

# OVERSEAS INVESTMENT BY THE JAPANESE TEXTILE INDUSTRY

MASAYUKI YOSHIOKA

## I. INTRODUCTION

**T**HE Japanese textile industry is in the thralls of a long-term recession which began in 1974 (see Table I). The industry has recently lost its international competitiveness, which was once the most formidable in the world. It also has lost its erstwhile flexibility with respect to the supply and demand situation, the basic driving force that enabled to revive the so-called textile cycle by selling a good deal of its production at home and exporting the rest. The setback seems to have been brought about by a combination of (a) international factors such as the sharpening of international competition owing to structural change in the textile industry throughout the world and the high yen exchange rate that has resulted from continuing international monetary instability, (b) domestic factors such as a relative deterioration of the textile industry due to the increase in the relative weight of chemical and other heavy industries in the industrial structure and cumulative increase in costs due to the textile industry's failure to make structural improvements in time, and (c) industrial factors such as the continuing rise in costs due to stagnation of modernization of industrial organization and equipment and excessive competition due to the overly large number of companies in the field and excessive production capacity.

There has been a rapid emergence of the textile industry in developing and Socialist countries, which has been the main factor behind change in the world textile industry structure. The governments of these countries have strongly implemented measures to promote their national textile industries which have enabled these countries to account for more than half of world textile production, as indicated in Table II. Not only have they raised rates of self-sufficiency but also have sharply increased their relative importance in world textile trade with low costs as a potent weapon. As a result, the international market in textile products, in which the advanced countries used to have the upper hand, has inevitably been transfigured by the emergence of this new strong competition. Competition for the purpose of securing the shares of individual countries in the international market has become exceedingly stiff in both the active sense of encouraging exports and the passive sense of controlling imports. Japan, which is the world's foremost exporter and which has a low degree of import controls, has been hit especially hard in the form of stagnation of exports and increase in imports due in part to high costs and the high exchange rate of the yen.

TABLE I  
JAPANESE TEXTILE PRODUCTION OVER THE YEARS (ON YARN BASE)

Year	Natural Fiber Yarns		Man-made Fiber Yarns		Natural and Man-made Fiber Yarns		WPI (Fibers)	
	Tons	% Increase from Preceding Year	Tons	% Increase from Preceding Year	Tons	% Increase from Preceding Year	Index	% Increase from Preceding Year
1952	474,599		161,628		636,227			
53	556,293	17.2	195,053	20.7	751,346	18.1		
54	602,839	8.4	242,245	24.2	845,084	12.5		
R								
55	576,556	-4.4	295,484	22.0	872,040	3.2		
56	680,182	18.0	373,348	26.4	1,053,530	20.8		
57	712,740	4.8	457,851	22.6	1,170,591	11.1	92.6	
R								
58	607,028	-14.8	334,533	-26.9	941,561	-19.6	85.4	-7.8
59	667,868	10.0	412,564	23.3	1,080,432	14.7	88.0	3.0
1960	758,065	13.5	512,085	24.1	1,270,150	17.6	87.2	-0.9
61	776,855	2.5	528,300	3.2	1,305,155	2.8	87.6	0.5
R								
62	709,257	-8.7	534,402	1.2	1,243,659	-4.7	82.6	-5.7
63	699,301	-1.4	584,956	9.5	1,284,257	3.3	93.1	12.7
64	722,896	3.4	682,946	16.8	1,405,842	9.5	90.4	-2.9
65	771,240	6.7	794,856	16.4	1,566,096	11.4	88.0	-2.7
R								
66	734,291	-4.8	849,893	6.9	1,584,184	1.2	88.3	0.3
67	742,904	1.2	965,606	13.6	1,708,510	7.8	93.6	6.0
68	758,672	2.1	1,072,105	11.0	1,830,777	7.2	94.6	1.1
R								
69	742,178	-2.2	1,157,026	7.9	1,899,204	3.7	94.1	-0.5
1970	746,164	0.5	1,289,613	11.5	2,035,777	7.2	100.0	6.3
71	750,659	0.6	1,424,247	10.4	2,174,906	6.8	96.7	-3.3
R								
72	777,209	3.5	1,352,729	-5.0	2,129,938	-2.1	98.9	2.3
73	779,091	0.2	1,472,606	8.9	2,251,697	5.7	135.0	36.5
R								
74	671,155	-13.9	1,277,040	-13.3	1,948,196	-13.5	135.3	0.2
75	626,942	-6.6	1,149,482	-10.0	1,776,424	-8.8	130.1	-3.8
76	680,441	8.5	1,319,702	14.8	2,000,143	12.6	143.7	10.5
77	591,870	-13.0	1,296,597	-1.8	1,888,467	-5.6		

Sources: Ministry of International Trade and Industry, *Sen-i tōkei nempō* [Year-book of textile statistics]; idem, *Sen-i tōkei geppō* [Monthly report of textile statistics].

Note: R indicates the period of recession.

TABLE II  
THE CHANGING STRUCTURE OF PRODUCTION AND TRADE  
IN THE WORLD TEXTILE INDUSTRY

Area	Fabrics		Clothing	
	1963	1974	1963	1974
Production:				
Advanced countries	53.4	48.4	62.2	49.5
Developing countries	18.8	19.4	10.0	13.1
Socialist countries	27.8	32.2	27.8	37.4
Trade:				
Advanced countries	63.6	62.0	75.1	33.3
Developing countries	27.4	28.3	8.8	48.5
Socialist countries	9.0	9.7	16.1	18.2

Source: Comitextil.

High costs in Japan's textile industry have been brought about mainly by the rise in the level of wages. The high wage level is largely due to the growth in the level of productivity derived from the increase in the relative weight of chemical and other heavy industries in the industrial structure along with progress in technical innovation as well as due to tolerance for a wage hike, owing to the tight labor market, that ignores relevancy between the rate of increase in productivity and that in wages. The textile industry failed to modernize equipment and improve the rate of operation to the extent required for the purpose of bridging this gap. Moreover, this constant rise in wages in excess of the rate of increase in labor productivity has driven the textile industry to overproduction and selling at low prices in order to keep up with the amount of funds needed to meet wage and interest costs. This is costing it a good portion of the profit that it could otherwise expect to make. All these situations are due to vulnerability of the Japanese textile industry which is very susceptible to excessive competition by virtue of the large number of firms in it and the excessive amounts of equipment, employment, and borrowed money that characterize it.

Needless to say, the Japanese textile industry has taken various steps to cope with such changes in the domestic and international environment. However, because of too much faith in the three to five year textile cycle characterized by two good years, one year of recession, and one year of adjustment, such measures have been inadequate, have not gone far enough, or have been too simplistic or ill-considered. Furthermore, owing to poor timing, not only have they failed to achieve the results hoped for but in some cases they have even worsened the situation. The measures taken over a period of twenty years since 1956 for the purpose of improving the structure of the textile industry have not been able to do anything about the excessive number of firms in the industry and the surplus of equipment. Although the active setting up of production facilities abroad had begun in the 1960s for the purpose of securing export markets and low-cost labor, it only brought about a sharp increase in textile imports as a result of such unexpected changes in conditions as the sharp rise in textile product prices due

to inflation prompted by excessive liquidity in the early 1970s, worldwide stagnation in textile consumption owing to the oil crisis, and the sharp upward reevaluation of the yen as a result of international monetary instability.

It is becoming the general view that the increase in textile imports, which is one of the major reasons for the recent recession in the Japanese textile industry, can be attributed in large part to a "boomerang effect" of overseas investment by Japanese textile firms, and that this is but the natural result of such invest-

TABLE III  
TEN TOP-RANKING COUNTRIES IN JAPANESE TEXTILE EXPORTS  
AND IMPORTS OVER THE YEARS

	(U.S.\$ million)									
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Exports:										
United States	567	597	697	618	523	489	432	576	669	710
Hong Kong	232	248	280	282	305	326	329	391	450	539
Republic of Korea	118	151	150	154	341	283	243	306	322	342
Singapore	109	119	142	126	136					146
Australia	103	106	126	143	183	190	167	204	183	204
USSR	85	104	93	114		150	168	142	201	
Canada	82	84	111	120	82				115	
Taiwan	73	91		133	221	173	155	159	142	167
South Africa	65	67	74	82	111	153		111		
Philippines	62	57	62							
China			126			203	123	162	198	198
Indonesia				61	117	138	113			
Iran					84	137	139	230	182	210
Saudi Arabia							165	148	188	224
India										133
Other countries	775	784	911	1,093	1,176	1,823	1,685	1,787	2,050	1,997
Total	2,271	2,408	2,772	2,926	3,279	4,065	3,719	4,216	4,700	4,870
Imports:										
Republic of Korea	32	55	80	120	459	539	419	681	656	1,035
United Kingdom	29	42	42	40	90	129	77	61	79	123
China	27	26	32	65	195	200	199	167	184	307
United States	15	24	31	59	129	125	62	80	85	129
France	14	21	27	35	73	75	71	74	82	105
Italy	13	24	28	35	90	131	117	127	163	219
West Germany	12	16	14	16	54	46			31	48
Switzerland	10	13	12				41	40	42	55
Taiwan	10	33	40	57	199	188	97	159	154	282
Hong Kong	9	24	26	22	95	89	75	108	100	144
Pakistan				28	82			32		
India						46				
Thailand							27			
Other countries	29	37	51	70	249	261	125	170	156	284
Total	200	315	383	547	1,715	1,829	1,310	1,699	1,732	2,731

Source: Japan Tariff Association, *Gaikoku bōeki gaikyō* [The summary report; trade of Japan].

Note: Textile raw materials have been included in the export figures but not in the import figures.

ment and as such could have been foreseen at the outstart. This view, however, does not necessarily accord with the facts, for, as can be seen in Table III, a considerable portion of Japanese textile imports and especially textile product imports are from China, Italy, the United States, France, the United Kingdom, Switzerland, West Germany, and other countries in which there has been no direct investment by Japanese textile firms. Moreover, as can be seen in Table IV, although imports exceed exports in textile trade with the Republic of Korea, such trade with Taiwan is just about balanced and there is even an export surplus in it with Hong Kong in spite of the fact that these three countries account for a large percentage of the direct foreign investment of Japanese textile firms. In my view, the role that the Japanese textile subsidiaries overseas play should not be underestimated; they serve not only as bases for securing Japanese textile exports to the countries in which they are located, but also as bases for expansion of exports to third countries. Overseas subsidiaries should be reevaluated considering the fact that it is becoming increasingly difficult to export Japanese textiles to third country markets on a commercial basis owing to the recent further rise in the yen rate.

TABLE IV  
BALANCE OF JAPANESE TEXTILE TRADE WITH FOUR ASIAN COUNTRIES  
(U.S.\$ million)

Country	Year	Exports to	Imports from	Trade Balance
Republic of Korea	1971	149	122	+27
	72	149	184	-35
	73	339	533	-194
	74	273	611	-338
	75	230	442	-212
	76	279	664	-385
China	1971	22	87	-65
	72	46	197	-151
	73	64	421	-357
	74	201	302	-101
	75	119	286	-167
	76	159	160	-1
Taiwan	1971	121	41	+80
	72	127	59	+68
	73	212	195	+17
	74	167	189	-22
	75	149	98	+51
	76	151	150	+1
Hong Kong	1971	273	26	+247
	72	271	22	+249
	73	289	91	+198
	74	320	81	+239
	75	314	59	+255
	76	370	85	+285

Source: Ministry of International Trade and Industry, *Atarashii sen-i sangyō no arikata* [The prospective textile industry] (1977), pp. 94-95.

## II. OVERSEAS INVESTMENT: PAST AND PRESENT

As of the end of March 1978, foreign investment by Japanese textile firms has reached 724 instances totalling U.S.\$1,285 million, these two figures representing 4.4 per cent and 5.8 per cent, respectively, of total overseas investment by all Japanese industries (Table V). Moreover, the textile industry held second place among manufacturing industries behind electrical machinery in terms of the number of instances of such investment and second place behind chemicals in terms of the amount involved.

Overseas investment by the Japanese textile industry in the postwar period began ahead of other industries in 1953 in the form of joint investment by a number of fiber producing firms in Alaska Pulp (a national project) and in 1955 in terms of investment by individual companies, this time in cotton spinning and weaving operations in Brazil and El Salvador. This start, however, was not followed up by very active investment in the remaining years of that decade.

