up its own detailed plan to carry out measures for structural improvement and submits it to the Minister of International Trade and Industry for approval. Approval is given when such a plan is considered appropriate to carry out structural improvement of the specified weavers, and the Government renders various aids to these co-operatives.

Measures for carrying out structural reform of the specified weavers include:

(i) Modernization of weaving equipment
(ii) Disposal of surplus equipment
(iii) Encouragement of merger of firms
(iv) Smoothing of changes in trade

(a) Modernization of equipment;

The target in the specified weaving industries for new introduction of modern looms has been set at about 174,000 (of which about 109,000 looms are for cotton weavers) in total, during the five-year period of structural adjustment from 1967 through 1971.

As the individual firms lack financial reserves due to their small size, Government's assistance through the Agency's assurance of debt plays an important rôle in encouraging modernization of equipment.

(b) Scrapping of surplus capacity;

(i) During the five-year period under the scheme for dissolving the surplus completely, 174,000 looms are to be scrapped by the weavers at their own costs, who introduce as many rationalized looms as substitute for old equipment.

However, since the introduction of modern looms raises productivity, it is estimated that another 156,000 looms ought to be disposed of by the end of the five-year period. As a result the number of looms to be scrapped reaches 330,000 in total.

(ii) Out of 156,000 surplus looms mentioned above, the Agency buys and scraps 36,000 looms from those firms which want to abandon their weaving businesses. The necessary funds are shared equally by the industry and the Government.

(iii) As far as the remaining 120,000 surplus looms are concerned, they are scrapped by each co-operative on its own responsibility, in certain proportion to the looms which are newly installed. Funds needed to scrap looms are shared equally by the Government and the industry.

C. Dyeing and knitting industries;

As mentioned above in paragraph (3) on page 2, the knitting as well as the dyeing and finishing industries are about to start structural reforms this autumn. Measures contemplated are mainly for modernization of equipment, merger of firms and improvement of trade transactions, and the Government is to support the self-help efforts of the industries for the said purpose.

2. Does your Government contemplate the introduction of any of the above measures or any other measures for facilitating adjustment in the cotton textile industry? If so, what measures?

Reply

See the reply to Question 1.

3. Are the adjustment measures taken so far, or contemplated to be taken, applicable only to the cotton textile industry, or also to other industries or to industry generally?

Reply

The measures for structural improvement under the scheme explained in the reply to Question 1 covered only the specified spinning industries (cotton, rayon filament and synthetic fibre spinning industry), and the specified weaving industries (cotton, silk, rayon filament weaving industry), but those measures have recently been extended to the knitting as well as dyeing and finishing industry.

4. Apart from Government measures, what adjustment measures have been taken by the cotton textile industry itself?

Reply

Measures for structural improvement can be taken by the specified spinning industry on a voluntary basis under its own initiative with the plan set out by the Government as a guide line. Such an initiative taken by the industry itself is expected to bring about fruitful results for solving its structural problems.

In 1967 when the plan for structural improvement was established, it was expected that the annual rate of increase of average wage level would be 8 per cent. But the actual rate of increase since that time turned out to be annually as high as 12 per cent, and the average price level of cotton yarn has decreased 14 per cent between 1967 and the present.

Under such conditions, most spinners experience both a decrease in profits and an increase in producing costs. To surmount this difficult situation, the specified spinning industry has made great efforts for rationalization as detailed below:

(1) In 1966, three shift operations, which are based on highly modernized spinning equipment such as continuous automated spinning system, large package system and so forth, covered only 70 thousand spindles or 0.7% of the total installed spindles. Since then, however, the number of spindles under three-shift operation has increased as follows:

at the end of March 1968	340 thousand spindles	3% of the total
at the end of March 1969	1,580 thousand spindles	14% of the total
at the end of June 1969	1,690 thousand spindles	15% of the total
at the end of March 1972 (estimate)	2,200 thousand spindles	19% of the total

(2) As a result, labour productivity in terms of the number of persons needed to produce a bale of 100% cotton yarn (400 lb.) of common kinds (mostly 20's, 30's and 40's) (in 20's equivalent) has been remarkably improved from 4.8 persons (calculation based on 8 working hours per day per person) in 1966 to 4.2 persons in 1967, and 4.0 persons in 1969.

(3) The rapid introduction of open-end spinning frame is also a clear indication of strong determination on the part of the industry for rationalization of its production equipment.

The open-end spinning frame was first introduced to Japan in the fall of 1968 as an experimental machine. At present, about 100 frames (200 drums each) of open-end spinning machines are installed. Installed frames of this sort are expected to increase in number to 500 by the end of March 1972.

