

# **Corporate Preferences and Politics of Trade Policy: A Textile Case in Japan**

*Hidetaka Yoshimatsu*  
*Research Associate Professor, ICSEAD*

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# Corporate Preferences and Politics of Trade Policy: A Textile Case in Japan

Hidetaka Yoshimatsu

## Abstract

This article examines two issues through an analysis of the Japanese textile industry. The first is how the government and the private sector interact in the face of the rising import pressure. The second is what influence the internationalisation of corporate activity has had on the trade policy preferences of firms. It is shown here that although the government played a particular and critical role in deciding on the direction of import restrictions in the textile industry, the textile producer associations formulated their own preferences according to their status in the industry and their international and domestic linkages, and reflected these preferences on trade policy through their membership on advisory councils and direct lobbying of politicians and relevant ministries. It is also demonstrated that international linkages were crucial factors making apparel and towel makers and textile importers favour an open trade policy. However, big synthetic fibre and spinning companies adopted a protectionist stance in spite of their international linkages. They sought to maintain domestic vertical linkages by restraining imports.

## Introduction

Shifts in international comparative advantage bring various problems on adversely affected industries. These industries lose competitiveness internationally, suffer from a rise in imports from developing countries, and are forced to undertake structural adjustment. The Japanese textile industry, particularly its labour intensive sectors, is no exception. The industry suffered from a drastic decline in international market share and then from a rise in imports from Asian neighbours.

Given the structural changes surrounding the Japanese textile industry, this article examines two issues. One is how the government and the private sector interact in the face of rising import pressure. An intensive debate has developed over the roles the government and private sector play in determining and implementing economic policy in Japan. Some scholars stress the critical and particular role of the Bureaucracy in Japan's economic policy making.<sup>1</sup> According to this Bureaucracy-dominant thesis, the central Bureaucracy has the capability to determine economic policy goals autonomously from political parties and interest groups. Bureaucrats pursue these goals through a wide range of policy tools, by varying the formal industrial, monetary and fiscal policy, and through informal administrative guidance. The private sector is dependent on the Bureaucrats and follows their policies and guidance.

In recent years, quite a few scholars have conducted empirical studies, and hold that the private sector has played a significant role in shaping economic policy in some cases.<sup>2</sup> They have shown that private actors retained control of the market or initiated government policy in various economic areas. Although these studies cover various

economic policies such as industrial policy, investment policy, and financial policy, few studies have been conducted on trade policy in an import-competing industry. This article seeks to enrich the research in this respect by examining trade policy in the textile industry, a typical import-competing industry in Japan. This examination is valuable since voluminous research on trade policy in other countries has been relevant to protectionist policies in import-competing industries. In addition, cases where Japan is forced to formulate trade policies to defend domestic industries from rising imports are likely to increase as comparative advantage shifts to developing countries.

The other issue examined here is the influence the internationalisation of corporate activity has had on the trade policy preferences of firms. A large theoretical and empirical literature<sup>4</sup> has explored the relationship between a state's trade policy and corporate preferences. Although these studies have tended to highlight the subject of why and how industries and firms demand protectionist measures, some scholars have paid attention to political forces that favour open trade initiatives.<sup>5</sup> These scholars argue that firms with strong international ties such as multinational corporations, exporting companies, and manufacturing companies dependent on imported input, are likely to adopt an anti-protectionist preference. According to this argument, Japanese manufacturing industries that have promoted internationalisation in the form of exports and foreign direct investment are likely to strengthen open trade preferences. At the same time, it is likely that characteristics peculiar to Japan — the existence of influential industrial associations, the dominance of long-term relational dealing, and the prevalence of financial *keiretsu* links — may yield outcomes different from those in other countries.

The following section describes two reactions by textile producers to rising imports: anti-dumping and countervailing suits, and the demand for introducing the Multi-Fibre Arrangement (MFA). The second section examines the stance of various industrial associations towards import restrictions. It reveals what interactions the government and private sector have had over the introduction of protectionist measures. The third section then highlights the policy stance of large textile producers and examines what induced them to take that stance.

## RESPONSE OF TEXTILE PRODUCERS TO RISING IMPORTS

As with other labour-intensive industries, the Japanese textile industry has steadily lost international competitiveness, and suffered from a rise in imports from developing countries. The ratio of Japanese exports of textiles and clothing in international trade decreased from 15 per cent in 1955 to 8 per cent in 1975 and then to 3 per cent in 1988.<sup>6</sup> Textile imports have grown sharply in Japan, especially since the 1980s. For all textile products, the share of imports in total domestic demand rose from 27.8 per cent in 1986 to 50.8 per cent in 1993, as Japan became a net importer of textile products in 1987 (Table 1). This rise in imports has resulted in declining numbers of establishments, as well as stagnant employment and production in the industry. Employment fell from 1.39 million in 1980 to 1.22 million in 1992, and the number of establishments declined from 147,500 to 121,400 in the same period (Table 2). Production also declined from 2.05 million tonnes in 1980 to 1.66 million tonnes in 1992.

**Table 1** Import Shares in Textile Products, 1986-93 (per cent)

Product	1986	1987	1988	1989	1990	1991	1992	1993
<i>Yarn</i>								
Cotton	26.1	28.9	30.3	31.5	31.1	37.1	36.5	42.6

Silk	34.0	34.3	39.2	41.7	37.6	47.5	41.6	50.4
Wool	4.0	5.4	8.1	5.8	6.6	11.8	9.3	6.1
Synthetic	3.5	5.0	6.1	6.6	7.7	8.0	8.4	7.8
<i>Fabric</i>								
Cotton	24.9	28.8	31.3	34.2	31.4	36.6	39.0	49.2
Silk	18.7	19.3	20.0	21.5	22.7	22.9	23.4	26.8
Wool	4.7	5.9	8.1	9.1	7.9	6.4	6.7	6.6
Synthetic	15.3	8.0	4.7	11.7	7.8	9.1	11.6	7.8
<i>Finished textiles</i>								
Woven outerwear	28.6	33.2	40.8	46.9	47.3	51.2	59.1	64.8
Woven underwear	31.5	36.3	42.0	51.0	51.1	49.5	58.8	63.4
Knitted outerwear	34.8	46.3	53.6	55.2	53.7	57.7	64.3	69.6
Knitted sweater	49.0	54.8	65.9	69.4	66.9	72.4	77.4	81.3
Knitted underwear	25.5	36.3	46.6	50.1	47.5	50.8	55.7	55.4
<i>All textiles</i>	27.8	32.8	36.7	38.7	37.4	41.4	45.0	50.8

*Note:* The figures are the proportion of imports in total domestic demand.  
Source: MITI, *Shin seni bijon* [New textile report] (Tokyo: Gyosei, 1995), p.246.