There were many reasons for this slowness in resuming textile capital investments overseas in spite of the Japanese textile industry's rich experience before the war in this field in Manchuria, Korea, China, and Taiwan. For one thing, the management capabilities of textile firms had been severely impaired by the end of the war by the long period of controls and war damage that they had been through. During the war the textile industry was branded a "peace industry" and forced by law to reduce its scale, provide its facilities for wartime purposes, and switch over to military supply production operations. Second, even after

TABLE V  
BREAKDOWN OF JAPANESE CORPORATE OVERSEAS INVESTMENTS BY TYPE OF INDUSTRY  
(As of end of March 1978)

	Number of Cases	%		Amount (U.S. \$ Million)	%	
Manufacturing industries:						
Foods	467	9.4	2.8	363	5.1	1.6
Textiles	724	14.5	4.4	1,285	18.0	5.8
Wood and pulp	282	5.7	1.7	627	8.8	2.8
Chemicals	572	11.5	3.5	1,369	19.2	6.2
Ferrous and nonferrous	474	9.5	2.9	1,051	14.7	4.7
Machinery	557	11.2	3.4	513	7.2	2.3
Electrical machinery	769	15.4	4.7	848	11.9	3.8
Transportation machinery	173	3.3	1.1	538	7.5	2.4
Others	969	17.7	5.9	545	7.6	2.5
Subtotal	4,987	100.0	30.4	7,139	100.0	32.1
Development projects	1,308		8.0	5,869		26.4
Commerce and service industries	10,126		61.7	9,203		41.5
Total	16,421		100.0	22,211		100.0

Source: Ministry of International Trade and Industry, *Wagakuni kigyō no kaigai jigyō katsudō* [Overseas operational activities of Japanese firms], 1978 edition.

the end of the war, the textile industry was further hit by loss of overseas assets, discontinuation of compensation for wartime damages, and inflation. Consequently, it was too busy at home trying to restore its facilities, recover its prestige, and rebuild its foundations in order to be able to regain its prewar position. It could not think about resumption of overseas investments yet. Third, Japan's overall international standing at that time was very low, and Japanese foreign investments were seriously constrained by such factors as a shortage of dollars due to a poor showing in exports as a reflection of brisk recovery demand at home and to the consequent import surplus in the nation's balance of trade. The situation had been aggravated by slowness in restoring diplomatic relations owing to the drawn-out confrontation between East and West.

With the outbreak of the Korean War in 1950, however, the Japanese textile industry was visited by an unexpected boom that boosted corporate profits, removed production facility limitations, and put a new face on the industry in connection with removal of price, rationing, raw materials, monetary and other controls, and reassessment of assets. In other words, with the increase in special U.S. military procurement orders, the Japanese economy came to stand on its own two feet. Furthermore, with recovery of diplomatic relations and Japanese participation in various international organizations after conclusion of peace treaties in 1951, Japan's international standing gradually improved and the conditions for resumption of overseas investment rapidly matured.

However, at that time there was a persistent shortage of foreign exchange caused by Japan's balance of payment difficulties. Foreign investment was subject to strict control under the Foreign Exchange Control Law, with the import of cotton, wool, and other fiber materials being limited to what was possible with the amount of foreign exchange rationed to the textile industry. Accordingly, foreign investment by the textile industry in the 1950s concentrated primarily on Central and South America, where feelings toward Japan were relatively good, the primary aim being local surveys of raw materials, but even at that time there were only seven cases (Brazil accounting for four and Argentina, El Salvador, and Australia for one each) of such investment, centering on cotton and wool spinning and weaving, as can be seen in Tables VI and VII.

With the textile boom of 1950-51, the textile industry was set back on the track of expanding reproduction, and, as can be seen in Table VIII, continuing vigorous domestic demand and growth in exports made possible a high level of earnings and investment. As a result, the industry was able to regain its peak prewar production level in the brief space of ten years since the end of the war. In 1954-55 and 1957-58, however, it was visited by first a cotton recession and then a rayon recession owing to overproduction. Surplus facilities and production in these sectors, along with liberalization of textile imports after 1960, were factors behind subsequently brisk overseas investment in the industry.

In the 1960s, there were 111 instances in all of foreign investment by the Japanese textile industry. Although the largest portion of such investment was in Taiwan (38 instances), Thailand (19), and Hong Kong (6), all of which then had relatively high political stability, there was also a good African representation

TABLE  
OVERSEAS INVESTMENTS BY JAPANESE TEXTILE

Year	Total Number of Cases	Synthetic Fibers	Synthetic Fiber Spinning and Weaving	Cotton Spinning and Weaving	Towel	Wool Spinning and Weaving	Blanket	Silk Spinning and Weaving
1955	2			2				
56	2			1		1		
57	1					1		
58	1							
59	1			1				
1960	4	1		2				
61	5			3			2	
62	6		2	1			1	
63	10	1	2	2		1		
64	8		1	2				
65	10		4		1		1	
66	10		3	1		1	1	1
67	11	1	1	1		2		
68	25	2	5			2	1	
69	22	3	8					
1970	33	3	10	1	1			
71	33	3	4	2	1		1	1
72	48	3	9	2	1	3		2
73	107	8	18	6	1	1		4
74	64	3	17	4				1
75	11	1		1	1			
76	10		1		1			
77	3					1		
Total	427	29	85	32	7	13	7	9
1950s	7	0	0	4	0	2	0	0
1960s	111	8	26	12	1	6	6	1
1970s	309	21	59	16	6	5	1	8

Source: Nihon-kagaku-sen'i-kyōkai (Japan Chemical Fibres Association), *Kasen handobukku*, 1978 [Chemical fibers handbook, 1978].

(Nigeria 5, Tanzania 4, Kenya 3, Ethiopia 3, Uganda 2, Ivory Coast 1, and Sudan 1) as a reflection of the strong desire of African countries for cooperation for the purpose of attaining political independence and economic autonomy. Furthermore, all branches of the industry were represented by such investment: synthetic fiber spinning and weaving (26 instances), knitting (17), apparel-making (14) cotton spinning and weaving (12), dyeing and finishing (9), synthetic fibers (8), wool spinning and weaving, blankets, and fishing nets (6 each), towels, silk spinning and weaving, linen spinning and weaving, sewing thread, and floor covering (1 each), and other kinds (2).

Among the reasons for this rapid step-up in overseas investment activity by the Japanese textile industry in the 1960s were a rise in the management capability of Japanese textile firms, the welcoming of investment by the countries



VI  
INDUSTRY ACCORDING TO CATEGORIES OF BUSINESS (Number of cases)

Linen Spinning and Weaving	Dyeing and Finishing	Knitting	Apparel-making	Fishing Net	Sewing Thread	Floor Covering	Others
							1
				1			
				2			
	2	1	1				
	2		1	2			
		2	2				
	1		1	1			
	2	3			1		
	1	8	4				2
1	1	3	5			1	
2	2	2	9	3			
2	5	4	4		1		5
	2	5	14	1	2		4
1	8	21	28	3			8
2	7	9	14				7
	2		3	2		1	
1	1	1	5				
	1		1				
9	37	59	92	15	4	2	27
0	0	0	0	0	0	0	1
1	9	17	14	6	1	1	2
8	28	42	78	9	3	1	24

Note: Classification by categories of business by author.

involved, the need to develop bases for acquisition of export markets, expanding Japanese foreign aid on an intergovernmental basis (see Table IX), and the fact that there were few new projects on the part of textile industries to cope with the shifting emphasis in the industrial structure to chemical and other heavy industries (at that time it was not easy for all textile companies to participate in synthetic fiber projects owing to international patent constraints and limitations with respect to level of technology, acquisition of raw materials, and procurement of funds).

In the period 1970-77, overseas investment by the Japanese textile industry increased rapidly, peaking in 1973, and then fell off sharply, the total number of instances of such investment having been 309, or almost three times those in the preceding decade. There was a rapid increase in investment in such

TABLE  
OVERSEAS INVESTMENTS BY JAPANESE TEXTILE INDUSTRY

Country in Which Investment Was Made	Total Number of Cases	'55	'56	'57	'58	'59	'60	'61	'62
Republic of Korea	89								
Taiwan	56						1		
Thailand	38							1	1
Hong Kong	29						1		1
Indonesia	29								
Brazil	29	1	1	1	1		1	1	
United States	20								
Philippines	19								
Malaysia	18							1	
Singapore	11								
Canada	10								
Nigeria	10								1
Sri Lanka	6								2
Ethiopia	5								
Australia	5					1			
Costa Rica	4								
Kenya	4								1
Tanzania	4							1	
El Salvador	3	1							
Portugal	3								
India	2						1		
Vietnam	2								
Iran	2								
Panama	2								
Mexico	2								
Venezuela	2								
Ivory Coast	2								
Uganda	2								
Ireland	2								
France	2								
15 other countries	15		1					1	
Total	427	2	2	1	1	1	4	5	6

Source: See Table VI.

Note: Fifteen other countries are Argentina, Bangladesh, Lebanon, Barbados, Guatemala,

countries as the Republic of Korea (85 instances), Indonesia (27), the Philippines (19), Malaysia (16), and Singapore (7) as a reflection of Japanese reparations payments, semi-reparations payments, and general gratuitous cooperation to these countries (see Table X). Moreover, there was a continuing increase in investment in Hong Kong (23) and Taiwan (18), a sharp increase in investment in Brazil (23) which saw an economic development boom, and an increase in investment in the United States (18) and Canada (10) as a result of a tightening of import restrictions by them. Another characteristic of overseas investment by the Japanese textile industry during this period was the widening of its scope

## VII

OVER THE YEARS ACCORDING TO COUNTRIES

(Number of cases)

'63	'64	'65	'66	'67	'68	'69	'70	'71	'72	'73	'74	'75	'76	'77
						4	6	12	12	42	10		2	1
1		1	2	7	19	7	5	2	2	5	3	1		
3	3	3	1	1	4	2	5	4	3	2	5			
1	1		1			1	2	3	9	2	2	2	1	2
						2	4	6	2	9	5			1
							1		6	12	3			1
1			1							10	5	2	1	
							1	1	1	8	7			1
		1					1		2	4	7	2		
1			2			1		3	1	1	1		1	
									1	2	7			
1			1			2	3			1	1			
				1			1			1			1	
2						1	1				1			
				1				1	2					
		1							1	2				
	1				1		1							
	1	1	1											
		1												
									1					
	1						1	1		1				
										1	1			
											1			
								1						
		1				1				1				
			1	1						1				
											2			
													2	
	1					1	1		4	1	3	2		
10	8	10	10	11	25	22	33	33	48	107	64	11	10	3

Honduras, Puerto Rico, Bolivia, Guiana, Mauritius, Sudan, Spain, Malta, the United Kingdom, and Italy.

to countries in which there had been no such investment in the 1960s, including the Philippines (19 instances), Canada (10), Vietnam, Iran, Panama, Mexico, Ireland, and France (2 each), and Lebanon, Barbados, Guatemala, Bolivia, Guiana, Mauritius, Spain, the United Kingdom, Malta, and Italy (1 each).

Looking at the breakdown by the different sectors of the textile industry, we see that there was an increase in overseas investment in apparel-making (78 instances), synthetic fiber spinning and weaving (59), and knitting (42) as a reflection of the shortage of labor and the rising level of wages at home. There was a sharp increase in overseas investment in dyeing (28) as a result of stricter

TABLE VIII  
DOMESTIC DEMAND AND EXPORTS OF JAPANESE TEXTILES  
OVER THE YEARS (ON YARN BASE)

Year	Domestic Demand		Exports		Total Demand (Including Inventories)	
	Tons	% Increase from Preceding Year	Tons	% Increase from Preceding Year	Tons	% Increase from Preceding Year
1952	478		169		759	
53	542	13.4	201	18.9	870	14.6
54	527	-2.8	296	47.3	977	12.3
55	546	3.6	341	15.2	1,031	5.5
56	648	18.7	381	11.7	1,202	16.6
57	670	3.4	447	17.3	1,350	12.3
58	545	-18.7	420	-6.0	1,177	-22.8
59	651	19.4	427	1.7	1,296	10.1
1960	743	14.1	487	14.1	1,493	15.2
61	807	8.6	450	-7.6	1,571	5.2
62	798	-1.1	465	3.3	1,561	-0.6
63	857	7.4	421	-9.5	1,595	2.2
64	940	9.7	447	6.2	1,731	8.5
65	1,050	11.7	495	10.7	1,929	11.4
66	1,041	-0.9	563	13.7	1,977	2.5
67	1,200	15.3	509	-9.6	2,109	6.7
68	1,282	6.8	562	10.4	2,263	7.3
69	1,277	-0.4	622	10.7	2,337	3.3
1970	1,444	13.1	610	-1.9	2,536	8.5
71	1,496	3.6	735	20.5	2,744	8.2
72	1,525	1.9	719	-2.2	2,773	1.1
73	1,947	27.7	579	-19.5	3,096	11.6
74	1,431	-26.5	622	7.4	2,728	-11.9
75	1,309	-8.5	639	2.7	2,583	-5.3
76	1,534	17.2	637	-0.3	2,803	8.5
77	1,415	-7.8	711	11.6	2,672	-4.7
78	1,644	16.2	607	-14.6	2,787	4.3

Source: Ministry of International Trade and Industry, *Sen-i tōkei nempō*  
[Yearbook of textile statistics].

pollution control regulations at home, and in synthetic fibers (21) as a reflection of relaxation of international patent controls, overproduction at home, and the late start that this branch made in overseas investment.