(4) As a measure of structural improvement of the specified spinning industry with relation to the change of demand structure, it can be pointed out that the industry itself has shifted its production priority from cotton yarn to spun synthetic yarn the demand for which is expected to grow at a comparatively higher pace than that for cotton yarn and spun rayon yarn.

Percentage share of spindles used for production of each yarn

	Cotton yarn	Spun rayon	Spun synthetics
1966	54.3	18.8	26.9
1967	52.2	17.9	29.9
1968	50.4	11.8	37.8
1971 (estimate)	46.3	11.0	42.7

II. Changes in the Cotton Textile Industry and Trade Over the Period 1960 to 1968

1. Number of active spindles and looms in place in 1968? How many of these in place at the present time were installed during this period? How many were modernized?

Reply

(1) The number of operative spindles and looms at the end of 1968 was as follows:

Spindles	12,013 thousand spindles
Looms	361,326 looms

(2) The number of spindles and looms installed or modernized during the last nine-year period is not available.

2. Number of firms and mills in operation? How many mills have been built since 1960? How many mills were closed down since that time?

Reply

(1) Number of spinning firms (August 1968) 324
(2) Number of spinning mills (August 1968) 477
(3) Number of weaving firms (mill combines) and mills

	Firms	Mills
Spinner-weavers (June 1968)	30	77
Independent weavers (March 1968)	16,871	16,871
Total	16,901	16,948

(4) There is no official data on the number of mills newly built in the specified spinning industry. There has been in the textile industry a striking increase in the number of firms which have fallen into insolvency and accordingly the total amount of debts of these insolvent firms has also shown an increasing tendency.

	Number of firms which fell into insolvency	Total sum of debts not repayable
1960	405	21,651 million yen
1966	881	51,454 million yen
1967	1,180	61,601 million yen
1968	1,412	107,813 million yen

3. The structure of firms (mill combines) and individual units?

Reply

(1) Distribution of spinning firms by number of spindles

Scale	Number of firms	%	Number of spindles ('000)	%
Less than 30,000 spindles	253	78.1	1,628	12.9
30,000-100,000 spindles	51	15.7	3,030	24.0
100,000 spindles or more	20	6.2	7,952	63.1
Total	324	100.0	12,610	100.0

(2) Distribution of spinning mills by number of spindles

Scale	Number of firms	(%)	Number of spindles ('000)	(%)
Less than 30,000 spindles	317	66.5	2,325	18.7
30,000-100,000 spindles	142	29.8	8,147	64.6
100,000 spindles or more	18	3.7	2,111	16.7
Total	477	100.0	12,610	100.0

(3) Concentration of spinning capacity in five largest firms (August 1968)

	Number of spindles ('000)	(%)
Five largest firms	3,485	27.6
Others	9,125	72.4
Total	12,610	100.0

(4) Distribution of spinner-weavers by number of looms

Scale	Number of firms	(%)	Number of looms	(%)
Less than 100 looms	1	3.3	32	0.1
100-500 looms	8	26.7	2,321	4.1
500 looms or more	21	70.0	57,931	95.8
Total	30	100.0	60,284	100.0

(5) Distribution of weaving mills of spinner-weavers by number of looms

Scale	Number of mills	(%)	Number of looms	(%)
Less than 100 looms	5	7.5	145	0.3
100-500 looms	18	23.4	5,387	9.2
500 looms or more	54	69.1	54,752	90.5
Total	77	100.0	60,284	100.0

(6) Concentration of weaving capacity owned by spinner-weavers of five largest firms

	Number of looms	(%)
Five largest firms	33,090	53.4
Others	27,194	46.6
Total	60,284	100.0

(7) Distribution of independent weavers by number of looms

Scale	Number of mills	(%)	Number of looms	(%)
Less than 100 looms	16,324	96.7	214,388	64.2
100-500 looms	518	3.1	97.991	29.4
500 looms or more	29	0.2	21,259	6.4
Total	16,871	100.0	333,638	100.0

4. The proportion of spinning capacity controlled in 1968 and, where data exist, in 1960, by number of spindles by degree of integration.

Reply

1960 1/	Number of firms	Spindles ('000)	(%)
Spinners only	67	1,342	13.0
Spinners and doublers	18	740	7.1
Spinners, doublers and weavers	5	261	2.5
Others	51	8,011	77.4
Total	141	10,354	100.0

1968 2/	Number of firms	Spindles ('000)	(%)
Spinners only	46	1,396	13.2
Spinners and doublers	8	325	3.1
Spinners, doublers and weavers	4	106	1,0
Others	51	8,746	82.7
Total 3/	100	10,573	100.0

1/ Survey conducted at the end of the year.
2/ Survey conducted at the end of June.
3/ Spinners are only those firms member to the Japan Spinners' Association, which own more than 80% of the total spindles of Japan's cotton textile industry.