**Table 2** Establishments, Employees, Value of Shipments, and Value Added in the Textile Industry, 1970-92

	1970	1975	1980	1985	1990	1991	1992
Establishments	146,286 (22.4)	157,381 (21.4)	147,467 (20.1)	142,167 (19.0)	130,063 (17.8)	127,044 (17.6)	121,410 (17.4)
Employees <sup>a</sup>	1,750 (15.0)	1,589 (14.1)	1,391 (12.7)	1,334 (11.6)	1,271 (10.8)	1,263 (10.6)	1,218 (10.1)
Value of shipments <sup>b</sup>	6,127 (8.9)	9,404 (7.4)	12,878 (5.7)	13,340 (5.0)	13,953 (4.3)	14,404 (4.2)	13,967 (4.2)
Value added <sup>b</sup>	2,329 (9.5)	3,335 (7.9)	4,663 (6.5)	5,333 (5.8)	6,080 (5.0)	5,956 (4.7)	5,902 (4.9)

*Note:* The figures are for all textiles, clothing and man-made fibres. The figures in parentheses represent the percentage share of the total manufacturing industry in Japan.

*Sources:* *Seni Nenkan*, 1981, p.105; 1993, p.65; 1995, p.

<sup>a</sup> in thousands of workers

<sup>b</sup> in billions of yen

Textile producer associations have taken two major measures to curb steep rises in imports. Some of the producer associations have resorted to adopting anti-dumping and countervailing suits. In Japan, producers of imported products or the Ministry of Finance (MOF) initiate anti-dumping and countervailing suits. When a file is petitioned, the MOF decides whether to start an investigation within two months. Then, within one year of the investigation, MOF decides whether duties should be imposed or not. There

have been seven anti-dumping and countervailing cases filed by Japanese industry to date, four of which were lodged by textile producers (Table 3). The number of anti-dumping suits in Japan is very small compared with other developed countries. For instance, between 1980 and 1987, there were 263 anti-dumping actions in the European Community, 11 of which were related to the textile industry.

**Table 3 Anti-Dumping and Countervailing Suits in Japan**

Date	Actor	Country	Targeted item	Result
<i>Anti-dumping suits</i>				
27 Dec. 1982	JSA	South Korea	Cotton yarn	Voluntary restraint, withdrawal
6 Mar. 1984	JFA	Norway, France	Ferrosilicon	Withdrawal
21 Oct. 1988	JKIA	South Korea	Knit sweater	Voluntary restraint, withdrawal
8 Oct. 1991	JFA	China, Norway, South Africa	Ferrosilicon manganese	Dumping duties on Chinese imports
20 Dec. 1993	JSA	Pakistan	Cotton yarn	Dumping duties
<i>Countervailing suits</i>				
27 Dec. 1982	JSA	Pakistan	Cotton yarn	Withdrawal
6 Mar. 1984	JFA	Brazil	Ferrosilicon	Withdrawal

*Note:* JFA denotes the Japan Ferroalloy Association.

*Source:* Kasen Geppo (March 1994, p.12).

The first anti-dumping and countervailing suits in Japan were petitioned in 1982. In early December of 1982, the Japan Spinners' Association (JSA) notified the Ministry of International Trade and Industry (MITI) of its intention to petition the MOF to institute an anti-dumping suit against South Korea and a countervailing duty suit against Pakistan. Although MITI refused to engage in bilateral discussions to restrain imports with either South Korea or Pakistan, the association filed the suits with the MOF on 27 December. The imports of cotton yarn from the two countries during January to October 1982 totalled 486,800 bales, 70 per cent more than over the same period in the previous year, and some 30 per cent of Japan's total production during the same period. The JSA dropped the case against South Korea in April 1983 after Korean spinners announced that they would accept voluntary export restraints, and the case against Pakistan in February 1984 after the Pakistani government agreed to withdraw export subsidies.

The second anti-dumping suit in the textile industry was petitioned against Korean knitted sweaters in 1988. The Japan Knitting Industry Association (JKIA) announced on 30 May 1988 that it would lodge a complaint with MOF against Korean knitted sweaters. Imports of Korean sweaters increased 41.8 per cent in 1986, 25.9 per cent in 1987 and 77.2 per cent during January to July 1988. However, MITI was anxious about a deterioration in relations with South Korea, and persuaded the association to postpone the filing. On 24 June, the Korean government announced that it would adopt a monitoring measure for price and volume of exports in July. The measure had almost no effect. The export volume of Korean knitted sweaters in July was 14 million units, 29 per cent up from the previous year and 0.68 million units up from the previous month. The association filed an anti-dumping suit with the MOF on October 21 1988, arguing that the export prices of Korean knitted sweaters were 30 per cent lower than normal market prices. The Japan Textile Industry Federation (JTIF), the pre-eminent federation

of the textile industry, supported the JKIA by collecting data and providing financial and personnel assistance. The Japan Chemical Fibres Association (JCFA) also assisted the JKIA by offering financial and personnel support. The Japan Federation of Textile Workers' Unions (*Zensen Domei*), and its supporting party, the Democratic Socialist Party also openly supported the suit. However, MITI was reluctant to commence the investigation of dumping because it favoured a negotiated settlement. Eiichi Tamori, a MITI advisor, expressed the view that in the resolution of knitted sweater dumping, it was desirable that the relevant industrial associations pursue the matter independently in order to prevent the politicisation of the issue in South Korea.

The third anti-dumping suit by the textile industry was lodged in December 1993. In mid 1993, low-priced exports of 20-count cotton yarn from Pakistan became a serious issue. On 20 December 1993, the JSA filed an anti-dumping suit against Pakistani 20-count cotton yarn. According to the JSA, imports of cotton yarn from Pakistan accounted for some 80 per cent of sales in the Japanese market, and the price of 20-count cotton yarn imported from Pakistan was 20 per cent lower than domestic prices in Pakistan. The MOF and MITI decided in February 1994 to commence a dumping investigation. After two extensions of the investigation, the MOF and MITI decided in August 1995 to impose dumping margins ranging from 2.1 per cent to 9.9 per cent. This was the second case in which dumping duties were imposed in Japan.

The second measure that major textile producer associations demanded was the introduction of the MFA. In the international textile trade, the MFA was concluded in January 1974. Under the MFA provisions, the signatory countries were allowed to take unilateral restraints (Article 3), or to conclude bilateral agreements (Article 4) in order to avoid market disruption caused by imports. Although Japan was one of the developed country participants in the MFA, it had not imposed MFA restrictions on imports. The introduction of the MFA has been repeatedly called for by major textile industrial associations since the early 1970s. The Japan Cotton and Staple Fibre Weavers' Association (JCSFWA), which represents spun-yarn weavers (cotton and synthetic spun fabrics), has asked the government to introduce the MFA against imports of cotton fabric from China almost every year since 1975. The JSA has also called on the government to introduce the MFA since the mid 1970s.