Nevertheless, after registering 107 cases of overseas investment in 1973, the Japanese textile industry's interest in overseas investment cooled off rapidly as a reflection of the staged liberalization of overseas investment in 1969-72 and a sharp rise in corporate liquidity owing to the excessive international liquidity and inflation of 1971-72. The recession in textile industry dragged on and got more and more serious. Although there were another 64 cases of

TABLE IX  
 JAPANESE FOREIGN AID, INVESTMENT, AND CREDIT  
 ON OFFICIAL AND PRIVATE BASE (U.S. \$ million)

	Official Flows			Private Flows			Total
	Official Development Assistance	Export Credits and Investment	Subtotal	Export Credits	Direct Investment	Subtotal (Including Others)	
1955							
56							
57							
58							
59							
1960							
61	106.9	—	106.9	180.7	98.4	274.5	381.4
62							
63							
64							
65	243.7	109.7	353.4	45.0	87.4	132.1	485.5
66	285.3	200.0	485.3	71.7	68.5	139.8	625.1
67	385.3	225.8	611.1	137.6	48.9	186.4	797.5
68	356.2	322.1	678.3	280.6	90.8	371.0	1,049.3
69	435.6	375.8	811.4	299.6	144.1	451.7	1,263.1
1970	458.0	693.6	1,151.6	386.9	265.0	672.3	1,824.0
71	510.7	651.1	1,161.8	494.0	356.2	978.7	2,140.5
72	611.1	856.4	1,467.5	190.6	844.3	1,257.9	2,725.4
73	1,011.0	1,178.9	2,189.9	440.1	3,072.1	3,654.3	5,844.2
74	1,126.2	788.9	1,915.1	148.7	874.8	1,047.2	2,962.3
75	1,147.7	1,369.5	2,517.2	82.7	273.3	372.9	2,890.1
76	1,104.9	1,333.4	2,438.3	319.0	1,184.1	1,564.3	4,002.6
77	1,424.4	1,622.6	3,047.0	913.8	1,223.6	2,487.9	5,534.9

Source: Ministry of International Trade and Industry, *Keizai kyōryoku no genjō to mondaiten* [Present situation and problems of economic cooperation].

overseas investment in 1974, this was merely a carryover of the previously attained momentum, the number dropping to 11 in 1975, 10 in 1976, and 3 in 1977. Not only did the number of instances of new investment drop off, but there are cases of reduction of initial investments and even outright pullouts as a reflection of meager attainment of initial investment aims and the host country policy of turning international joint-ventures into local affairs. According to the 1977 edition of the Ministry of International Trade and Industry's publication *Wagakuni kigyō no kaigai jigyō katsudō* [Overseas operations of Japanese firms], a total of 86 overseas subsidiaries of Japanese textile firms discontinued operations or relinquished their stock in the period 1973–76.

TABLE X  
IMPLEMENTATION OF JAPANESE REPARATIONS, SEMI-REPARATIONS,  
AND GENERAL GRATUITOUS COOPERATION

Country	Amount (¥ Million)	Date Agreement Took Effect	Date of Completion of Agreement		
Reparations:					
Burma	72,000	Apr. 16 1955	Apr. 15 1965		
South Vietnam	14,040	Jan. 12 1960	Jan. 11 1965		
Indonesia	80,309	Apr. 15 1958	Apr. 14 1970		
Philippines	190,203	July 23 1956	July 22 1976		
Total	356,552				
Semi-Reparations:					
Thailand	5,400	July 9 1955	May 3 1959		
Laos	1,000	Oct. 15 1958	Jan. 22 1965		
Cambodia	1,500	Mar. 2 1959	July 5 1964		
Thailand	9,600	Jan. 31 1962	May 3 1969		
Burma	47,336	Mar. 29 1963	Apr. 16 1977		
Republic of Korea	67,728	June 22 1965	Dec. 17 1975		
Republic of Korea	102,093	June 22 1965	Dec. 17 1975		
Singapore	2,940	Sept. 21 1967	Mar. 31 1972		
Malaysia	2,940	Sept. 25 1967	May 6 1972		
Micronesia	1,800	Apr. 18 1969	Oct. 15 1976		
Singapore	2,940	Oct. 9 1970	Sept. 30 1972		
Total	245,277				
Year	Amount (¥ Million)	Payments to Date (as of Dec. 31, 1978)			
General gratuitous cooperation:		Vietnam	30,680	Malaysia	600
1966	1,786	Bangladesh	10,713	Egypt	2,860
67	3,600	Mongolia	5,000	Kenya	2,200
68	—	Thailand	5,810	Bolivia	2,150
69	1,767	Republic of Korea	4,187	Other countries	11,895
1970	872	Laos	5,827		
71	1,621	Burma	6,000		
72	5,145	Indonesia	7,133		
73	7,853	Pakistan	3,700		
74	8,990	Cambodia	1,897		
75	12,500	Afghanistan	3,400		
76	20,783	Philippines	2,880		
77	17,900	Sri Lanka	3,555		
78	34,200	Ghana	2,500		
(Apr.-Dec.)		Niger	880		
		Nepal	2,490		
Total	117,017	Papua New Guinea	660		

Sources: Ministry of International Trade and Industry, *Keizai kyōryoku no genjō to mondaiten* [Present situation and problems of economic cooperation], 1976 and 1977 editions; and Ministry of Foreign Affairs, *Keizai kyōryoku no genkyō to tembō: namboku mondai to kaihatu kyōryoku* [Present state and outlook of economic cooperation: the north-south problem and development assistance].

### III. THE DECLINE OF TEXTILE INDUSTRY IN THE INDUSTRIAL STRUCTURE

As we have seen, overseas investment by the Japanese textile industry has undergone considerable fluctuation from time to time because of its sensitivity to changing conditions at home and abroad. Another basic factor stimulating overseas investment by the Japanese textile industry that should not be overlooked, however, is the decline that has taken place in the industry's relative standing in Japanese industry as a whole as the latter has undergone structural change in the past twenty years toward greater emphasis on chemical and other heavy industries. The textile industry has declined in terms of amount of product shipments, amount of value added, and number of employees from a former leading industry in the Japanese economy to a "10 per cent industry" that is looking for a new way of surviving.

TABLE XI  
STRUCTURE OF JAPANESE TEXTILE INDUSTRY ACCORDING  
TO CATEGORIES OF BUSINESS (%)

Category	Year	Amount of Shipments	Amount of Value Added	Number of Employees
Spinning and weaving	1955	84.8	80.0	83.6
	60	81.0	76.6	81.6
	65	75.2	70.4	77.1
	70	73.5	66.2	73.9
	75	68.9	67.0	62.7
	76	68.4	67.0	61.5
Clothing	1955	6.4	7.0	10.7
	60	8.4	8.9	13.5
	65	12.7	14.0	18.1
	70	13.4	14.5	21.9
	75	22.9	27.8	33.3
	76	23.3	28.0	34.8
Man-made fibers	1955	8.9	13.1	5.7
	60	10.6	14.5	4.9
	65	12.1	15.5	4.8
	70	13.1	19.3	4.2
	75	8.2	5.2	3.9
	76	8.3	5.0	3.7
Textile industry as a whole	1955	19.2	17.0	23.3
	60	13.8	12.4	19.1
	65	11.7	11.4	17.3
	70	8.7	9.3	14.6
	75	7.8	7.8	14.1
	76	7.4	8.0	13.9

Source: Based on statistics given in Ministry of International Trade and Industry, *Kōgyō tōkei-hyō* [Industrial statistics tables].

Note: Percentages of textile industry as a whole represent its share in the entire manufacturing industries.

TABLE  
VALUE OF PRODUCT SHIPMENTS OF

Category	1955		1960		1965	
	¥ Million	%	¥ Million	%	¥ Million	%
All manufacturing industries (A)	6,769,460		15,578,621		29,488,906	
B/A (%)	19.1		13.8		11.7	
Textile industry (B)	1,293,484	100.0	2,148,701	100.0	3,460,342	100.0
Silk manufacturing	60,264	4.6	64,325	3.0	100,080	2.9
Spinning and twisting	392,974	30.4	682,363	31.7	891,545	25.8
Weaving	406,146	31.4	508,456	23.7	721,051	20.8
Knitting	71,962	5.6	150,443	7.0	336,722	9.7
Dyeing and finishing	88,902	6.9	203,084	9.4	304,484	8.8
Rope and fishing nets	19,954	1.5	31,488	1.5	52,795	1.5
Miscellaneous textiles	10,631	0.8	25,100	1.2	47,144	1.4
Other textile products	45,607	3.5	76,172	3.5	148,501	4.3
Outer garments	40,215	3.1	98,433	4.6	251,913	7.3
Shirts and under garments	11,714	0.9	30,670	1.4	66,794	1.9
Hats and fur products	3,473	0.3	4,307	0.2	5,867	0.2
Other clothing	19,303	1.5	17,450	0.8	34,293	1.0
Other made-up goods	10,630	0.8	30,242	1.4	80,828	2.3
Rayon and acetate	96,492	7.5	115,028	5.4	124,936	3.6
Synthetic fibers	15,203	1.2	111,140	5.2	293,389	8.5

Source: Ministry of International Trade and Industry, *Kōgyō tōkei-hyō* [Industrial

For instance, whereas in 1955 the textile industry accounted for ¥1,300,000 million, or 19.1 per cent, of the total figure of ¥6,770,000 million for manufactured product shipments of all manufacturing industries, this percentage dropped to 13.8 per cent by 1960, 11.7 per cent by 1965 in spite of the full-fledged participation of synthetic fibers, a growth branch of the industry, 8.7 per cent by 1970, and 7.4 per cent by 1976 as a reflection of a price slump due to the textile recession in progress. The same downward slide can be traced in terms of the amount of value added. Whereas the textile industry accounted for 17.0 per cent of the total in 1955, this percentage gradually declined to 12.4 per cent by 1960, 11.4 per cent by 1965, and 9.3 per cent by 1970. In 1976, in spite of expansion of the outer garments branch, 8.0 per cent was the best that the industry could do in that year because of the extremely poor showing of the chemical and synthetic fibers branch. As for employment figures, because of the labor-intensive nature of its important spinning and weaving branches, the textile industry accounted for a high 23.3 per cent of total employment in manufacturing industries in 1955. However, this dropped off to 19.1 per cent by 1960, 17.3 per cent by 1965, in spite of the fact that a rapid decline in the rate of employment in the spinning and weaving branches was offset by an increase in the apparel branch. It went further down to 14.6 per cent by 1970 because of such measures for improvement of profitability as elimination of surplus



XII  
JAPANESE TEXTILE INDUSTRY

1970		1975		1976		1976/1955 Rate of Increase
¥ Million	%	¥ Million	%	¥ Million	%	
69,034,785		127,520,564		145,359,070		21.5
8.7		7.8		7.4		
5,973,373	100.0	9,382,314	100.0	10,727,368	100.0	8.3
174,482	2.9	235,585	2.5	234,421	2.2	3.9
1,314,704	22.0	1,462,020	15.6	1,800,702	16.8	4.6
1,186,713	19.9	1,712,654	18.3	1,886,534	17.6	4.6
704,049	11.8	1,229,937	13.1	1,393,745	13.0	19.4
529,858	8.9	1,015,087	10.8	1,114,488	10.4	12.5
77,838	1.3	130,623	1.4	132,771	1.2	6.7
97,794	1.6	137,968	1.5	152,629	1.4	14.4
304,431	5.1	533,432	5.7	618,638	5.8	13.6
528,192	8.8	1,296,485	13.8	1,490,009	13.9	37.1
145,395	2.4	266,398	2.8	308,458	2.9	26.3
12,530	0.2	22,815	0.2	25,983	0.2	7.5
83,956	1.4	159,920	1.7	205,480	1.9	10.6
33,269	0.6	413,154	4.4	473,983	4.4	44.6
119,327	2.0	766,236	8.2	889,527	8.3	8.0
660,835	11.1					

statistics tables] (1976).

facilities and personnel cutbacks, particularly in the spinning and weaving branches, and a rapid shift in the emphasis of textile production to the capital-intensive man-made fibers sector. By 1976, it dropped to 13.9 per cent in spite of an increase of approximately 170,000 in the number of employees in the apparel branch in the six years up to then. However, this percentage seems to be still rather high in comparison to those with respect to the value of shipments and the amount of value added. The percentage with respect to employment may very well decline even more considering the fact that the industry can be expected to carry its internal rationalization measures including elimination of excess production facilities, still further in order to cope with the growing seriousness of the present drawn-out textile recession.