5. Can you indicate the annual amounts of gross fixed investment in the cotton industry of your country during the period 1960 to 1968?

Reply

The annual amounts of gross fixed investment in the cotton industry are not available.

6. What part of these investments represents the construction of new mills and what part has been geared to modernization of the existing plant and equipment?

Reply

The amounts of investments for the construction of new mills are not available.

7. Can you indicate the repartition of this gross fixed investment by the main sectors (i.e. spinning, weaving, finishing, etc.) of the cotton textile industry?

Reply

The amounts of investment by the main sector are not available.

8. Numbers employed in the cotton textile industry.

Reply

The number of employees in the cotton textile industry in Japan is as follows:

1960	Male	Female	Total
Spinning	25,647	117,441	143,088
Weaving	42,519	168,668	211,187
Spinner-weavers	5,220	20,031	25,251
Independent weavers	37,299	148,637	185,936
1963			
Spinning	23,588	103,443	127,031
Weaving	41,203	153,283	194,486
Spinner-weavers	4,664	18,194	22,858
Independent weavers	36,539	135,089	171,628
1966			
Spinning[1]	19,855	94,908	114,763
Weaving	39,766	135,790	175,556
Spinner-weavers	4,156	16,877	21,033
Independent weavers	35,610	118,913	154,523
1968			
Spinning[1]	24,415	97,203	121,618
Weaving	38,871	118,605	157,476
Spinner-weavers	4,132	15,299	19,431
Independent weavers	34,739	103,306	138,045

[1]Estimated.

9. To what extent is the cotton textile industry concentrated in a few areas? What proportion of employment in these areas is provided for by the industry?

Reply

The extent of concentration of the cotton textile industry on certain areas is as follows:

(1) Spindle (June 1968)[1]

Aichi prefecture	22.0%
Osaka prefecture	12.7%
Shizuoka prefecture	10.6%
Gifu prefecture	9.2%
Toyama prefecture	6.4%
Sub-total	60.9%
24 other prefectures	39.1%
Total 29 prefectures	100.0%

(2) Looms (June 1968)[1]

Aichi prefecture	26.2%
Osaka prefecture	18.5%
Shizuoka prefecture	15.0%
Hyogo prefecture	8.7%
Okayama prefecture	3.6%
Sub-total	72.0%
33 other prefectures	28.0%
Total 38 prefectures	100.0%

(3) The statistical figures for distribution of employment by area are not available. But, there are many cases that most of the inhabitants in a city or village live on the earnings from the cotton textile industry or its related industries alone.

10. If there has been a fall in employment in the cotton textile sector, has this fall been accompanied by a rise in unemployment?

Reply

The greater part of the decrease in employment in the cotton textile sector is due to such natural factors as retirement for marriage, shift to other businesses etc. Thus, the decrease in employment has no direct connexion with the rise in unemployment.

[1] Japan consists of 46 prefectures.

11. What proportion of productive capacity has been worked on two and three or more shifts system in 1960 and 1968?

Reply

(1) All the spindles were operated on two shifts in 1960 and 1963. The percentage shares of the spindles operated on two and three shifts in 1966 and 1968 were as follows:

1966	Two shifts	99.7%
	Three shifts	0.3%
	Total	100.0%
1968	Two shifts	88.1%
	Three shifts[1]	11.9%
	Total	100.0%

(2) As for weaving capacity, it is estimated that almost all the looms have been operated on either one or two shifts. But, recently it is said that the looms operated on two or more shifts are increasing.

12. What increases have taken place in labour productivity in cotton spinning and weaving over the period 1960 to 1968 in terms of the weight of yarn and fabrics produced per annum and/or the value of net output per head, suitably adjusted for price changes?

Reply

Increases in labour productivity[2] in the cotton textile industry are as follows:

	1960	1968	
Spinning	6.68	4.37 i.e. + 53%	(Number of persons needed to (produce one bale of 100% (cotton yarn (400 lb.) of all kinds ((20's equivalent)
Weaving	8.79	6.07 i.e. + 45%	(Number of persons engaged (in producing 1,000 square (metres of cotton fabrics

[1]Partially estimated.

[2]Only for the firms member to the Japan Spinners' Association. In spinning sector, spindles owned by the firms member to the Japan Spinners' Association occupy more than 80 per cent of the total spindleage in Japan's cotton textile industry.

In weaving sector, percentage share of looms owned by the member firms of the above Association is less than 20 per cent of the total.