Textile producer associations intensified their demand for restricting imports under the provisions of the MFA after they experienced a sharp rise in imports in 1984, and Japan posted its first deficit in the textile trade in 1987. In March 1985, the JTIF decided to persuade relevant government agencies to apply the MFA quota restrictions on imported products. The JSA, JCSFWA, and JKIA also intensified pressure on the government to introduce the MFA. In November 1986, the JSA Chairman stated that the JSA would ask relevant ministries to apply the MFA to maintain orderly imports of cotton yarn. In April and June 1987, the JKIA called on MITI to safeguard its interests by introducing the MFA against textile imports. In January 1988, the JTIF passed a resolution to use anti-dumping suits against unfair imports and to demand that the government impose restrictions on textile imports under the MFA quota. In May 1988, the JCFA expressed its intention to ask the government to put the MFA into action.

These producer associations lobbied the Liberal Democratic Party (LDP) as well. Textile producers have long maintained strong ties with the LDP because owners of small-sized textile factories in specific textile districts (*sanchi*) often simultaneously engage in agriculture, which constitutes the LDP's traditional constituency.<sup>10</sup> The LDP established the Special Committee on Textile Measures when the party was founded. The Committee, which is mainly comprised of Diet members from the prefectures containing *sanchi*, played a critical role in relief funding.<sup>11</sup> The Committee has also showed an interest in textile trade issues. In August 1979, the Committee passed a resolution to demand effective measures to cope with a surge of textile imports and to

call for the abolition of the Generalised Scheme of Preferences. In June 1985, the Committee passed another resolution requiring the government to invoke the MFA. The resolution was a result of the earnest lobbying of the LDP by Kagayaki Miyazaki, Chairman of the JTIF, and other executives from textile circles.<sup>12</sup>

In spite of persistent demands from textile circles, MITI has maintained a cautious stance in applying the MFA quota restraints to textile imports. It is said that the Consumer Goods Industries Bureau, one of the sector-specific vertical Bureaus, has become more sympathetic to textile circles. The Bureau, which has jurisdiction over the textile industry, understands the plight of the industry. For instance, in the deliberation process at the subcommittee on trade issues from 1993 to 1994, the Bureau sought to persuade other Bureaus to support the introduction of the MFA by stressing the necessity for ensuring administrative transparency.<sup>13</sup> However, horizontal Bureaus such as the International Trade Policy Bureau and the International Trade Administration Bureau, which consider the issue of the introduction of the MFA from a broader perspective, have remained sceptical about its introduction. The fear that adoption of a protectionist measure like the MFA would provoke international criticism in that Japan's action runs counter to its commitment to import more and reduce its huge trade surplus. They are also concerned that the introduction of the MFA would threaten the relationship with Japan's trade partners in textiles, especially China and South Korea. Furthermore, MITI has preferred selective support based on industrial adjustment policies to uniform protection by import restrictions which cover all firms, including inefficient ones. MITI has regarded the MFA as a last resort after various industrial policies have failed to yield expected results.

Although the pace was slow, textile circles gradually extracted concessions on import restrictions from the government after the late 1980s. The change in the government's stance reflects the content of the textile industry reports.<sup>14</sup> The 1988 report was cautious about the possibility that import restrictions would be imposed under MFA provisions, regarding MFA restrictions as a final resort for specific products for a limited period. However, it recommended that 'appropriate measures such as anti-dumping and countervailing duties based on the General Agreement on Tariffs and Trade (GATT) rules should be introduced, when a sharp increase in imports was caused by unfair trade practices'.<sup>15</sup> In addition, the report suggested that the investigation subcommittee under the Textile Industry Council conduct periodic investigations on import surges and make recommendations on necessary measures.

The revised textile report released in December 1993 included more flexible provisions for introducing the MFA. This report explicitly stated that the MFA was an internationally accepted convention and that its introduction was an international right. The report then stated that it would be desirable to adopt measures to mitigate the adverse effects of a rapid increase in imports on planned structural improvement, business conversion and industrial adjustment. More importantly, the report proposed that the government consider detailed conditions for putting the MFA into action at a subcommittee on trade issues under the Textile Industry Council.

The Textile Industry Council had set up a subcommittee on trade issues in July 1993 in order to discuss trade issues in textiles. According to one of the recommendations of the textile report in December 1993, the subcommittee started to conduct surveys on the implementation of the MFA in other countries and to discuss detailed conditions for the introduction of the MFA in Japan. In the process of deliberation, the subcommittee organised hearings with nine relevant industrial associations. The subcommittee submitted a recommendation in May 1994, outlining the conditions under which it would be prudent to introduce the MFA. The included political conditions such as the effects on foreign countries and consumers. The also covered the following aspects of market conditions: shares of imported products; ratio of

import growth; and changes in the volume of production as well as in the number of manufacturing establishments. Although strict conditions were attached, the decision to introduce the MFA was broadly accepted as essential by textile circles. Based on this recommendation, MITI published guidelines for a procedure to safeguard textiles in December 1994.

Changes in the government's stance in favour of import restrictions were a result of persistent commitments by textile circles through members of the Textile Committee of the Industrial Structure Council and the Textile Industry Council, and also a result of direct demands on the government. Both councils include quite a few representatives from textile industrial associations. For example, when the 1988 report was drawn up, 20 out of 44 members of the Textile Industry Council and 5 out of 13 members of the Textile Committee of the Industrial Structure Council were representatives from industrial associations which belonged to the JTIF. In the case of the 1994 report, 15 out of 42 members of the Textile Industry Council and 3 out of 11 members of the Textile Committee of the Industrial Structure Council were from industrial associations which had joined the JTIF.

The change in the 1988 report reflected the opinions of these members. For example, Susumu Okamoto, Chairman of the JCFA and a member of the Textile Industry Council, explicitly stated in May 1988 that he strove to reflect opinions of the industry in the report. Saburo Takizawa, Chairman of the JSA and another member of the Textile Industry Council, expressed his dissatisfaction with import policies in the report, demanding stricter measures.<sup>16</sup>

The actions by textile circles in the deliberations surrounding the 1993 report were more salient. Textile circles hoped that two points would be written into the report. One was that the MFA was an internationally accepted convention which should be put into practice when conditions were met. The other was that a committee to discuss such conditions and a system for introducing the MFA should be established. The Trade Policy Division of the Consumer Goods Industries Bureau drew up a preliminary draft of the interim report in April 1993. This draft was sceptical about the introduction of the MFA, pointing out that its introduction would produce 'unfavourable side effects' such as damage to the interests of domestic consumers and users, and the survival of inefficient manufacturers in the industry, and regarded the introduction of the MFA as a measure that the government had to take in spite of these unfavourable side effects. In addition, the draft did not suggest establishing an organisation to discuss the issue of the MFA. The draft adopted the basic stance of the previous report without any significant changes.