The decline of the textile industry has also been pronounced in terms of trade, and particularly exports. Whereas in 1955 textiles accounted for a full 36.6 per cent of exports of commercial products, by 1960 this percentage had dropped to 29.5 per cent in spite of an increase in textile exports in absolute terms with the emergence of synthetic fiber products. As a result of stagnation and decline in exports of cotton, rayon, and other products, chiefly owing to higher costs, relative to the major advances in exports of electrical machinery, automobile, ship, steel, and chemical products, the percentage with respect to textile exports continued to slide downward to 18.4 per cent by 1965, 12.2 per cent by 1970,

TABLE  
VALUE ADDED IN JAPANESE

Category	1955		1960		1965	
	¥ Million	%	¥ Million	%	¥ Million	%
All manufacturing industries (A)	2,098,597		4,962,814		9,665,413	
B/A (%)	17.0		12.4		11.4	
Textile industry (B)	356,929	100.0	617,861	100.0	1,099,570	100.0
Silk manufacturing	10,606	3.0	9,505	1.5	19,932	1.8
Spinning and twisting	100,381	28.1	168,383	27.3	200,730	18.3
Weaving	95,841	26.9	142,826	23.1	242,796	22.1
Knitting	16,035	4.5	38,597	6.2	101,626	9.2
Dyeing and finishing	41,759	11.7	76,149	12.3	128,992	11.7
Rope and fishing nets	5,647	1.6	7,601	1.2	15,858	1.4
Miscellaneous textiles	3,711	1.0	9,409	1.5	18,205	1.7
Other textile products	11,288	3.2	21,427	3.5	46,565	4.2
Outer garments	11,798	3.3	30,160	4.9	91,152	8.3
Shirts and under garments	3,258	0.9	9,481	1.5	22,504	2.0
Hats and fur products	1,356	0.4	1,629	0.3	2,575	0.2
Other clothing	5,424	1.5	5,550	0.9	12,458	1.1
Other made-up goods	3,077	0.9	8,053	1.3	26,747	2.4
Rayon and acetate	39,834	11.2	40,505	6.6	42,334	3.9
Synthetic fibers	6,914	1.9	48,586	7.9	127,096	11.6

Source: Ministry of International Trade and Industry, *Kōgyō tōkei-hyō* [Industrial

TABLE  
NUMBER OF EMPLOYEES IN

Category	1955		1960		1965	
	No.	%	No.	%	No.	%
All manufacturing industries (A)	4,958,038		8,169,484		9,921,002	
B/A (%)	23.3		19.1		17.3	
Textile industry (B)	1,153,348	100.0	1,560,666	100.0	1,719,457	100.0
Silk manufacturing	78,414	6.8	46,194	3.0	35,084	2.0
Spinning and twisting	237,511	20.6	356,334	22.8	346,531	20.2
Weaving	393,126	34.1	486,580	31.2	471,059	27.4
Knitting	65,463	5.7	113,098	7.2	174,068	10.1
Dyeing and finishing	110,584	9.6	156,086	10.0	167,577	9.7
Rope and fishing nets	20,787	1.8	24,780	1.6	25,339	1.5
Miscellaneous textiles	15,526	1.3	29,900	1.9	36,143	2.1
Other textile products	42,600	3.7	61,501	3.9	71,071	4.1
Outer garments	70,412	6.1	127,879	8.2	192,634	11.2
Shirts and under garments	16,079	1.4	32,786	2.1	44,606	2.6
Hats and fur products	7,019	0.6	4,757	0.3	4,406	0.3
Other clothing	19,231	1.7	19,517	1.3	22,420	1.3
Other made-up goods	10,501	0.9	24,982	1.6	46,322	2.7
Rayon and acetate	61,419	5.3	55,934	3.6	33,574	2.0
Synthetic fibers	4,676	0.4	20,338	1.3	48,623	2.8

Source: Ministry of International Trade and Industry, *Kōgyō tōkei-hyō* [Industrial

XIII  
TEXTILE INDUSTRY

1970		1975		1976		1976/1955 Rate of Increase
¥ Million	%	¥ Million	%	¥ Million	%	
24,571,911		42,432,771		48,933,915		23.3
9.3		7.8		8.0		
2,275,248	100.0	3,327,417	100.0	3,929,820	100.0	11.0
33,050	1.4	44,000	1.3	41,692	1.1	3.9
367,762	16.2	364,769	11.0	520,293	13.2	5.2
423,163	18.6	611,332	18.4	683,659	17.4	7.1
247,577	10.9	432,151	13.0	501,608	12.8	31.3
261,646	11.5	494,802	14.9	554,960	14.1	13.3
29,021	1.3	44,847	1.3	48,383	1.2	8.6
39,101	1.7	53,341	1.6	60,298	1.5	16.2
103,850	4.6	183,999	5.5	220,488	5.6	19.5
222,851	9.8	596,987	17.9	703,302	17.9	59.6
55,878	2.4	106,513	3.2	131,808	3.4	40.5
5,152	0.2	9,753	0.3	9,732	0.2	7.2
33,806	1.5	65,483	2.0	82,878	2.1	15.3
13,651	0.6	147,554	4.4	173,618	4.4	56.4
51,502	2.3	171,886	5.2	197,101	5.0	4.2
387,238	17.0					

statistics tables] (1976).

XIV  
JAPANESE TEXTILE INDUSTRY

1970		1975		1976		1976/1955 Rate of Increase (%)
No.	%	No.	%	No.	%	
11,679,680		11,296,209		11,173,842		125.4
14.6		14.1		13.9		
1,707,792	100.0	1,587,146	100.0	1,556,874	100.0	35.0
26,496	1.6	18,053	1.1	15,228	1.0	-80.6
325,002	19.0	207,919	13.1	208,076	13.4	-12.4
391,573	22.9	299,192	18.9	282,775	18.2	-28.1
215,402	12.6	203,491	12.8	195,973	12.6	199.4
163,008	9.5	147,697	9.3	142,736	9.2	29.1
22,650	1.3	19,563	1.2	17,723	1.1	-14.7
37,698	2.2	27,244	1.7	25,399	1.6	63.6
82,399	4.8	72,510	4.6	69,939	4.5	64.2
255,205	15.0	352,983	22.2	362,343	23.3	414.6
60,496	3.5	69,749	4.4	69,441	4.5	331.9
4,679	0.3	4,826	0.3	4,948	0.3	-29.5
35,110	2.1	33,130	2.1	36,561	2.3	90.1
16,448	1.0	68,156	4.3	68,413	4.4	551.5
18,017	1.1	62,633	3.9	57,319	3.7	-13.3
53,609	3.1					

statistics tables] (1976).

TABLE XV  
TEXTILE EXPORTS IN COMPARISON TO ALL JAPANESE EXPORTS

(¥ million)

Year	Total Exports (A)	B/A (%)	Total Textile Exports (B)	Breakdown of Textile Exports		
				Fibers and Yarns	Fabrics	Made-up Goods
1950	298,021	46.0	137,036	23,854	102,123	11,059
55	723,816	36.6	264,798	47,330	156,744	60,724
60	1,459,633	29.5	430,772	71,293	245,351	114,128
65	3,042,627	18.4	560,331	121,715	273,859	164,757
70	6,954,367	12.2	845,915	225,434	359,352	261,129
75	16,545,314	6.6	1,084,668	311,493	505,637	267,538
76	19,934,618	6.2	1,231,253	333,103	599,464	298,686
77	21,648,070	5.7	1,241,254	359,511	585,784	295,959
78	20,555,841	4.9	1,011,624	277,194	496,102	238,328

Source: Ministry of International Trade and Industry, *Sen-i tōkei nempyō* [Yearbook of textile statistics].

6.6 per cent by 1975, and 4.9 per cent by 1978.

This relative decline of the importance of the textile industry in all aspects in the course of the shift in the industrial structure to greater emphasis on chemical and other heavy industries has been the result of basic change in the production, employment, export, and other factors on which the industry has been based since its establishment in the Meiji period, and, what is only natural, the industry is now permeated by a mood of crisis.

Up to about 1955, the Japanese textile industry ruled supreme at home and abroad owing to the formidable international competitiveness that it had achieved through a skillful combination of technical know-how with selective employment of good-quality labor that was cheap considering its high productivity, under conditions of underdevelopment of industry in general, a generally low level of production technology, and chronic underemployment. Around 1955, however, chemical and other heavy industries began to come into prominence as a result of a tremendous rise in productivity made possible by technological innovations, pulling the level of wages way up and bringing about full employment. As a result, the traditional branches of the textile industry, i.e., those other than the synthetic fibers branch which falls under the category of chemical and other heavy industries, rapidly lost their international competitiveness and even began to experience difficulty in expanding investment at home owing to the perpetuation of a rate of rise in wages above the rate of increase in labor productivity and to difficulty in acquiring labor of the desired quality in the amounts needed.

Since Japanese law does not permit the immigration to Japan of cheap and plentiful foreign labor, the textile industry has been forced since about 1965 to engage actively in overseas investment, principally in Asia, including joint-ventures with capital of the host countries, for the purpose of securing traditional export markets, developing new ones, and taking advantage of the labor available

TABLE XVI  
OVERSEAS INVESTMENTS BY THE WORLD'S MAJOR TEXTILE CORPORATIONS  
(As of end of March 1977)

Investing Corporation	Host Country																	
	Du Pont (U.S.A.)	Monsanto (U.S.A.)	Celanese (U.S.A.)	Dow (U.S.A.)	Rhône-Poulenc (France)	AKZO (Holland)	Hoechst (W. Germany)	Bayer (W. Germany)	ICI (U.K.)	Courtaulds (U.K.)	Montefibre (Italy)	SNIA (Italy)	Teijin (Japan)	Toray (Japan)	Asahi Chemical (Japan)	BASF (W. Germany)	Mitsubishi Rayon (Japan)	Kuraray (Japan)
Belgium																		
Holland																		
Luxembourg																		
France																		
W. Germany																		
Italy																		
U.K.																		
Ireland																		
Austria																		
Greece																		
Portugal																		
Spain																		
Malta																		
U.S.A.																		
Canada																		
Mexico																		
Argentina																		
Brazil																		
Chile																		
Colombia																		
Peru																		
Venezuela																		
Equador																		
Israel																		
Iran																		
India																		
South Africa																		
Nigeria																		
Australia																		
New Zealand																		
Indonesia																		
Thailand																		
Philippines																		
Malaysia																		
Republic of Korea																		
Taiwan																		

Source: Nihon-kagaku-sen'i-kyōkai (Japan Chemical Fibres Association), *Kasen handobukku*, 1978 [Chemical fibers handbook, 1978].

