1. Under the subject of the identification of problems in international trade in textiles, I wish to speak on restrictions and discrimination. As shown in the report of the Working Party last year, restrictive trade measures, often involving discrimination, are widespread with respect to international trade in textiles. In the Japanese view, this fact is by far the most important, if not the only, problem in trade in textiles. As I see the situation, residual import restrictions are widespread concerning textiles; there are many bilateral agreements to restrict exports or imports of textiles; various discriminatory treatments exist in the application of these restrictions; and high tariff rates on textiles in comparison with those on other industrial products are applied in many countries.

2. Japan does not have any quantitative import restrictions on textiles; Japan has not asked any other country to limit its exports of textiles to Japan; tariff rates on textiles are lower in Japan than in most other countries. In other words, Japan's policy on textile imports is very liberal. As a result, textile imports into Japan increased more than 40 per cent in 1972 over 1971. The increase is particularly large in cotton textiles. It is no surprise if in 1973 textile imports into Japan double the level of 1972. In the export side, on the other hand, Japan faces restrictions and discrimination. This is a very undesirable and unfair situation.

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1 Only the second part of statement, containing substantial points, is reproduced here.
3. In what follows, I wish to analyze problems of special significance concerning protectionist measures in textile trade. They are:

   (1) loose interpretation as to the existence of injury to domestic industry in the importing country;
   (2) discrimination and problem of equity;
   (3) problem of growth factor in the application of quantitative restrictions;
   (4) non-tariff barriers in the establishment and administration of quantitative restrictions;
   (5) perpetuation of restrictions; and
   (6) high tariffs.

4. Loose interpretation as to the existence of injury to domestic industry in the importing country

(a) There are many cases where vague standards are used in determining injury or a threat of injury. For example, the threat of diversion which is not foreseen even as a possibility and without factual proof is interpreted as a threat of injury, justifying restrictions. There are even cases where the mere existence of large-scale capacity in the exporting country is interpreted as a threat of injury. In addition, there are many cases where the threat of future injury is claimed to exist when enterprises in the importing country are making investments in new plans in expectation of promising future market. The threat of injury is sometimes claimed to exist in spite of the fact that domestic enterprises are operating at full capacity, employment is rising, profits are increasing, production is going up and all economic indicators are showing an upward trend. Restrictions on textile imports (including export restrictions) through border measures should be invoked only when manufacturers in the importing country of products similar to or directly competitive with imports actually suffer injuries, such as indicated by decreases in production, rate of operation and employment, which result from competition with imports rather than competition among domestic firms. Often, the importing country claims injury or a threat of injury unilaterally and arbitrarily without sufficient proof.
(b) In this connexion, in recent years, there are cases where an agency, independent of government, was set up to judge injury or a threat of injury. These independent agencies have often given arbitrary interpretation of conditions of injury in a way which disregards international rules, and there are many cases where the government actually followed such interpretation. Establishing such an independent agency is no problem but its administration may deviate from GATT rules.

(c) Comprehensive restrictions

Some countries impose restrictions on all textiles under bilateral agreements with a limited number of countries. In our view, injury to domestic producers arises with respect to specific products which are similar to or directly competitive with imported products, and imposition of restrictions on all sectors of textiles has no justification.

(d) Trigger formula

Some bilateral agreements have a built-in mechanism to automatically invoke restrictions in the event the growth rate of imports reaches a fixed level. Such an automatic mechanism of restriction, disregarding actual conditions in the domestic textile market, is a deviation from GATT rules of determining injury or a threat of injury.

5. Discrimination and problem of equity

(a) Discriminatory restrictions

Many countries maintain import restrictions on textile products. This is most regrettable in the light of the provisions of the GATT. The worst example of this is seen in many of the west European countries which maintain discriminatory restrictions on imports from Japan, developing countries and east European countries.