When the draft was published, major producer associations were disappointed with it, and pressured the government to revise it. The JCFA submitted a paper on 11 May which called on the government to recommend in the interim report that the MFA be introduced when import surges caused market disruption, and an organisation to discuss concrete conditions necessary for introducing the MFA be established. The JTIF recommended on 21 May that unless the demands from the industry were accepted, deliberation on the report should be held over to the final report, and not released as part of the interim report. The federation also demanded that a committee to discuss trade issues include members who are familiar with the severe circumstances of the industry. In the interim report announced on 8 June 1993 the phrase 'unfavourable side effects' had been deleted as too negative to the introduction of the MFA. The report also suggested establishing a special subcommittee to discuss the conditions necessary for introducing the MFA. The industry also succeeded in sending a representative to this six-member subcommittee.

What is of interest is that demands for putting the MFA into action continued during



the Uruguay Round of GATT talks to phase out the MFA. The textile associations adopted an ambivalent stance on the Uruguay Round. In the process of the negotiations, the Japanese government sought to play a bridging role between the developed and developing countries by presenting a proposal in February 1990. The major textile associations did not object to the government's intention to phase out the MFA because they regarded the MFA as a source of the growth of imports in Japan due to quotas under the MFA in other developed countries.<sup>17</sup>

## **TRADE POLICY PREFERENCES OF INDUSTRIAL ASSOCIATIONS**

Textile circles have filed three anti-dumping suits and one countervailing suit and have gradually extracted concessions from the government over the introduction of the MFA. The textile industry is multi-layered consisting of various production sectors, which have their own industrial associations. This poses questions: have all the textile sectors adopted a similar position towards import restrictions; and if there are differences, why are these differences produced? In reality, not only are the stances of the numerous industrial associations toward import restrictions diverse, but some industrial associations have displayed inconsistent views as users of intermediate products and as producers of competing products of imported goods.

Manufacturing associations such as the JCSFWA, JKIA and the Japan Silk and Rayon Fibre Weavers' Association (JSRFWA), the association of filament fabric weavers (silk, artificial silk, and synthetic filament fabrics), explicitly support the introduction of the MFA. These associations are composed of small and medium-sized firms whose international operations are minimal. They support the introduction of the MFA on the products they manufacture, but they do not oppose the introduction of the MFA on imports of yarns, although they are users of yarns.

Towel manufacturers are in a unique position. Since they were suffering from rising imports of towel products, they demanded the introduction of the MFA on towel imports. At the same time, as users, they were heavily dependent on imported cotton yarns. Eighty per cent of their input came from overseas, with 15 per cent directly supplied to weaving houses and only 5 per cent supplied to the market by domestic yarn spinners. Only one domestic company produced 20-count cotton yarn against which the JSA filed an anti-dumping suit in December 1993. Therefore, the Japan Towel Manufacturers' Association (JTMA) was cautious about imposing import restrictions on cotton yarns. When the JSA filed the anti-dumping suit in December 1993, the JTMA sent a letter to the JSA in which it called for the establishment of a stable supply system for cotton yarn.<sup>18</sup> The JTMA also asked the textile federation to persuade the spinning association<sup>19</sup> to withdraw the suit, hinting at the possibility that it might secede from the federation.

The Japan Apparel Industry Council (JAIC) also adopts an ambiguous stance on import restrictions. Apparel makers, which have developed their industry with few regulations and little support from the government,<sup>20</sup> prefer to operate without regulation of their activities, including international trade. A more substantial reason why apparel makers are reluctant to introduce restrictive import measures lies in their international operations. Most imported clothing products are manufactured by joint venture plants or local manufacturers under outward processing agreements with Japanese apparel makers. Table 4 illustrates the number of joint ventures in textiles reported by MITI. Before 1987, the apparel sector accounted for 63 out of 216 joint ventures (29.2 per cent). After 1988, 181 out of a total of 226 joint ventures (80.1 per cent) were connected with the apparel sector. Another survey by MITI also shows a high propensity for Japanese apparel makers to export their offshore output to Japan. In 1992, 23 out of 42 affiliates in clothing apparel and 16 out of 28 affiliates in knit apparel exported 100 per cent of their garments produced overseas to Japan (Table 5).

**Table 4** Number of Joint Ventures in Textiles

Region	Fibre, Spinning		Weaving, Dyeing		Apparel		Total	
	1987*	1988-92	1987*	1988-92	1987*	1988-92	1987*	1988-92
China	2	4	1	7	13	108	16	119
NIES	8	1	16	5	21	17	45	23
ASEAN	35	5	47	11	14	43	96	59
US, EC	7	3	6	7	9	12	22	22
Latin America	18	1	13	1	6	1	37	3
Total	70	14	83	31	63	181	216	226

*Note:* \* Up to 1987.

*Source:* MITI, *Sekai seni sangyo jijo* [Report on the world textile industry] (Tokyo: Tsusho Sangyo Chosakai, 1994), p.176.

**Table 5** Shares of Exports to Japan by Overseas Affiliates of Japanese Textile Firms, 1992

Product	0	1-25%	25-50%	50-75%	75-100%	100%	Total
Spinning	17	5	3	-	1	1	27
Dyeing	8	2	2	1	-	-	13
Clothing apparel	3	1	2	6	7	23	42
Knit apparel	2	2	1	6	1	16	28

*Note:* The figures are the number of affiliates which export each product to Japan by each percentage.

*Source:* MITI, *Sekai seni sangyo jijo* [Report on the world textile industry] (Tokyo: Tsusho Sangyo Chosakai, 1994), p.211.

The introduction of import restraint measures in the Japanese market would impede their own exports and disrupt their overseas business. This is the reason why there is little or no move to restrain imports in the clothing sector, although the rise in imports in this sector is the most conspicuous. At the same time, apparel makers are users of domestic fabrics, and have cultivated linkages with upstream and midstream manufacturers. They are concerned that the spinning and weaving sectors may lose planning and development capabilities due to rising imports. Accordingly, the JAIC appreciates the need for import restrictions on cotton yarns and fabrics as a measure to sustain structural adjustment.

The Japan Textiles Importers Association (JTIA) has been the most explicit opponent of import restrictions, and has occasionally taken action to oppose moves that would restrain imports. When the LDP's Special Committee on Textile Measures passed its resolution in June 1985, the JTIA sent a letter to 42 members of the Committee asking them to oppose the introduction of the MFA.<sup>21</sup> The JTIA's opposing stance on import restrictions was also shown when the JKIA filed an anti-dumping suit against Korean knitted sweaters in October 1988. The JKIA and the Knit Products Committee of the JTIA organised meetings where they discussed measures to restore ordered imports of knit products. However, the JKIA decided on the suit without prior consultation in the

middle of ongoing negotiations. Some members of the Committee hinted at the possibility that the JTIA would secede from the JTIF. Furthermore, when the subcommittee under the Textile Industry Council held hearings with major textile associations on the introduction of the MFA, the JTIA was opposed to the introduction of the MFA. The JTIF, hoping to demand the introduction of the MFA as the collective will of the industry, asked the JTIA to refrain from objecting to the introduction of the MFA.<sup>22</sup> However, the JTIA submitted a hearing paper opposing its introduction raising such problems as: the importance of free trade principles; preservation of consumers' interests; anxiety that import restraints might spread to other items and countries;<sup>23</sup> and the role of Japan in contributing to economic development in Asia.