TABLE  
OVERSEAS INVESTMENTS BY JAPANESE TEXTILE INDUSTRY

Category of Business	Investment or Loan	Asia		Middle and Near East		Europe	
		No. of Cases	U.S. \$ 1,000	No. of Cases	U.S. \$ 1,000	No. of Cases	U.S. \$ 1,000
Synthetic fibers	I	21	155,164	—	—	3	17,459
	L	9	92,918	—	—	—	—
Synthetic fiber spinning and weaving	I	48	108,939	2	4,102	3	2,966
	L	18	53,728	—	—	1	261
Cotton spinning and weaving	I	20	129,453	—	—	—	—
	L	4	8,425	—	—	—	—
Towel	I	4	604	—	—	—	—
	L	1	100	—	—	—	—
Wool spinning and weaving	I	10	6,144	—	—	—	—
	L	2	750	—	—	—	—
Blanket	I	3	1,217	—	—	—	—
	L	1	700	—	—	—	—
Silk spinning and weaving	I	8	741	—	—	—	—
	L	—	—	—	—	—	—
Linen spinning and weaving	I	6	11,977	—	—	—	—
	L	3	8,250	—	—	—	—
Dyeing and finishing	I	27	17,782	—	—	—	—
	L	3	1,115	—	—	—	—
Knitting	I	57	11,849	1	200	—	—
	L	3	1,401	—	—	—	—
Apparel-making	I	63	8,827	—	—	5	1,339
	L	5	482	—	—	1	428
Fishing Net	I	6	2,776	—	—	—	—
	L	1	225	—	—	—	—
Thread	I	6	1,248	—	—	—	—
	L	1	116	—	—	—	—
Floor covering	I	1	135	—	—	—	—
	L	—	—	—	—	—	—
Others	I	30	56,663	—	—	—	—
	L	1	441	—	—	—	—
Total	I	310	513,519	3	4,302	11	21,764
	L	52	168,651	—	—	2	689

Source: See Table VI.

there. At the same time, the synthetic fibers sector, which had maintained a relatively high level of international competitiveness in comparison to traditional branches of the textile industry, began around 1965 to increase its overseas investments in unison with expansion of its investments at home in order to compete with the U.S. and European synthetic fiber makers that had been investing abroad for several years in an enthusiastic manner for the purpose of redividing the world market. By the end of March 1977, the cumulative overseas investments of that sector had reached U.S.\$192.4 million, with an additional U.S.\$98,670,000 in loans, and, together with the cumulative investments

## XVII

ACCORDING TO CATEGORIES OF BUSINESS AND AREA

(As of end of March 1977)

North America		Central and South America		Africa		Oceania		Total	
No. of Cases	U.S. \$ 1,000	No. of Cases	U.S. \$ 1,000	No. of Cases	U.S. \$ 1,000	No. of Cases	U.S. \$ 1,000	No. of Cases	U.S. \$ 1,000
1	4,800	3	14,973	—	—	—	—	28	192,396
1	5,000	2	750	—	—	—	—	12	98,668
2	12,364	13	46,273	9	10,981	—	—	77	185,625
1	4,200	2	2,300	1	308	—	—	23	60,797
2	5,020	10	81,602	6	9,281	1	285	39	225,641
2	1,980	9	23,683	2	4,898	—	—	17	38,986
—	—	1	100	—	—	—	—	5	704
—	—	—	—	—	—	—	—	1	100
—	—	3	7,821	—	—	2	1,660	15	15,625
—	—	2	3,232	—	—	—	—	4	3,982
—	—	—	—	4	517	—	—	7	1,734
—	—	—	—	—	—	—	—	1	700
—	—	—	—	—	—	—	—	8	741
—	—	—	—	—	—	—	—	—	—
—	—	3	6,143	1	442	—	—	10	18,562
—	—	—	—	—	—	—	—	3	8,250
6	13,229	3	4,806	1	498	—	—	37	36,315
1	5,600	2	2,207	—	—	—	—	6	8,922
7	7,496	4	7,542	—	—	—	—	69	27,087
2	20	1	2,886	—	—	—	—	6	4,307
7	2,337	2	1,244	3	216	1	202	81	14,165
1	1,000	—	—	—	—	—	—	7	1,910
—	—	3	534	5	1,812	—	—	14	5,122
—	—	—	—	—	—	—	—	1	225
—	—	—	—	—	—	—	—	6	1,248
—	—	—	—	—	—	—	—	1	116
1	33	1	38	—	—	—	—	3	206
—	—	—	—	—	—	—	—	—	—
3	2,160	3	3,314	—	—	1	675	37	62,812
2	1,670	1	1,100	—	—	—	—	4	3,211
29	47,439	49	174,390	29	23,747	5	2,822	436	787,983
10	19,470	19	36,158	3	5,206	—	—	86	230,174

of U.S.\$185,630,000 and cumulative loans of U.S.\$60,800,000 of the synthetic fibers spinning and weaving sector, these figures represented 48 per cent and 69 per cent, respectively, of the cumulative figures for overseas investments and overseas loans of the whole textile industry.

## IV. CHANGE IN TEXTILE TRADE

Up until 1969, when synthetic textile products came to account for more than half of Japanese textile exports by themselves, such exports consisted mainly of cotton and rayon products and other traditional textiles, particularly fabrics. Around 1965, however, exports of such fabrics began to decline rapidly owing to a combination of domestic factors such as rising costs and stagnation in development of new products, and international factors such as rising self-sufficiency in developing and Socialist countries, which had hitherto been major markets for Japanese textile products, and decline in price competitiveness. By 1973, there was even a turnabout to import surpluses in such products as cotton and wool fabrics owing to declining exports and rising imports.

Among the reasons for this sudden reversal in the performance of Japan's traditional textile exports were: (1) the fact that cotton products, one of the main items in this category, became subject to a whole series of imports controls

TABLE  
SHARE OF SYNTHETIC AND NONSYNTHETIC

	All Textiles				Synthetic	
	Fibers	Yarns	Fabrics	Total	Fibers	Yarns
1955	2,813	44,517	156,744	204,074	1	—
56	4,818	40,824	199,934	245,576	16	652
57	5,715	48,979	231,574	286,268	33	1,569
58	5,375	33,317	200,190	238,882	36	2,257
59	7,350	41,832	210,455	259,637	88	2,771
1960	10,359	60,934	245,351	316,644	921	4,019
61	14,711	55,284	230,710	300,705	1,313	7,139
62	22,162	61,716	240,860	324,738	2,931	10,547
63	25,609	58,630	234,938	319,177	5,013	13,673
64	39,408	65,883	254,602	359,893	10,410	21,453
1965	50,886	70,829	273,859	395,574	24,263	31,018
66	54,502	83,468	297,909	435,879	25,277	39,823
67	49,961	74,679	292,099	416,739	25,352	44,693
68	55,718	110,419	320,765	486,902	28,047	68,482
69	62,594	142,821	360,905	566,320	38,306	93,781
1970	72,305	153,292	360,181	585,778	41,298	102,958
71	84,488	187,560	378,871	650,919	53,196	141,093
72	95,458	157,530	360,948	613,936	60,753	113,260
73	124,563	157,446	357,607	639,616	83,518	121,858
74	190,836	236,045	479,927	906,808	131,079	174,783
1975	138,312	174,085	509,509	821,906	96,396	124,446
76	148,875	185,161	602,161	936,197	105,442	129,172
77	142,392	218,300	588,778	949,470	86,946	137,046

Sources: Nihon-kagaku-sen'i kyōkai (Japan Chemical Fibres Association), *Kasen handobukku*, 1978 [Chemical fibers handbook, 1978]; and Ministry of International Trade and Industry, *Sen'i tōkei nempō* [Yearbook of textile statistics].



beginning in October 1961, including short-term arrangement (STA), long-term arrangement (LTA), and multi-fiber arrangement (MFA); and (2) the fact that, owing to slowness in modernization of facilities and development of new products, traditional Japanese textiles met with rising costs and stiffening competition from developing countries, which had become more self-sufficient in such products and had reached the stage of being able to export them themselves, thereby narrowing existing markets for Japanese textile products.

Synthetic textile exports, on the other hand, in spite of a temporary setback due to the U.S.-Japan intergovernmental textile agreement of 1972, continued to increase even after the oil crisis, with products representing superior technology and higher value-added taking the lead. They were able to absorb rising costs through modernization of equipment and development of new products and therefore have avoided competition with the textile products of the importing countries. This fact is substantiated by the fact that Korea, Taiwan, and other countries with a high rate of self-sufficiency in synthetic textiles nevertheless import synthetic fiber filament and the fact that Korea, Hong Kong, the United

## XVIII

## TEXTILES IN JAPANESE TEXTILE EXPORTS

(¥ million)

Fiber Textiles		Nonsynthetic Fiber Textiles				Total of Made-up Goods
Fabrics	Total	Fibers	Yarns	Fabrics	Total	
—	1	2,812	44,517	156,744	204,073	60,724
912	1,580	4,802	40,172	199,022	243,996	62,915
1,576	3,178	5,682	47,410	229,998	283,090	74,476
2,400	4,693	5,339	31,060	197,790	234,189	76,368
5,948	8,807	7,262	39,061	204,507	250,830	101,813
11,569	16,509	9,438	56,915	233,782	300,135	114,128
17,260	25,712	13,398	48,145	213,450	274,993	105,568
23,911	37,389	19,231	51,169	216,949	287,349	117,907
35,185	53,871	20,596	44,957	199,753	265,306	121,625
48,976	80,839	28,998	44,430	205,626	279,054	144,352
66,075	121,356	26,623	39,811	207,784	274,218	164,757
97,897	162,997	29,225	43,645	200,012	272,882	194,979
112,657	182,702	24,609	29,986	179,442	234,037	194,650
141,724	238,253	27,671	41,937	179,041	248,649	221,173
186,339	318,426	24,288	49,040	174,566	247,894	255,233
225,221	369,477	31,007	50,334	134,960	216,301	261,129
261,888	456,177	31,292	46,467	116,983	194,742	301,067
250,858	424,871	34,705	44,270	110,090	189,065	263,761
271,467	476,843	41,045	35,588	86,140	162,773	237,489
368,633	674,495	59,757	61,262	111,294	232,313	264,412
386,283	607,125	41,916	49,639	123,226	214,781	267,538
454,246	688,860	43,433	55,989	147,915	247,337	298,686
424,193	648,185	55,446	81,254	164,585	301,285	295,959

Note: Since it is not possible to classify made-up goods according to fiber type, figures for them have been given separately.

TABLE  
EXPORTS OF SYNTHETIC FIBER TEXTILES BY JAPANESE TEXTILE

Exported to	1971	1972	1973	1974	1975	1976	1977
Synthetic fiber filament (ton):							
Republic of Korea	17,401	13,831	23,368	8,307	12,726	12,947	20,315
Taiwan	23,477	23,771	26,540	11,509	13,546	7,068	3,440
Hong Kong	18,571	18,324	19,362	14,006	12,991	5,042	2,844
Thailand	2,046	2,346	2,636	1,385	407	370	361
Singapore	888	1,668	2,492	2,115	1,631	752	686
Malaysia	611	1,016	1,669	2,271	2,162	1,146	708
Philippines	8,556	7,968	9,015	8,606	12,596	7,693	7,036
Indonesia	3,200	3,588	8,764	7,413	12,678	11,176	7,418
U.S.A.	32,417	9,098	3,617	15,274	7,422	8,984	15,954
Subtotal (A)	107,167	81,610	97,463	70,886	76,159	55,178	58,762
Grand total (B)	148,579	130,550	130,670	142,818	127,589	114,132	119,043
A/B (%)	72.1	62.5	74.6	49.6	59.7	48.3	49.4
Synthetic filament fabrics (1,000 m <sup>2</sup> ):							
Republic of Korea	38,062	24,086	36,317	30,664	50,188	54,709	63,368
Taiwan	22,420	32,284	35,056	30,087	38,452	40,640	34,351
Hong Kong	101,380	79,454	64,909	74,580	101,340	87,793	107,937
Thailand	9,525	15,331	19,829	23,603	19,858	14,340	18,068
Singapore	109,171	96,392	74,823	61,230	56,634	36,363	41,567
Malaysia	8,280	9,830	14,556	23,571	20,974	13,172	13,425
Philippines	11,603	11,811	11,375	11,110	9,504	11,447	15,413
Indonesia	12,840	29,306	42,231	47,757	33,457	18,404	15,990
U.S.A.	124,982	102,435	91,523	115,821	132,983	141,978	139,209
Subtotal (A)	430,263	400,929	390,619	418,423	463,390	418,846	449,328
Grand total (B)	731,676	798,874	786,781	971,033	1,096,842	1,124,315	1,211,266
A/B (%)	58.8	50.2	49.6	43.1	42.2	37.3	37.1

Source: Nihon-kagaku-sen'i-kyōkai (Japan Chemical Fibres Association), *Kasen*

States, and other countries are still major markets for Japanese synthetic fiber fabrics. Furthermore, this trend should continue as long as Japan maintains its technological superiority in the synthetic textiles sector and continues to keep ahead in the development of new varieties and products. Japan would maintain its superiority in this respect particularly over developing countries, the synthetic textile companies of which are still lacking in capital and scale of facilities and are too busy trying to maintain and expand their production and sales on an immediate basis to be able to make systematic research and development efforts.