13. Changes in mill consumption (in tons) of raw cotton over the period 1960 to 1968?

Reply

Raw cotton mill consumption in the cotton textile industry over the period 1960 to 1968 was as follows:

	(metric tons)
1960	583,604
1963	519,778
1966	589,470
1968	635,788

14. Consumption of yarn in cotton weaving?

Reply

Yarns consumed in the cotton weaving industry are as follows:

('000 metric tons)

	1960	1963	1966	1968
Cotton yarn	516	495	495	472
Spun rayon yarn	155	121	120	110
Synthetic yarn	45	96	165	230
Total including others	724	770	843	872

15. Consumption of cotton yarn in the knitting and in the carpet industries?

Reply

(1) Cotton yarn consumed in the knitting industry is as follows:

	('000 metric tons)
1960	44
1963	68
1966	78
1968	85

(2) The figures for consumption of cotton yarn in the carpet industry are not available.

16. Production of cotton yarn (state average count) and fabrics in metric tons?

Reply

(1) Production of cotton yarn in Japan is as follows:

	('000 metric tons)
1960	544
1963	480
1966	506
1968	551

(2) Production of cotton fabrics in Japan is as follows:

	(million square meters)
1960	3,222
1963	2,938
1966	2,913
1968	2,744

(3) Average count of cotton yarn[1] is as follows:

	(English count)
1960	31.5
1963	31.0
1966	30.6
1968	30.7

17. Estimated consumption of cotton yarns in different end-uses?

Reply

Estimated domestic consumption of products made of cotton yarn in apparel, household and industrial uses is as follows:

('000 metric tons)

	Calendar year			
	1960	1963	1966	1968
Apparel and household	242	244	308	389
Industrial uses	40	34	25	30
Total	282	278	333	419

[1]The figures only for the firms members to the Japan Spinners' Association are available.

18. Imports and exports.

Reply

These data have already been supplied to the GATT, except for the figures for the question (f) which are not available.

19. Percentage of cotton items in total imports and exports.

Reply

Percentage shares of cotton products (by weight) in total imports and exports of yarns, fabrics and made-up goods.

(1) Exports

	1960 %	1963 %	1966 %	1968 %
Yarns	44.3	26.0	14.2	4.9
Fabrics	58.3	59.4	50.0	38.5
Made-up goods	32.0	34.6	31.3	29.2
Total	49.5	47.7	37.2	27.2

(2) Imports

	1960	1963	1966	1968
Total	17.5%	12.5%	17.5%	63.7%

20. Estimated changes in consumption of cotton yarns and fabrics by 1970 as compared with 1968?

Reply

Domestic consumption of cotton yarns and fabrics:

(metric tons)

	Apparel and household	Industrial	Total
1968 (FY)[1] (April 1968-March 1969)	377,451	30,404	407,855
1969 (FY)[1] (April 1969-March 1970) (estimated)	385,000	28,000	413,000

[1] Fiscal year from 1 April to 31 March.

21. Estimated number of cotton spindles and looms in the cotton industry in 1970?

Reply

There are no official estimates for 1970. But, it is assumed that the numbers of spindles and looms will remain unchanged at the level reached after disposal of surplus capacity under the scheme for structural improvement specified before.

22. Estimated number of workers required by the cotton industry in 1970?

Reply

There are no official estimates for 1970. But, it is assumed that the number of workers in the cotton textile industry will remain unchanged at the present level or slightly decrease from the present level.

III. General Observations

In Japan, although the weight of the textile industry in the national economy has gradually been decreasing with the rapid development of heavy and chemical industries in recent years, the textile industry still occupies an important position as it has a huge home market with the population of one hundred million and has also a traditional export market. (The textile industry has a share of 13.1 per cent, 15.2 per cent and 17.5 per cent respectively in the total value added by the whole industries, total exports and total employment.)

With regard to the cotton textile industry, however, due to the remarkable development of man-made fibres, its share within the textile industry has gradually been diminishing under extremely severe internal and international circumstances, which are marked, on the domestic scene, among other things, by the existence of numerous small-scale enterprises in the weaving and clothing sectors, shortage of young labour force and rapid increase in wage level (which doubled in five years with a rate of increase exceeding the average rate of increase of all industries), and, externally, by increasing competition resulting from the growth of textile industries in developing countries and from rationalization efforts of other advanced countries.

Consequently, the cotton textile industry in Japan is presently undergoing structural changes, where such a new tendency as increasing imports of cotton textiles from developing countries is seen in addition to the declining export dependence as reflected on the decreases in the total exports of cotton textiles and the lowering of Japan's market shares in advanced countries.

However, the Japanese cotton textile industry is fully aware that the foregoing trends are world-wide, particularly common in all advanced countries and that various difficulties and problems which result thereof should be positively dealt with through domestic measures on the basis of the principle of self-help. It is precisely under such cognizance that the cotton textile industry in Japan has been carrying out measures for structural adjustment as described in detail in Part I. The Government of Japan, for its part, has made efforts to render its maximum assistance for that end.