The JCFA and the JSA, associations of large textile producers, adopted a position of supporting the introduction of the MFA. The JCFA has publicly advocated the introduction of the MFA since 1979, and has spelled out its stance on this issue on various occasions.<sup>24</sup> The JSA has demanded since the mid 1970s that the government put the MFA into practice.

To summarise, domestically oriented industrial associations composed of small and medium-sized firms have aggressively maintained their demand for import restrictions. In contrast, the associations which have some form of international linkages such as imports of intermediate inputs, overseas production, or imports of products give reluctant support to or oppose import restrictions (Table 6). Given the fact that these associations include those composed of small and medium-sized firms, international linkages are a critical factor in formulating policy preferences of firms and sectors. What is of interest is that the JCFA and the JSA supported moves to implement protectionist measures, although they are comprised of large companies with international operations. We have to consider why large textile producers and their industrial associations have adopted a policy stance supportive of protectionist measures.

**Table 6 Policy Stance of Major Industrial Associations on Import Restrictions**

Association	Sector	Firm size	International linkages	Stance on import restrictions
THE JCFA	fibre making	big	foreign investment	support
THE JSA	spinning	big	foreign investment	support
THE JCSFWA	weaving	small	minimal	support
JSRFWA	weaving	small	minimal	support
JKIA	knitting	small	minimal	support
JTMA	towel making	small	yarn imports	ambiguous
JAIC	apparel	mixed	foreign investment	ambiguous
THE JTIA	importing	mixed	imports	oppose

## POLICY PREFERENCES OF LARGE TEXTILE PRODUCERS

### Internationalisation of corporate activities and policy preferences

The preference of large textile producers for protectionist measures has various origins. First of all, it is necessary to examine their preferences in terms of international activities. The textile industry was the first Japanese manufacturing industry to make inroads into overseas markets and then into overseas production. The major spinning producers and synthetic fibre makers actively transferred production bases to East Asia in the 1970s, and are regarded as being involved in a vast array of international

operations through direct investment and international subcontracting.<sup>25</sup> However, their overseas operations have not necessarily been successful. In South Korea and Taiwan, local partners of joint ventures sought to expand business aggressively, but the Japanese partners, who were not keen on overseas business expansion, often retreated from the joint ventures.<sup>26</sup> In the Association of Southeast Asian Nations (ASEAN) countries, overall economic conditions were depressed until the mid 1980s, and most subsidiaries of Japanese textile firms incurred losses. On the domestic front, Japanese parent companies were confronted with the severe recession caused by the two oil shocks in the 1970s and the early 1980s.

One indication of unsuccessful overseas operations is withdrawal from overseas markets. Horaguchi calculated the number of firms which withdrew from Asia. In the textile industry, 222 affiliated firms withdrew between 1973 and 1986, accounting for 52.2 per cent of the total number of firms that advanced into Asia in the same period (Table 7). This figure was extremely high compared with other sectors. The withdrawal from overseas operations was prominent at the individual firm level. For example, Teijin retreated from 5 overseas affiliates in the 1970s, and an additional 15 in the early 1980s.<sup>27</sup> Kanebo also withdrew from 7 overseas affiliates in the 1970s and 4 in the 1980s.<sup>28</sup> Toray alone maintained a large number of overseas production bases; 6 manufacturing plants in Indonesia, 5 in Malaysia, 4 in Thailand and 1 in South Korea.

**Table 7** Number of Withdrawals of Japanese Affiliates in Asia

Sector	(a)	(b)	100(b)/(a)
Food	393	75	19.1
Textiles	425	222	52.2
Wood and pulp	236	55	23.3
Chemicals	588	107	18.2
Metals, non-ferrous metals	446	148	33.2
General machinery	532	81	15.2
Electrical machinery	826	153	18.5
Transport machinery	252	36	14.3
Other manufacturing	865	221	25.5
Manufacturing total	4,563	1,098	24.1

*Note:* (a) denotes the number of new affiliates. (b) denotes the number of withdrawn firms. The numbers are accumulated figures between 1973 and 1986.

*Source:* Haruo, Horaguchi, *Nihon kigyo no kaigai chokusetsu toshi: Ajia heno shinshutsu to tettai* [Foreign direct investment of Japanese firms: Investment and disinvestment in Asia] (Tokyo: Tokyo Daigaku Shuppankai, 1992), p.159.

The curtailment of overseas operations during the 1970s and the early 1980s had a substantial effect on corporate attitudes in the textile sector. Toray alone has been able to maintain an integrated international production system from fibre production to spinning, weaving, and dyeing, and to divide its business between Japan and South East Asia. Toray feels little need for the introduction of the MFA on its own account, although it considers the application of the MFA necessary for the textile industry as a whole.<sup>29</sup> In contrast, other textile producers which have not developed effective overseas operations have little or no interest in resisting protectionist measures.

The other factor that has induced textile firms to favour import restrictions is the destination of exports from the affiliates of Japanese textile firms in East Asia. Affiliates

long avoided exporting to the Japanese market. According to MITI survey data, the ratio of exports to Japan by textile affiliates in Asia was 4.0 per cent in 1980 and 14.2 per cent in 1992 (Table 8). A 10 percentage point rise in this ratio indicates that Japanese textile firms were beginning to re-direct exporting to Japan. However, the 1980 figure was extremely low given that the textile industry was relatively advanced in terms of foreign operations at that time. The industry accounted for 13 per cent of cumulative manufacturing investments between 1951 and 1980, and the 4.0 per cent overseas production ratio in textiles in 1980 was higher than the manufacturing average, at 2.9 per cent. Even in the 1990s, the ratio was relatively low considering that standardised textile products from Asian countries were very competitive in price and the import volume of textile products doubled between 1986 and 1992.

**Table 8 Shares of Exports to Japan by Japanese Affiliates in Asia, 1980-92 (per cent)**

Sector	1980	1983	1986	1989	1992
Food	30.2	13.4	31.6	16.1	26.5
Textiles	4.0	5.3	10.3	14.9	14.2
Wood and pulp	30.8	39.1	25.5	35.9	47.2
Chemicals	8.9	9.3	3.8	10.3	4.9
Iron and steel	10.1	7.5	5.2	4.2	2.1
Non-ferrous metals	2.6	0.4	31.8	12.1	21.4
General machinery	5.5	15.2	31.4	18.2	23.6
Electrical machinery	16.2	21.0	22.2	26.9	27.2
Transport machinery	1.9	5.5	5.3	1.6	1.7
Precision machinery	9.1	30.5	21.9	22.2	51.8
Petro and coal	-	0.0	0.0	0.0	0.0
Others	6.0	7.9	7.7	12.1	9.4
Manufacturing total	9.8	10.8	15.8	15.8	15.8

*Sources:* MITI, *Kaigai toshi tokei soran* [Statistical Report on Foreign Investment], No.1 - No.5.