As for import of textiles, over the whole range of products, including yarns, fabrics, clothing, and other made-up goods, there is a persistent increase in imports of medium- and low-quality items from developing countries and medium- and high-quality items from advanced countries owing to the rising costs of their Japanese equivalents and failure to develop new products at the required pace. In yarns and fabrics, cotton and silk products represent the largest portion of such imports, and, in clothing, imports of cloth and knit products are increasing at just about the same rate. As for dress shirts, socks, stockings, underwear, and other products that the consumer will buy irrespective of where they were

## XIX

## INDUSTRY TO COUNTRIES IN WHICH IT HAS INVESTED

Exported to	1971	1972	1973	1974	1975	1976	1977
Synthetic fiber staple (ton):							
Republic of Korea	15,696	19,307	39,603	19,103	5,461	7,637	8,618
Taiwan	36,062	47,616	64,088	39,236	49,054	39,390	25,258
Hong Kong	16,947	23,710	26,227	16,420	17,491	19,447	18,053
Thailand	606	4,450	4,380	2,763	1,124	3,154	2,652
Singapore	1,313	3,058	3,156	3,686	3,279	3,170	3,907
Malaysia	—	—	—	—	—	—	—
Philippines	12,229	10,249	9,719	8,513	9,563	11,131	14,788
Indonesia	432	1,514	4,870	8,874	2,811	9,836	6,639
U.S.A.	14,939	20,432	19,499	15,205	7,804	9,031	10,478
Subtotal (A)	98,224	130,336	171,542	113,800	96,587	102,796	90,393
Grand total (B)	165,042	233,426	264,981	255,373	264,255	283,271	268,915
A/B (%)	59.5	55.8	64.7	44.6	36.6	36.3	33.6
Synthetic staple fabrics (1,000 m <sup>2</sup> ):							
Republic of Korea	106,386	61,380	87,332	78,184	66,245	67,431	72,603
Taiwan	40,904	20,219	22,400	14,168	7,526	14,342	20,377
Hong Kong	162,459	133,375	90,643	73,404	75,462	97,888	95,615
Thailand	5,668	1,814	3,239	5,835	2,795	1,216	1,392
Singapore	105,197	64,730	31,155	23,681	27,592	23,601	24,441
Malaysia	7,684	8,684	7,852	8,718	10,797	6,944	6,107
Philippines	19,849	10,537	7,090	11,309	11,176	19,251	18,136
Indonesia	24,282	27,617	10,741	4,896	9,180	2,877	848
U.S.A.	49,627	26,135	16,592	26,581	16,672	26,188	34,462
Subtotal (A)	522,056	354,491	277,044	246,776	227,445	259,738	273,981
Grand total (B)	844,606	716,937	555,106	566,175	621,889	658,357	695,975
A/B (%)	61.8	49.4	49.9	43.6	36.6	39.5	39.4

*handobukku*, 1979 [Chemical fibers handbook, 1979].

TABLE XX  
JAPANESE IMPORTS OF TEXTILES

(¥ million)

Type of Textiles	1971	1972	1973	1974	1975	1976	1977	
Yarns	Total	17,589	22,915	61,534	47,048	58,604	76,836	49,644
	Cotton	8,740	13,470	23,027	18,751	12,320	22,934	16,385
	Silk	2,611	3,600	7,663	5,414	36,923	37,680	19,252
	Man-made fiber	4,376	3,248	16,353	13,734	5,391	11,044	9,070
Fabrics	Total	54,492	71,954	179,366	158,121	121,153	136,081	125,750
	Cotton	14,315	29,856	82,459	41,723	25,645	26,174	24,177
	Silk	16,152	19,959	38,758	38,414	52,111	68,468	56,200
	Man-made fiber	4,682	7,564	30,139	31,756	16,361	19,018	20,172
Clothing	Total	42,881	48,630	155,785	240,542	160,112	233,041	233,778
	Cloth	} 40,392	12,588	55,611	107,597	55,087	85,009	111,711
	Knitting		20,965	73,768	89,774	63,516	88,739	93,205

Source: Nihon-kagaku-sen'i-kyōkai (Japan Chemical Fibres Association), *Kasen handobukku*, 1979 [Chemical fibers handbook, 1979].

TABLE  
IMPORTED DRESS SHIRT SALES AT

Store	Unit	1975	1976	1977	1978 (Planned)	Retail Price in 1977
Daiei	AT(10,000)	440	450	470	500	¥980-1,380
	% imported	29.5	26.6	28.9	30.0	
Nichii	AT(10,000)	360	420	430	470	Medium price of ¥1,280
	% imported	25.0	27.0	30.0	30.0	
Jasco	AT(10,000)	—	240	250	260	¥980-1,280
	% imported	—	30.0	45.0	50.0	
Seiyū Store	AT(10,000)	150	170	170	180	¥1,580
	% imported	0.0	0.0	1.0	2.0	
Izumiya	AT(10,000)	100	103	110	110	¥980
	% imported	25.0	23.0	25.0	25.0	
Itō-yōkadō	AT(10,000)	n.a.	n.a.	n.a.	n.a.	¥1,380-1,580
	% imported	35.0	35.0-	40.0	40.0-	

Source: *Senken shimbun*, March 10, 1978.

manufactured or where they are sold so long as they seem to be low-priced, imported items are already built into domestic consumption, with 25-45 per cent of the dress shirts, for instance, sold by major stores with large turnovers being imported.

It should be noted in this connection that the popular belief that this rapid increase of late in Japanese textile imports is due almost entirely to a "boomerang effect" from areas such as Korea, Taiwan, and Hong Kong in which the Japanese textile industry has engaged in a great deal of overseas investment is not entirely valid.

Table XXII shows the amounts of textile products that Japan has imported from different countries in recent years. The highest percentages are represented by countries in which the Japanese textile industry has not done any overseas investment at all: Pakistan, China, and India in the case of cotton yarns; China, North Korea, Brazil, and Bulgaria in raw silk and silk yarns; China, the United States, Switzerland, and Pakistan in cotton fabrics; the United Kingdom, Italy, France, and West Germany in wool fabrics; China, Italy, France, and Switzerland in silk fabrics; Italy, West Germany, France, and the United Kingdom in knit cloth; China and Italy in cloth outer garments; Italy, France, and China in knit outer garments; and so on. The circumstance speaks for the fact that the recent increase in Japanese textile product imports has been due to loss of international competitiveness not only in terms of costs but also in terms of quality and processing technology. In this sense, the "boomerang effect" of overseas investment has not been as great as one might imagine. This is indirectly substantiated

## XXI

## MAJOR JAPANESE CHAIN STORES

Main Import Project Teams	% of Imports by Major Japanese Shirt Sellers
R.O.K. products: Deogseong Products—Daiei Korea Naigai Shirts—Naigai Shirts—Daiei	Karen 35 Kōgen Shirts 28
Taiwan products: Union Garments—C. Itoh—Daiei	
R.O.K. products: Gyeongdeog Industries—Silver Shirts Hayase— Nichii	Alps Shirts 25 Kēyū 18
Weonmi Textile Industries—Karen—Nichii	
Taiwan products: Taiwan Yamaki—Map Yamaki—Nichii	
R.O.K. products: Korea Naigai Shirts—Naigai Shirts—Jasco Weonmi Textile Industries—Karen—Jasco	Fukusuke 15 Yamaki 15
R.O.K. products: Samdo Products—Kōgen Shirts—Seiyū Store Gyeongdeog Industries—Silver Shirts Hayase— Seiyū Store	Daikō Ferrite 15 Naigai Shirts 90 (estimated)
R.O.K. products: Korea Naigai Shirts—Naigai Shirts—Izumiya Weonmi Textile Industries—Karen—Izumiya Miju Industries—Daikō Ferrite—Izumiya	

Note: AT=annual turnover.

by the fact that Japanese synthetic textile products (which have maintained their relative superiority in terms of cost, quality, processing technology, and so on) are still being exported at high levels to countries such as the Republic of Korea, Taiwan, Hong Kong, Thailand, Singapore, Malaysia, the Philippines, Indonesia, and the United States where the Japanese textile industry has engaged in a substantial amount of overseas investment. It is true, however, that cases of such investment in places like the Republic of Korea, Taiwan, and Hong Kong that involve clothing (51 of the 89 cases of investment in the Republic of Korea, 28 of the 56 cases in Taiwan, and 16 of the 29 cases in Hong Kong) have resulted in increased imports by Japan since in a good many of such cases the chief aim from the outstart has clearly been export to Japan or to third countries. Even in such cases, however, this should be considered a "processing trade effect" on the normal commercial basis rather than a "boomerang effect" of overseas investment if the input materials involved are exported from Japan (see Appendix).

Such being the case, apart from the temporary deficit in 1973 due to speculative imports of all items, Japan has continued to maintain a balance in its favor in textile trade in spite of expanding overseas investment on the part of the Japanese textile industry. It can, however, be expected to become increasingly difficult to keep this balance favorable because of the way the yen exchange rate has risen since the autumn of 1976, which naturally works in the direction of fewer exports and more imports.

TABLE  
JAPANESE IMPORTS OF

Type of Textiles	Year	Total Imports (¥ Million)	Order of Ranks of Top Exporters				
			1st Place	2nd Place	3rd Place	4th Place	5th Place
Cotton yarns	1971	8,740	R.O.K.	Pakistan	India		
	72	13,471	Pakistan	R.O.K.	India	China	
	73	22,953	Pakistan	R.O.K.	China	U.S.A.	Rumania
	74	18,741	R.O.K.	Pakistan	China	Mexico	U.S.A.
	75	12,320	R.O.K.	Pakistan	China	Brazil	
	76	22,934	R.O.K.	Pakistan			
	77	16,385	R.O.K.	Pakistan			
Cotton fabrics	1971	14,315	U.S.A.	Taiwan	R.O.K.	Hong Kong	Mexico
	72	29,855	U.S.A.	Taiwan	China	R.O.K.	Hong Kong
	73	82,457	China	U.S.A.	R.O.K.	Pakistan	Taiwan
	74	41,722	U.S.A.	Switzerland	R.O.K.	China	Taiwan
	75	25,645	China	Switzerland	U.S.A.	R.O.K.	Taiwan
	76	26,174	China	R.O.K.	Taiwan		
	77	24,176	China	Taiwan	Hong Kong		
Raw silk, silk yarns	1971	38,224	China	R.O.K.	North Korea	Italy	Brazil
	72	59,480	China	R.O.K.	North Korea	Brazil	Bulgaria
	73	86,603	China	R.O.K.	North Korea	Brazil	Bulgaria
	74	54,836	China	R.O.K.	North Korea	Brazil	Bulgaria
	75	58,473	R.O.K.	China	Brazil	Italy	Hong Kong
	76	58,050	R.O.K.	China	Hong Kong		
	77	49,164	China	R.O.K.	Hong Kong		
Silk fabrics	1971	16,152	R.O.K.	China	Italy	Switzerland	India
	72	19,838	R.O.K.	China	Italy	Switzerland	India
	73	38,756	R.O.K.	China	Italy	Switzerland	India
	74	38,405	R.O.K.	China	Italy	France	Switzerland
	75	52,111	R.O.K.	China	Italy	France	Switzerland
	76	68,468	R.O.K.	China			
	77	56,200	R.O.K.	China			

Source: Ministry of International Trade and Industry, *Sen'i tōkei nempō* [Year-

## XXII

## MAIN TEXTILES BY SOURCES

Type of Textiles	Year	Total Imports (¥ Million)	Order of Ranks of Top Exporters				
			1st Place	2nd Place	3rd Place	4th Place	5th Place
Wool fabrics	1971	14,474	U.K.	Italy	France		
	72	11,409	U.K.	Italy	France		
	73	22,955	U.K.	Italy	France		
	74	37,887	U.K.	Italy	France	W. Germany	R.O.K.
	75	22,610	U.K.	Italy	France	W. Germany	
	76	17,413	U.K.	Italy			
	77	19,981	U.K.	Italy			
Knit cloth	1971	3,642	France	Italy	U.K.	W. Germany	
	72	5,447	Italy	France	W. Germany	U.K.	
	73	14,818	W. Germany	Italy	France	U.K.	U.S.A.
	74	11,270	Italy	France	W. Germany	Switzerland	U.K.
	75	8,085	Italy	France	W. Germany	Switzerland	
	76	8,371	Italy	France	W. Germany		
	77	9,781	R.O.K.	Italy	France		
Cloth outer garments	1971	7,500	China	Hong Kong	Taiwan	R.O.K.	Italy
	72	9,299	China	R.O.K.	Taiwan	Hong Kong	Italy
	73	44,179	R.O.K.	Taiwan	China	Hong Kong	Italy
	74	84,135	R.O.K.	China	Taiwan	Hong Kong	Italy
	75	44,458	R.O.K.	China	Hong Kong	Italy	France
	76	68,964	R.O.K.	China	Taiwan		
	77	73,123	R.O.K.	China	Taiwan		
Knit outer garments	1971	16,189	Taiwan	Hong Kong	R.O.K.	Italy	China
	72	18,374	Taiwan	R.O.K.	China	Italy	Hong Kong
	73	64,184	R.O.K.	Taiwan	Hong Kong	Italy	China
	74	72,151	R.O.K.	Taiwan	Hong Kong	Italy	China
	75	55,187	R.O.K.	Taiwan	Hong Kong	Italy	France
	76	76,470	R.O.K.	Taiwan			
	77	68,322	R.O.K.	Taiwan			

book of textile statistics].