(b) Export restraint

The same thing applies to export restraint. The importing country often demands only a limited number of countries to restrain exports while the same products are imported freely from other sources. Such cases usually occur when comprehensive restrictions are enforced on imports from specific countries while no restrictions are taken against other exporting countries.
(c) The problem of discrimination and equity is not only tragic to the affected exporting country. In many cases the situation is so absurd and ridiculous that the third party would think it a comedy rather than a tragedy. Let me cite some examples. With regard to filament yarn of synthetic fibres, a certain country in the American continent imported, in 1971, 37,000 tons from the Federal Republic of Germany, 28,000 tons from Japan, 7,000 tons from England and 2,000 tons from France. In that year, restriction was forced on Japan only. As a result, in 1972, the pattern of imports was changed so that 41,000 tons came from the Federal Republic of Germany, 12,000 tons from the United Kingdom, 11,000 tons from Japan, 10,000 tons from France. Japan's share in this market decreased from 29 per cent in 1971 to 11 per cent in 1972. With regard to artificial filament yarn, the same country imported, in 1971, 750 tons from Italy, 630 tons from Japan, 590 tons from the United Kingdom and 1 ton from the Netherlands. Again, restriction was forced on Japan only. As a result, in 1972, imports were 1,200 tons from the Netherlands, 1,440 from the United Kingdom, 920 from the Federal Republic of Germany and 120 from Japan. Japan's share decreased from 28 per cent in 1971 to 3 per cent in 1972. A certain country in Western Europe has a bilateral arrangement under which Japan limits its exports of fabrics of wool to that country. On the other hand, Japan sets no quantitative restrictions on imports of this product. The result is that Japan's imports of fabrics of wool from that country in 1972 was almost 80 times as large as the Japanese quota of exports to that country.

6. Problem of growth factor in the application of quantitative restrictions

In the application of export or import restrictions, there are many cases where a rate of growth of trade is denied, in spite of the growth of textile industry, increase in employment or expansion of the domestic market. In extreme cases, growth is not recognized over a long period of time.

7. Non-tariff barriers in the establishment and administration of quantitative restrictions

(a) With regard to the establishment of quotas, the importing country often sets nominal quotas which are too small for the purpose of export transaction. A further problem is that this very small quota is divided among many importers. This makes business transactions almost impossible. Furthermore, there are cases where the quota is not publicized, notwithstanding the provisions of the General Agreement. This makes transactions very unstable.
(b) Sometimes the quota is based on monetary terms or on tonnage terms, disregarding business practices. Quotas of monetary bases are not feasible in the current unstable international monetary situation. Restrictions on a tonnage basis often makes it difficult to establish an appropriate conversion rate and is a big obstruction in filling up the established quota.

(c) With regard to the issuance of import licences, the person who actually desires to import is not always given a licence because the method of issuance is not appropriate. Some years ago, a certain country in Western Europe distributed import licences for textiles from Japan to leather manufacturers. I do not know how these leather manufacturers took care of import licences for textiles.

(d) In addition, there exists many obstructions which make it impossible in exporting countries to fill quotas because of detailed breakdown in categories, the lack of flexibility among items and arbitrariness of the importing country in interpreting product classifications. For instance, a certain country classified artificial flowers as made-up goods of textiles on the ground that the material is textile.

8. Perpetuation of restrictions

Restrictive measures on imports may be taken when serious injury is caused to domestic industry or there is a threat thereof due to sudden increases in imports. Originally, these measures may have been thought of as temporary but there is a tendency to maintain them for a long period of time. Adequate review is seldom made concerning the necessity for the continuation of such restrictions. Almost no efforts have been made by importing countries to abolish these restrictions. This not only impairs the interest of exporting countries, but, by preserving inefficient industries, is harmful to the economic welfare of importing countries. In my view, the perpetuation of restrictions is largely due to the fact that government and business in the importing country are not giving serious consideration to domestic structural adjustment.

9. High tariffs

In some countries, very high tariffs are imposed on textile products, particularly man-made fibre products, compared to other industrial products. Although high tariff rates themselves may not directly contravene GATT principles, they are a serious barrier from the point of view of expansion of trade.
10. Concluding remarks

I could go on in a similar vein but I will stop here. I hope that I have been able to demonstrate that all types of restrictions are wide-spread in international trade in textiles. In many cases, it is doubtful that there really exist economic needs or necessity to justify such restrictions. Moreover, there are numerous problems in connexion with the implementation of various restrictions to the detriment of the interest of the exporting country. We would therefore welcome a general review of the types of existing restrictions to obtain a better understanding of the problems involved in each type of restrictions. One way to proceed might be to ask the secretariat to draw up a check list of problem points in analyzing various types of restrictions. For example, for quota restrictions, we might list such points as procedure for introduction of quotas, global or discriminatory application, size of the quota, permitted rate of growth, duration and prospect for phasing out, method of administration of quotas, and so on.