The low ratio of textile exports to Japan is partly accounted for by the tendency of Japanese textile producers to restrain reverse imports. This propensity was first shaped by administrative guidance. When Japanese textile producers decided to make inroads into overseas markets in the early 1970s, they were encouraged by MITI not to re-import the products manufactured there to Japan. In some cases, firms were required to submit sworn documents that they would not re-import textile products to Japan.<sup>30</sup> There was no such guidance in the 1980s, but Japanese textile producers seem to have maintained a policy against importing. For instance, Toray manufactures synthetic staple and filament in ASEAN countries and exports these products to various countries, but not to Japan until recently.

### **Industrial structure and policy preferences**

The structure of the textile industry influences the attitudes of large textile producers towards protection. The dual structure of the textile industry — a few big companies and a great number of small and medium scale firms — is a widespread phenomenon in Japanese industry. In textiles, however, small-sized firms dominate the industry in terms of employment and in number of establishments. In 1993, more than 60 per cent of textile firms had between one and three employees, which was 20 per cent higher than

the manufacturing average (Table 9). In terms of total employees, the share of these small-sized firms was roughly three times as large as that of the manufacturing average. Owing to their small corporate size, small firms had scant management resources to diversify their business or to relocate their operations offshore. They could only make adjustments to reduce excess capacity and to modernise machines and equipment. Large textile producers have assumed a leadership role in an industry numerically dominated by small-sized firms.<sup>31</sup> They have tended to resist measures which would undermine the interests of the majority of firms in the industry.

Big textile firms in the upstream stage also need to maintain close relations with firms in the mid- and downstream stages. The synthetic fibre and spinning firms and weaving houses have been linked by service fee contracts since the 1950s. Under these contracts, yarn makers or trading houses supply yarns to weaving houses, which return the woven textiles to them in exchange for service fees based on the amount of woven textiles they produce.<sup>32</sup> In the 1950s, weaving service fee contracts between major spinning companies and weaving houses expanded. Weaving production under service fee contracts enabled spinning manufacturers to ensure a stable market for yarn as well as to avoid risk arising from uncertainties about fluctuations in the price of raw materials and yarn and in the exchange rate.<sup>33</sup>

Service fee contracts have been prevalent in the synthetic fibre sector as well. When synthetic fibre makers succeeded in mass production of nylon and polyester in the 1950s, it was critical to ensure a stable market for these products. Since textile products are highly susceptible to movements in business cycles, and a division of labour between yarn producers and weavers had developed in the Japanese textile industry, synthetic fibre makers actively invited weaving houses to enter their group as member of the production team in the late 1950s and the early 1960s.<sup>34</sup>

**Table 9 Establishments with Less Than Four Employees, 1993**

Sector	% of all Establishments	% of all Employees	Value added
Food	30.8	3.7	1.3
Textiles	61.1	15.3	6.9
Apparel	39.6	7.2	5.1
Wood	39.2	9.7	5.0
Chemicals	10.5	0.3	0.2
Petro and coal	11.3	1.0	0.4
Iron and steel	21.5	1.1	0.4
Non-ferrous metals	30.2	2.2	0.9
Metals	42.2	8.2	3.6
General machinery	41.1	5.3	2.5
Electrical machinery	21.4	1.1	0.5
Transport machinery	31.8	1.6	0.5
Precision machinery	38.0	3.7	1.7
Others	55.4	14.3	5.7
Manufacturing total	40.6	5.2	1.8

Source: MITI, *Kogyo tokeihyo: Sangyohen* [Census of Manufacturers: Report by Industries] (1993).

The presence of excellent weaving houses is crucial for yarn makers. Synthetic fibre makers introduce new materials to the market, and the quick transformation of new materials into new products has much to do with the technical skills of weaving houses in dealing with new materials.<sup>35</sup> For example, although it is often said that *singosen* was produced as a consequence of the research and development (R & D) efforts of synthetic fibre companies, a key factor in the development of *singosen* lay in the vertical planning and production systems which supported technology<sup>36</sup> and cooperative relations in the processes of yarn plying, weaving, dyeing and finishing.

The synthetic fibre companies understand the importance of the weaving houses, as shown by the fact that Toray regards the production teams as its internal plants.<sup>37</sup> They have actively helped weaving houses to increase their technology level and develop new products. At the same time, they sought to avoid policies that lower the competitiveness of the production teams. It is said that Toray decided to start imports from its overseas plants after it confirmed that its production teams could shift from standardised to differentiated production lines.<sup>38</sup>

Recent pressure from rising imports has forced the Japanese textile industry to set up systematic production linkages among firms. Owing to their production cost disadvantage, it is almost impossible for domestic manufacturers of standard textile products to compete with imported goods on price. They therefore seek to differentiate their goods in non-price areas. The development of differentiated products requires systematic linkages among the vertical stages; that is, the combination of skills and information in fibre production, spinning, weaving, dyeing, and apparel making enables textile makers to produce differentiated products. Furthermore, as a measure to enhance efficiency, the industry sought to establish a quick response system.<sup>39</sup> Successful implementation of the quick response system requires collaboration between the up-, mid- and downstream sectors. Intense and systematic relationships among the various subsectors make large textile producers less willing to adopt a policy stance which contradicts the interests of the majority in the industry.

### **Import pressure and policy preferences**

The third factor pushing large textile producers to favour protectionist measures is that they faced a serious threat from rising imports in their core sector. Some big textile producers have diversified their business activities to new fields such as pharmaceuticals and biotechnology.<sup>40</sup> As a result, the share of non-textiles in total sales among nine major synthetic fibre companies increased sharply from 6.8 per cent in 1964 to 57.8 per cent in 1994.<sup>41</sup> However, the majority of these firms are still dependent on the textile areas for obtaining a stable corporate revenue. Toray, which is regarded as having successfully diversified its business, reported that 43.2 per cent of its total sales were from textiles in 1993, while 24.4 per cent were from plastics and chemicals and 20.8 per cent from housing and engineering. As capital-intensive industries, synthetic fibre and spinning companies have to maintain a certain manufacturing level of standard products. Stable production of standard goods enables firms to maintain employment and profits, and stable profits from standard product sales support R & D expenditure on high value-added products or the diversification to related business fields. It is difficult to differentiate standard products and high value-added ones in technology development. Technology which generates high value-added products is created in the mass production process of standard products.<sup>42</sup>

Since the mid 1980s, Japanese textile producers have been apprehensive about the rapid increase in the production capacity of their Asian neighbours. Japanese production capacity in synthetic fibres has been surpassed by Asian countries. Production capacity of polyester staple was exceeded by Taiwan before 1985 and by South Korea and China

in 1991, and production in polyester filament was surpassed by China before 1985 and by South Korea and Taiwan in 1990.<sup>43</sup> Among the four major synthetic fibres, Japanese synthetic fibre makers maintain an advantage in acrylic alone. The rapid build-up of production capacity in these countries is likely to be transformed into export pressure on the Japanese market. Japan, which has no quota under the MFA and is geographically close to Asian countries, will be a target for their exports.