TABLE XXIII  
TRENDS IN JAPANESE TEXTILE TRADE

(¥ million)			
Year	Exports	Imports	Balance
1955	264,798	220,650	44,148
56	308,491	293,017	15,474
57	360,744	305,980	54,764
58	315,250	227,990	87,260
59	361,450	242,060	119,390
1960	430,772	291,128	139,644
61	406,273	360,261	46,012
62	442,645	286,166	156,479
63	440,802	346,331	94,471
64	504,245	348,515	155,730
1965	560,331	338,250	222,081
66	623,097	369,837	253,260
67	602,437	378,061	224,376
68	695,052	410,515	284,537
69	797,265	416,607	380,658
1970	845,915	468,474	377,441
71	951,570	480,719	470,851
72	875,555	593,943	281,612
73	877,965	1,059,036	-181,071
74	1,167,348	1,085,761	81,587
1975	1,084,668	846,691	237,977
76	1,231,253	1,034,778	196,475
77	1,241,254	1,003,607	237,647
78	1,011,624	992,341	19,283

Source: See Table XXII.

## V. CHARACTERISTICS OF OVERSEAS INVESTMENT

Among the chief characteristics of overseas investment by the Japanese textile industry are: (1) over half of it is represented by joint investment by makers and trading houses (35.8 per cent, 153 instances) and investment by smaller firms on their own (26.7 per cent, 114 instances), as shown in Table XXIV; (2) there is a preponderance on investment in the Asian area (310 of a total of 436 instances to date); (3) the majority of the cases of such investment has involved knitting (69 instances), apparel-making (81), synthetic fiber spinning and weaving (77), cotton spinning and weaving (39); (4) 76.6 per cent of the investment to date is accounted for by cotton spinning and weaving (U.S.\$225,640,000), synthetic fibers (U.S.\$192,400,000), and synthetic fiber spinning and weaving (U.S.\$185,620,000); and (5) 67.3 per cent of the cases of such investment have involved capital participation of less than 50 per cent on the part of the Japanese side.

Among the chief reasons why overseas investment by the Japanese textile industry has in many cases taken the form of joint investment, on the part of



TABLE XXIV  
 OVERSEAS INVESTMENTS BY JAPANESE TEXTILE INDUSTRY ACCORDING  
 TO INVESTMENT TYPES AND HOST COUNTRIES  
 (Number of instances)

Host Country	Single Investors			Joint Investment			Total
	Manufac- turer	Trading House	Others	Two or More Manufac- turers	Manufacturer together with Trading House	Other Combi- nations	
Republic of Korea	7	4	52	0	11	15	89
Taiwan	6	5	22	0	14	9	56
Thailand	5	0	5	0	21	7	38
Hong Kong	8	3	7	2	8	1	29
Indonesia	2	3	1	0	22	1	29
Brazil	7	2	1	2	14	3	29
U.S.A.	4	0	10	0	5	1	20
Philippines	0	4	3	1	6	5	19
Malaysia	3	3	1	0	9	2	18
Singapore	0	2	2	0	5	2	11
Canada	0	8	0	0	2	0	10
Nigeria	1	0	2	1	6	0	10
Sri Lanka	0	2	0	0	3	1	6
Australia	0	0	0	1	4	0	5
Ethiopia	1	0	0	0	4	0	5
Costa Rica	2	0	0	0	2	0	4
Kenya	1	0	1	0	2	0	4
Tanzania	1	1	1	0	0	1	4
El Salvador	0	1	0	0	2	0	3
Portugal	0	1	0	0	2	0	3
India	0	0	1	0	0	1	2
Vietnam	0	2	0	0	0	0	2
Iran	0	1	0	0	1	0	2
Panama	1	0	0	0	0	1	2
Mexico	1	0	0	0	1	0	2
Venezuela	0	0	0	0	2	0	2
Ivory Coast	0	0	0	0	0	2	2
Uganda	1	0	0	0	1	0	2
Ireland	0	0	0	0	2	0	2
France	0	0	1	0	0	1	2
15 other countries	3	2	4	0	4	2	15
Total	54	44	114	7	153	55	427

Source: Nihon-kagaku-sen'i-kyōkai (Japan Chemical Fibres Association), *Kasen handobukku*, 1978 [Chemical fibers handbook, 1978].

large textile firms and comprehensive or specialized trading houses, are: (a) such trading houses are well acquainted with conditions in the host country because of long years of experience in handling Japanese textile exports to them and in most cases are the channels through which the authorities of the host countries have invited capital investment; (b) it has been necessary to spread the risk of such investment considering the large sums involved, and trading houses have

TABLE XXV  
 JAPANESE SHARE OF CAPITAL PARTICIPATION IN THE OVERSEAS TEXTILE VENTURE  
 (Number of cases)

Host Country	100%	95-99%	51-95%	50%	25-49%	Less Than 25%	Total	Average Rate of Capital Participation (%)
Textile industry:								
North America	2	2	4	1	5	0	14	64.7
Central and South America	13	1	15	3	12	3	47	68.6
Asia	12	0	37	19	72	25	165	49.4
Oceania	1	0	1	1	0	1	4	57.4
Europe	0	0	2	0	3	0	5	44.0
Middle East and Africa	0	0	5	2	7	11	25	37.5
Total	28	3	64	26	99	40	260	52.1
Clothing and other textile industries:								
North America	0	0	3	5	2	1	11	54.4
Central and South America	3	0	1	0	4	0	8	66.6
Asia	3	0	14	7	49	5	78	47.1
Oceania	0	0	0	0	0	1	1	0.6
Europe	1	0	0	0	1	0	2	66.5
Middle East and Africa	0	0	1	2	4	3	10	50.0
Total	7	0	19	14	60	10	110	47.9

Source: Ministry of International Trade and Industry, *Wagakuni kigyō no kaigai jigō katsudō* [Overseas operational activities of Japanese firms], 1978 edition.

been able to earn export margins, export financing margins, and international financing margins as intermediaries between the textile firms and the host countries in return for modest capital participation in the projects, since such projects have frequently involved concomitant exports of Japanese textile machinery and plant facilities; and (c) by participating in such projects, trading houses have been able to acquire on a priority basis the rights to handle the exports of the overseas joint-ventures invested in to both Japan and third countries.

Why did large textile firms not insist on going alone in such investment? First, they were put under restrictive conditions set by the host countries with respect to acceptance of foreign capital investment. Second, the chief aims of such investment have been the securing of export markets and the fostering of local industry and there has been little need to increase the absolute profits from the investments themselves as long as they have been able to gain from increasing exports and income from the selling of know-how in connection with machinery and plant facility exports. Third, 100 per cent investment by the firm itself would involve too much risk in terms of maintaining and expanding the venture, considering the instability of political conditions and the underdevelopment of local capital markets. Fourth, joint-ventures were necessary in order to be able

to implement several projects within a short period of time. On the other hand, the reasons why smaller Japanese textile firms have for the most part embarked on such overseas investments alone would seem to be that the risks have been small because of the generally small investments involved and that, even in the eventuality that additional funds became necessary, such modest amounts could be procured on local financial markets.

The concentration of the overseas investment of the Japanese textile in the Asian area has been due to the fact that this area has traditionally been the largest market for Japanese textile exports, and that economic development plans of the countries concerned have coincided with Japan's interest in effective utilization of the labor available in them. Moreover, it has been derived from the fact that there has been very little investment in this area by U.S. and European textile companies, and that Japanese textile production technology has been welcomed because of its high standards.

It is noticeable that more than half of the investment was concentrated in apparel branches (e.g., knitting and apparel-making) and textile branches (e.g., synthetic fiber and cotton spinning and weaving). The investment in the former began to take place in a concentrated fashion after 1965 for the purpose of reducing costs through utilization of low-cost foreign labor and increasing imports from Japan. The investment in the latter was relatively better planned over the long run, which began around 1955 for the purpose of effective utilization of local fiber raw materials, greater stability and expansion of Japanese synthetic fiber filament and staple exports, and establishment of investment opportunities in the synthetic textiles sector.

The reasons why there has been a high percentage of cumulative overseas investment in such branches as cotton spinning and weaving, synthetic fibers, and synthetic fiber spinning and weaving are as follows: The history of cotton spinning and weaving is long and investment in it has often represented reinvestment of profits on a large scale in single instances of investment (such as the investments of the Yunseong Spinning and the Bangrim Spinning in Korea and the investments of the Toyobo, the Kanebo, and the Tsuzuki Spinning in Brazil). Synthetic fibers, being a capital-intensive industry, naturally involves a large amount of investment in single cases (the average for it being U.S.\$6,870,000 per project versus the average of U.S.\$1,460,000 for all other branches of the textile industry). Investment in the synthetic fiber spinning and weaving sector has also extended to texturing, knitting, and dyeing processes as well as linkage with investment in the synthetic fibers sector for greater overall efficiency.

As for the fact that the capital participation of the Japanese side is often below 50 per cent, it can be explained not only by controls set by the host country (in Indonesia, Brazil, the United States, Canada, the United Kingdom, Italy, and some other countries, however, the rate of capital participation has often been very high, even 100 per cent) and instability of political and economic conditions, but also by the need to spread the available capital among several projects at once to lower the risk and compete with other Japanese and foreign companies in the same line, with projects at home also requiring funds, and considerations

TABLE

JOINT OVERSEAS INVESTMENT IN TEXTILE INDUSTRY BY JAPANESE

Manufacturer Trading House	Teijin	Toray	Asahi Chemical	Kuraray	Unitika	Mitsubishi Rayon
Mitsui & Co.		13			1	
Mitsubishi Corp.		2				8
Marubeni Corp.	3	2	1	4	2	
C. Itoh & Co.	7	5	5			
Sumitomo Shoji						
Nissho-Iwai		1				
Toyo Menka	3	1				
Nichimen Co.					2	1
Kanematsu-Gosho		1				2
Chori Co.		2	3			
Nomura Trading Co.						
Toyoda Tsusho						
Ataka Industries		2				
Total	13	29	9	4	5	11

Source: Calculated by the author on the basis of Nihon-kagaku-sen'i-kyōkai (Japan

of future additional fund requirements of the overseas projects.

Also noteworthy with respect to overseas investment by the Japanese textile industry is the fact that certain manufacturers tend to pair up with certain trading houses, probably as a reflection of historical relations. Particular manufacturers and trading houses tend to monopolize investment in particular areas (4 of the 5 cases of investment in Ethiopia, for example, have been by Fuji Spinning, and 7 of the 10 cases in Canada by the former Ataka Industries; and 8 of the 15 cases of investment in fishing net operations have been in African and Central and South American countries, including Nigeria, Kenya, Tanzania, Uganda, Guiana, and Panama, the two cases of investment in the last both having been in this field).

## VI. CONCLUSION

As we have seen in the above, overseas investment by the Japanese textile industry, which in the 1950s was mainly for the purpose of procuring textile raw materials in the countries involved and in the 1960s was chiefly oriented toward securing and developing export markets and taking advantage of good labor supply conditions, reached a peak in 1973 and has been declining since then, having already tremendously raised the textile production and export capacity of the host countries. Now a period has been entered in which the fruits of such investment are to be harvested.