**Table 10 Major Industrial Indicators in the Japanese Spinning Sector, 1970-94**

	1970	1980	1985	1990	1991	1992	1993	1994
Firms	103	84	71	53	52	50	45	42
Plants	208	168	148	122	120	110	99	88
Spindles ('000)	9,439	8,668	7,828	6,515	6,285	5,861	5,001	4,330
Employees ('000)	122	60	48	35	33	27	19	16

*Note:* JSA affiliated firms.

*Sources:* JSA, Tsusho mondai shoiinkai gyokai hiyaringu shiryo [Report on the hearing at the subcommittee on trade issues] (1993), p.13.

Market conditions in the spinning sector are more acute. Owing to a decline in international competitiveness, the Japanese spinning sector has been obliged to reduce its operations. The number of firms fell from 84 in 1980 to 42 in 1994, and the number of plants fell from 168 to 88 in the same period (Table 10). The increase in production capacity in Asian countries is prominent in the spinning sector as well. Between 1985 and 1991, the number of spindles increased by 81.7 per cent in China, 95.7 per cent in Pakistan and 86.7 per cent in Indonesia, while that of looms increased by 44.1 per cent in China and 50.0 per cent in Indonesia during the same period.<sup>44</sup> The recent build-up in production capacity has contributed to a rise in imports to the Japanese market. Thus, a rapid build-up in production capacity in Asian countries is a critical factor encouraging large textile producers to take a stance similar to that of small and medium-sized firms.

## CONCLUSION

How should the role of the government and private sector in the introduction of protectionist measures be evaluated? The study here does not seem to give credence to the Bureaucracy-dominant thesis. MITI's stance has been crucial in deciding on the direction of import restrictions in the textile industry. A crucial reason why Japan did not implement the MFA for a long time was MITI's persistent desire to avoid adopting a protectionist policy. However, textile producers have not always accepted MITI's guidance. Some producer associations filed anti-dumping and countervailing suits in spite of MITI's unwillingness. Regarding the introduction of the MFA, the producer associations formulated their own preferences according to their status in the industry and their international and domestic linkages. They have then sought to reflect their preferences on trade policy through their membership on advisory councils and direct lobbying of politicians and relevant ministries. The preferences of textile producers have been gradually incorporated into the textile industry reports. In this sense, the private sector has played a crucial role in formulating trade policy in the textile industry.

Regarding the influence of the internationalisation of corporate activity on trade policy preferences, international linkages were crucial factors directing companies in the industry to favour an open trade policy. The JAIC would not accept import restrictions at the downstream stage, although it accepted import restrictions at the up- and



midstream stages. This was because Japanese apparel makers had developed local production in Asian countries, and they were also heavily involved in imports from production bases there to Japan. Towel manufacturers demanded restrictions on imports of towel products, yet opposed them on cotton yarn because of dependence on imported cotton yarn as an input for production. The JTIA has been a vocal opponent of import restrictions. It resisted the move to introduce the MFA and opposed an anti-dumping suit. It has adopted an anti-protectionist stance because its members are importers.

However, a notable point is that the JCFA and the JSA, two major textile associations comprising big synthetic fibre and spinning companies with international links, have adopted a protectionist stance. Their stance is not compatible with the argument that firms with international ties prefer an open trade policy. It also contrasts with the stance of major Japanese automakers, which favour open trade in order to help their international operations.<sup>45</sup> The difference in stance between textile and automobile manufacturers is explicable in terms of differences in vertical *keiretsu* relations between large and small-sized subcontracting firms. In the textile industry, small-sized weaving houses are a significant source of the non-price competitiveness of Japanese textile products. Japanese textile producers have difficulty in finding weaving houses with a similar quality overseas, and few Japanese weaving houses have been able to relocate abroad. Accordingly, large textile producers have sought to preserve the competitiveness of these subcontracting firms. In the automobile industry, major parts suppliers have been able to go abroad with or without their assembly makers and auto assemblers have been compelled by economic and political pressure to find parts suppliers in local markets. The internationalisation of corporate activity has functioned to loosen the vertical relations between auto assemblers and parts suppliers. Vertical linkages did affect the preferences of large producers for opening the home market. But the detailed characteristics of linkages have greatly affected company preferences in different sectors.

## Notes

<sup>1</sup> Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford: Stanford University Press, 1982); T. J. Pempel, *Policy and Politics in Japan: Creative Conservatism* (Philadelphia: Temple University Press, 1982); Ezra Vogel, 'Guided Free Enterprise in Japan', *Harvard Business Review* 56 (1978) pp.161-70.

<sup>2</sup> Richard The JSamuels, *The Business of the Japanese State: Energy Markets in Comparative and Historical Perspective* (Ithaca, N.Y.: Cornell University Press, 1987); Toshiya Kitayama, 'Nihon ni okeru sangyo seisaku no shikko katei' [The implementation of industrial policy in Japan], *Hogaku ronso* 117: 5 (1985), pp.53-76; 118: 2 (1985), pp.76-98; Frances M. Rosenbluth, *Financial Politics in Contemporary Japan* (Ithaca, N.Y.: Cornell University Press, 1989); Mark Mason, *American Multinationals and Japan: The Political Economy of Japanese Capital Control, 1899-1980* (Cambridge, MA: Council on East Asian Studies, Harvard University, 1992); Kent E. Calder, *Strategic Capitalism: Private Business and Public Purpose in Japanese Industrial Finance* (Princeton, N.J.: Princeton University Press, 1993).

<sup>3</sup> For the studies of trade and industrial policies in the Japanese sunset industries, see Richard The JSamuels, 'The Industrial Destructuring of the Japanese Aluminum Industry' *Pacific Affairs* 56: 3 (1983); and Mark Tilton, *Restrained Trade: Cartels in Japan's Basic Materials Industries* (Ithaca, N.Y.: Cornell University Press, 1996).

<sup>4</sup> J. J. Pincus, 'Pressure Groups and the Pattern of Tariffs' *Journal of Political Economy* 83: 4 (1975), pp.757-78; Edward John Ray, 'The Determinants of Tariff and Nontariff Trade Restrictions in the United States' *Journal of Political Economy* 89 (1981), pp.105-21; Real Lavergne, *The Political Economy of U.S. Tariffs: An Empirical Analysis* (Toronto: Academic Press, 1983); Robert Baldwin, *The Political Economy of U.S. Import Policy* (Cambridge, MA: MIT Press, 1985); Thomas Pugel and Ingo Walter, 'U.S. Corporate Interests and the Political Economy of Trade Policy', *Review of Economics and Statistics* 67, (1985); Helen V. Milner and David B. Yoffie, 'Between Free Trade and Protectionism: Strategic Trade Policy and a Theory of Corporate Trade Demands', *International Organization* 43: 2 (1989).