Furthermore, the very active overseas investment by the Japanese textile industry in the ten-year period from around the middle of the 1960s has been a direct and indirect factor behind a considerable increase in Japanese textile

## XXVI

## LARGE MANUFACTURERS AND MAJOR TRADING HOUSES

(Number of cases)

Toyobo	Kanebo	Nisshin Spinning	Kurabo Industries	Daiwa Spinning	Fuji Spinning	Shikibo	Total
1	2						17
1			1				12
5			1		3		21
2	1						20
	1						1
	2			1			4
	5		2				11
		1		1			5
1				2			4
						6	7
							6
					2		2
2	1						5
12	12	1	4	4	5	6	115

Chemical Fibres Association), *Kasen handobukku*, 1978 [Chemical fibers handbook, 1978].

TABLE XXVII

OVERSEAS INVESTMENT BY JAPANESE MANUFACTURING INDUSTRY  
CLASSIFIED ACCORDING TO MOTIVATIONS

(Number of cases)

Motivation	North America	Central & S. America	Asia	Middle & N. East	Europe	Oceania	U.S.A.	All Areas
Advantageous labor conditions	1	3	205	0	0	9	2	220
Securing and developing markets	75	113	362	13	52	20	27	662
Securing of supply of input materials and other resources	23	26	85	1	5	19	3	162
Advantageous conditions for export to third countries	0	7	50	0	4	2	3	66
Diversification of orientation and international orientation	15	24	74	0	6	3	5	127
Difficulty in obtaining suitable sites at home	0	2	6	0	0	3	0	11
Special treatment by government of the host country	1	5	18	0	4	2	1	31
Dividend earnings	1	5	12	0	0	0	3	21
Total	116	185	812	14	71	58	44	1,300

Source: Ministry of International Trade and Industry, *Waga-kuni kigyō no kaigai jigyō katsudō* [Overseas operational activities of Japanese firms], 1978 edition.

TABLE XXVIII

## A. TEXTILE MACHINERY IN ASIAN COUNTRIES (1977)

Type of Machinery	R.O.K.	Taiwan	Hong Kong	Indonesia	Thailand	Philippines	Malaysia	Singapore
Synthetic fibers (T/D)	851	1,552	0	146	224	90	96	8
Rayon, acetate (T/D)	75	208	0	0	25	0	0	0
Cotton spinning (S)	2,451	3,233	830	1,376	1,118	1,080	338	131
Worsted spinning (S)	661	481	27	24	11	67	15	16
Wool spinning (S)	86	48	5	0	n.a.	n.a.	n.a.	n.a.
Cotton weaving (L)	55,875	65,800	26,300	62,000	30,000	22,000	7,376	2,000
Silk weaving (L)	50,992	12,000	500	5,300	3,000	2,300		
Wool weaving (L)	3,359	800	50	0	n.a.	n.a.	700	357
Circular knitting (L)	17,697	13,000	3,600	7,500- 8,000	n.a.	3,000		
Flat knitting (L)	15,500	38,000	25,000		n.a.	5,000	200	120
Warp knitting (L)	823	850	45	n.a.	400	250	n.a.	
Sewing (No.)	171,750	n.a.	n.a.	5	36	9	10	16
False-twisting (No.)	n.a.	2,000	100	210	250	410	50	30

Source: Nihon-kagaku-sen'i-kyōkai (Japan Chemical Fibres Association), *Kasen handobukku*, 1979 [Chemical fibers handbook, 1979].

Note: T/D=tons of production per day, S=1,000 spindles, and L=no. of looms.

## B. TEXTILE TRADE BALANCE OF ASIAN COUNTRIES

Year	Republic of Korea (US\$ 1,000)			Taiwan (NT\$ Million)		
	Exports	Imports	Balance	Exports	Imports	Balance
1970	341,084	248,135	92,949			
71	486,655	284,305	202,350			
72	681,277	307,156	374,121	32,789	10,977	21,812
73	1,278,345	571,329	707,016	47,157	17,744	29,413
74	1,526,036	584,497	941,539	55,032	19,813	35,219
75	1,840,188	593,332	1,246,856	56,231	15,462	40,769
76	2,851,310	743,442	2,107,868	84,673	19,631	65,042
77	3,231,874	849,185	2,382,689	82,310	19,957	62,353
Year	Philippine (US\$ Million)			Thailand (Million of Baht)		
	Exports	Imports	Balance	Exports	Imports	Balance
1971	22.8	74.4	-51.6	1,551	2,127	-576
72	25.1	72.3	-47.2	2,260	2,502	-242
73	56.2	107.8	-51.6	3,778	3,807	-29
74	84.2	158.0	-73.8	3,929	4,257	-328
75	71.2	144.3	-73.1	3,597	3,869	-272
76	130.3	130.8	-0.5	5,797	4,393	1,404
77	160.0	167.7	-7.7			
Year	Hong Kong (HK\$ Million)			Singapore (S\$ Million)		
	Exports	Imports	Balance	Exports	Imports	Balance
1972	8,410	4,960	3,450	486	949	-463
73	11,166	6,697	4,469	697	1,227	-530
74	12,767	6,398	6,369	703	1,231	-528
75	13,469	6,833	6,636	619	1,107	-488
76	18,896	9,318	9,578	946	1,403	-457
77	18,323	9,231	9,092	1,047	1,469	-422

Source: Nihon-kagaku-sen'i-kyōkai (Japan Chemical Fibres Association), *Kasen handobukku* [Chemical fibers handbook], 1977, 1978, and 1979 editions.

imports, so much so, in fact, that some have considered this to be a "boomerang effect" of such investment that could naturally have been expected.

This is not necessarily the case, however, because countries in which there has been such investment in which textile exports to Japan have increased substantially are also countries which have come to import more textile products from Japan and, in any case, they export more textiles to third countries than to Japan, which shows that the original aim of securing and developing export markets is being achieved to a considerable extent.

This being the case, the increase in Japanese imports of textile products from countries in which the Japanese textile industry has made investments should be reconsidered from the viewpoint of loss of international competitiveness on the part of the Japanese textile industry owing to failure to cope adequately with changing conditions at home and abroad rather than from the viewpoint of the cumulative effect of overseas investments.

If the Japanese textile industry not only fails to make up for lost time in coping with such changing conditions but also continues to do what is necessary

TABLE XXIX  
PURCHASES AND SALES BY LOCAL COMPANIES OVERSEAS  
INVESTED IN BY JAPANESE TEXTILE FIRMS  
A. According to the Sixth Survey

Region of Location	Purchased from		
	Local	Third Countries	Japan
North America	71.9	5.0	23.1
Central and South America	77.2	10.6	12.3
Asia	47.9	14.9	37.2
Middle East	37.0	63.0	0
Europe	33.3	0	66.7
Oceania	66.7	25.3	8.0
Africa	24.3	23.6	52.2
All areas	52.3	14.5	33.2
In 1974	44.7	15.8	39.3
In 1972	25.4	31.0	43.6
Region of Location	Sold to		
	Local	Third Countries	Japan
North America	97.0	3.0	0
Central and South America	69.3	20.6	10.1
Asia	51.2	25.9	22.9
Middle East	100.0	0	0
Europe	66.7	33.3	0
Oceania	66.7	0	33.3
Africa	94.0	1.3	4.8
All areas	61.7	21.0	17.4
In 1974	58.4	21.2	20.1
In 1972	67.4	29.3	1.8

Source: Ministry of International Trade and Industry, *Waga-kuni kigyō no kaigai jigyō katsudō* [Overseas operational activities of Japanese firms], 1977 edition.

TABLE XXIX (Continued)  
B. According to the Seventh Survey

Region of Location	Purchased from		
	Local	Third Countries	Japan
North America	89.3	5.6	5.1
Central and South America	78.7	12.6	8.7
Asia	40.3	35.7	24.1
Middle East	0	0	0
Europe	38.6	41.4	14.0
Oceania	98.0	1.8	0.2
Africa	26.7	33.6	39.7
All areas	51.2	27.9	20.9

  

Region of Location	Sold to		
	Local	Third Countries	Japan
North America	91.9	8.1	0.1
Central and South America	74.6	24.4	1.0
Asia	58.4	31.2	10.4
Middle East	0	0	0
Europe	100.0	0	0
Oceania	30.4	0	69.6
Africa	99.0	1.0	0
All areas	68.7	24.1	7.2

Source: Ministry of International Trade and Industry, *Waga-kuni kigyō no kaigai jigyō katsudō* [Overseas operational activities of Japanese firms], 1978 edition.

TABLE XXX  
PURCHASES AND SALES BY LOCAL COMPANIES OVERSEAS  
INVESTED IN BY JAPANESE TEXTILE FIRMS

Host Country	Purchased from			Sold to		
	Local	Third Countries	Japan	Local	Third Countries	Japan
U.S.A.	71.5	0.5	28.0	100.0	0	0
Mexico	100.0	0	0	100.0	0	0
Brazil	98.7	0.4	0.9	69.5	19.4	11.1
Malaysia	36.1	41.5	22.4	27.3	59.8	13.0
Singapore	10.0	41.7	48.3	27.0	57.7	15.3
Thailand	38.7	24.7	36.6	83.6	9.0	7.5
Indonesia	11.2	52.2	36.6	100.0	0	0
Philippines	66.8	10.0	23.2	47.7	51.6	0.7
Hong Kong	37.8	34.9	27.3	61.0	31.0	7.9
Taiwan	56.1	9.0	34.9	38.1	43.4	18.5
Republic of Korea	43.4	5.0	51.6	16.1	15.5	68.5
Australia	66.7	25.3	8.0	66.7	0	33.3

Source: See Table XXIX-A.

Note: The materials pertaining to this table are not given in the seventh survey report.



to cope with new changes, a real "boomerang effect" might very well be in the making. This is why I am stressing the need for prompt structure change in the Japanese textile industry for the purpose of strengthening its international competitiveness.

## APPENDIX

Japanese synthetic fiber textile trade with the Republic of Korea and Taiwan is faring as follows:

## A. R.O.K.'s TRADE WITH JAPAN IN SYNTHETIC TEXTILE PRODUCTS

		(Tons)			
		1973	1974	1975	1976
Staple	Exports	2,383	1,379	1,529	2,626
	Imports	39,603	19,103	5,461	7,637
	Balance	-37,220	-17,724	-3,932	-5,011
Filament	Exports	144	156	435	676
	Imports	23,368	8,307	12,726	12,947
	Balance	-23,224	-8,151	-12,291	-12,271
Spun yarns	Exports	3,905	2,682	2,147	4,219
	Imports	4,920	6,525	2,216	1,878
	Balance	-1,015	-3,843	-69	2,341
Filament fabrics	Exports	2,597	1,190	509	1,604
	Imports	3,430	2,560	5,546	6,462
	Balance	-833	-1,370	-5,037	-4,858
Staple fabrics	Exports	9,737	3,228	2,555	2,924
	Imports	11,736	9,382	8,552	8,834
	Balance	-1,999	-6,154	-5,997	-5,910
Knit cloth	Exports	197	27	8	17
	Imports	1,404	1,181	867	809
	Balance	-1,207	-1,154	-859	-792
Total	Exports	18,963	8,662	7,183	12,066
	Imports	84,461	47,058	35,368	38,567
	Balance	-65,498	-38,396	-28,185	-26,501

Source: Republic of Korea, Department of Customs Administration, *Statistical Yearbook of Foreign Trade*.

## B. TAIWAN'S TRADE WITH JAPAN IN SYNTHETIC TEXTILE PRODUCTS

		(Tons)			
		1973	1974	1975	1976
Staple	Exports	961	0	136	582
	Imports	62,828	46,684	47,966	44,153
	Balance	-61,867	-46,684	-47,830	-43,571
Filament	Exports	1,352	1,139	1,248	4,249
	Imports	25,350	14,576	13,092	8,226
	Balance	-23,998	-13,437	-11,844	-3,977
Spun yarns	Exports	1,817	1,159	498	1,210
	Imports	329	336	248	301
	Balance	1,488	823	250	909
Filament fabrics	Exports	1,042	267	286	83
	Imports	4,274	3,714	4,061	5,634
	Balance	-3,232	-3,447	-3,775	-5,551
Staple fabrics	Exports	3,320	1,073	878	627
	Imports	1,317	1,410	529	762
	Balance	2,003	-337	349	-135
Knit cloth	Exports	83	58	17	209
	Imports	212	391	157	121
	Balance	-129	-333	-140	88
Total	Exports	8,575	3,696	3,063	6,960
	Imports	94,310	67,111	66,053	59,197
	Balance	-85,735	-63,415	-62,990	-52,237

Source: Republic of China, Inspectorate General of Customs, Statistical Department, *The Trade of China*.