<sup>5</sup> I. M. Destler, and John S. Odell, *Anti-Protection: Changing Forces in United States Trade Politics* (Washington D.C.: Institute for International Economics, 1987); Helen Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton, N.J.: Princeton University Press, 1988).

<sup>6</sup> Y. Park and Kim Anderson, 'The Experience of Japan in Historical and International Perspective' in Kim Anderson (ed.), *New Silk Roads: East Asia and World Textile Markets* (Cambridge: Cambridge University Press, 1992), p.23.

<sup>7</sup> C. B. Hamilton 'The New Silk Road to Europe' in Kim Anderson (ed.) *New Silk Roads: East Asia and World Textile Markets* (Cambridge: Cambridge University Press, 1992), p.137.

- <sup>8</sup> *Textile Asia*, February 1983, p.81.
- <sup>9</sup> *Seni Nenkan*, 1989, p.56.
- <sup>10</sup> Brian Ike, 'The Japanese Textile Industry: Structural Adjustment and Government Policy', *Asian Survey* 20: 5 (1980), p.538.
- <sup>11</sup> Hideo Otake, *Gendai nihon no seiji kenryoku keizai kenryoku* [Political and economic power in contemporary Japan] (Tokyo: Sanichi Shobo, 1979), p.136.
- <sup>12</sup> *Senken Shimbun*, June 5, 1985.
- <sup>13</sup> *Senken Shimbun*, May 18, 1994.
- <sup>14</sup> MITI publishes the textile industry report entitled *Toshin: Kongo no seni sangyo oyobi sono sesaku no arikata* [Report on the future of the textile industry and its policy measures] every five years. The reports are deliberated and drawn up in the joint advisory committee of the Textile Committee of the Industrial Structure Council and the Textile Industry Council. Recent reports were issued in 1983, 1988, and 1993.
- <sup>15</sup> *Toshin: Kongo no seni sangyo oyobi sono sesaku no arikata* [Report on the future of the textile industry and its policy measures], November 1988.
- <sup>16</sup> *Seni Nenkan*, 1989, p.56.
- <sup>17</sup> Satoshi Oyane 'Kokusai rezimu to taigai seisaku katei: GATT, MFA rezimu wo meguru nihon no seni seisaku katei' (International regimes and the external policy-making process: Japanese policy making in textiles at the GATT, MFA regime), *Kokusaiho gaiko zasshi*, 90: 6 (1992), p.54.
- <sup>18</sup> Personal Communication, JTMA, September 1995, Tokyo.
- <sup>19</sup> Personal Communication, JTIF, September 1995, Tokyo.
- <sup>20</sup> JAIC, Tsusho mondai shoiinkai gyokai hiyaringu shiryō [Report on the hearing at the subcommittee on trade issues] (1993), p.4.
- <sup>21</sup> Personal Communication, JTIA, September 1995, Tokyo.
- <sup>22</sup> Personal Communication, JTIA, September 1995, Tokyo.
- <sup>23</sup> JTIA, Tsusho mondai shoiinkai gyokai hiyaringu shiryō [Report on the hearing at the subcommittee on trade issues] (1993), p.7.
- <sup>24</sup> In March 1988, for instance, Ryohei Suzuki, vice-chairman of THE JCFA, stressed the necessity of macro-level measures like the introduction of the MFA in order to minimise economic and social costs attended by international structural adjustment in the textile industry (*Nihon Keizai Shimbun*, March 14, 1988).
- <sup>25</sup> Peter Dicken, *Global Shift: The Internationalization of Economic Activity*, 2nd ed., (New York: Guilford Press, 1992), p.258.
- <sup>26</sup> Personal Communication, JCFA, February 1994, Tokyo.
- <sup>27</sup> Personal Communication, Teijin Ltd., September 1995, Tokyo.
- <sup>28</sup> Personal Communication, Kanebo Ltd., September 1995, Tokyo.
- <sup>29</sup> Personal Communication, Toray, March 1994, Tokyo.
- <sup>30</sup> Personal Communication, Toray, March 1994, Tokyo.

<sup>31</sup> The past four chairmen of the JTIF came from large spinning and synthetic fibre producers such as Toyobo, Asahi Chemical, and Teijin.

<sup>32</sup> Motoshige Itoh and Shujiro Urata, 'Small and Medium Enterprise Support Policies in Japan', paper presented at the public seminar of the Australia-Japan Research Centre, 28 February 1994, p.20.

<sup>33</sup> Mitsuo Fujii, *Nihon seni sangyo keiei shi* [The history of management in the Japanese textile industry] (Tokyo: Nihon Hyoronsha, 1971), pp.113-14.

<sup>34</sup> Masu Uekusa and Tsuruhiko Nanbu, 'Gosei seni' [Synthetic fibre] in Hisao, Kumagai, (ed.) *Nihon no sangyo soshiki II* [Japanese industrial structure II] (Tokyo: Chuo Koronsha, 1973), pp.198-202.

<sup>35</sup> Itoh and Urata, 'Small and Medium Enterprise Support Policies in Japan', op.cit., p.21.

<sup>36</sup> *Shingosen* is referred to as 'new polyester' which covers a whole group of products made by complex, high-tech processing of polyester filaments (*Japan Economic Almanac* 1991), p.151.

<sup>37</sup> *Senken Shimbun*, May 10, 1994.

<sup>38</sup> *Shukan Daiyamondo*, November 26, 1994, p.13.

<sup>39</sup> The quick response system seeks to deliver products with a shorter turnaround time by using information networks. This system, developed in the United States in the 1980s, not only reduces loss of stock but also speeds up the flow of information about the market.

<sup>40</sup> While Asahi Chemical and Kanebo have become the leading companies in housing and cosmetics, respectively, Toray and Teijin are major international manufacturers of base films for magnetic tape (*Japan Economic Almanac* 1990, p.171).

<sup>41</sup> Sakura Research Institute, Gosen gyokai no takakuka senryaku: Genjo to tenbo [Diversified management strategies in the synthetic fibre sector: Present situation and perspectives], *Keizai repoto* 29 (1995), p.4.

<sup>42</sup> Interview, Toray, March 1994, Tokyo.

<sup>43</sup> JCFA, Tsusho mondai shoiinkai gyokai hiyaringu shiryō [Report on the hearing at the subcommittee on trade issues] (1993), p.1.

<sup>44</sup> JSA, Tsusho mondai shoiinkai gyokai hiyaringu shiryō [Report on the hearing at the subcommittee on trade issues] (1993), p.3.

<sup>45</sup> Hidetaka Yoshimatsu, 'The Internationalisation of Japanese Corporations and Its Impact on Japan's Commercial Policy', Ph.D. dissertation, Australian National University (1996), chap. 4.