

Trade Between United States and Japan

Important to San Francisco

SAN FRANCISCO looks across the Pacific toward Japan hoping earnestly and perhaps optimistically that shortly there may obtain between that nation and ourselves a spirit of Good Neighborliness which may be cemented not in utterances of lips, but in real friendship and a volume of trade which can be and should be developed.

Trade between Japan and the United States is more important now than in the past—important to both nations. We have lost trade with Europe which will never return. When the war ends Europe will be so impoverished that purchasing power will be at low ebb. Europe was rich. Now she is poor and the longer the war lasts, the poorer she will become.

San Francisco turns her eyes toward the Far East because this is essential in order to correctly evaluate our own prospects and those of the nation in the area of international trade. This is what we observe:

The three best customers of the United States are Great Britain, Canada, and Japan, ranking in that order. From many points of view Japanese trade is relatively more profitable to America than that of any other major nation. Japan habitually buys more from the United States than she sells to the United States. This has been true in every year since 1931 and the balance favorable to the United States has grown steadily. Last year Japan bought from the United States goods and materials valued at \$239,620,000, while its sales to the United States were valued at but \$126,820,000, leaving a balance of \$112,800,000 in favor of the United States.

In other words, for every dollar's worth of goods Americans bought from Japan last year, Japanese bought \$1.89 worth of goods from America.

Japan is one of America's most important markets for many classifications of raw materials and manufactured products, particularly for raw cotton, iron, steel and scrap metal, automobiles and machinery and all petroleum products. On the other hand, the United States is Japan's best market for raw silk and an important market for Japanese textiles, tea, canned goods, chinaware, toys and novelties. The vital importance of these markets to manufacturers, producers and

workers in both countries is indicated by a tabulation of the dollar value of this trade to be found in an appendix to this booklet.

Competition Small

Furthermore, the goods Americans buy from Japan compete surprisingly little with America's own industries — less probably than their purchases from any other major customer. The United States Tariff Commission made a special study of trade between the two countries in 1934. It found that out of a total of \$117,963,573 of dutiable goods purchased from Japan that year, but \$12,072,794 were competitive with American products. The Commission subtracted from this small sum \$2,359,038, "commodities which are competitive but imports of which are negligible in comparison with domestic production", and found but \$9,713,756 or 8.2 per cent "substantially competitive". Incidentally, in that year America sold to Japan \$210,480,000 of goods and had a "favorable" balance of \$91,228,000.

What Trade Means to Farmers

But the important point is what this trade means to individuals in the two countries, what it means in terms of national welfare, employment, business earnings and standards of living. The story of two farm products illustrates the point perfectly.

There are approximately 2,000,000 farm families in the United States who derive their principal income from raising cotton. They represent one of the most depressed divisions of agriculture. They are located in those areas where unemployment and distress are most evident and where tax demands for relief already are far above the national average. A broader and freer market for American cotton is vital to the welfare of those farm families and an urgent economic need of the country as a whole.

Similarly there are about 2,000,000 farm families in Japan whose principal income is from the production of raw silk. They too, constitute a major economic problem to their country. Their market has been curtailed by economic and political forces and by artificial restrictions. There is little else they can do to live. Unless their standard of living can be

maintained at a tolerable level they will not have the purchasing power to support normal purchases of American goods.

Thus a large part of the rural population of each country depends on the prosperity of a similar group in the other for livelihood if not for survival.

For years Japan has been the best customer of the American cotton grower, but recently economic and political events have forced Japan to limit consumption and at times to seek other markets. An important factor in this unwelcome necessity on the part of Japan has been the limiting of American purchases in Japan far below the level of the total of Japanese purchases in America. "Favorable" balances in trade relations cannot be paid endlessly in gold. Exchange or foreign bills growing out of trade must be available to balance accounts, or trade eventually dwindles. Japan must sell to America if she is to buy from America.

The cotton trade, prior to 1936, thought of Japan as the traditional consumer of 1,600,000 to 1,800,000 bales of American cotton a year, or one out of every eight or nine bales produced. In 1936 the Japanese mills took 1,356,000 bales and in 1937 were forced to reduce their consumption to 890,000 bales. Last year they bought 1,028,000 bales. The expansion from the previous year was accounted for in part by the sharply reduced price of raw cotton. Instead of being 43 per cent of American exports to Japan as it was in 1936, cotton in 1938 accounted for but 22 per cent of such exports.

Silk and Cotton Farmers

The vital interdependence of agriculture in the two countries is but half the story. Vast sums of capital and hundreds of thousands of workmen are employed in spinning and weaving the silk and cotton in the two countries. Other capital and other workers are employed in trading, shipping, finance and distribution. Untold evils would attend the people of both countries if trade in these two basic commodities were further curtailed or terminated.

Government figures indicate that there are approximately 250,000 American men and women employed in the textile and hosiery division of the silk industry

in the United States. In 1937 they earned more than \$200,000,000 in wages. There is no way of determining how many thousands are employed in distributing, transporting or financing silk, or in the manufacture of silk textiles into garments and merchandise, nor are their wages calculable on any accurate basis.

Silk textiles and hosiery alone manufactured in the United States in 1937 had a value of \$338,000,000 in terms of manufacturer's selling price, and government figures indicate that these manufacturing processes added \$153,000,000 to the value of raw materials. The most significant figure to indicate the importance of the silk industry to American women, both workers and consumers, is one showing that last year 42,000,000 dozen pairs of silk stockings were produced in the United States.

Growth

The question as to what may be the future of American business in China under Japanese influence may be answered in part by the record as to what has happened to American exports to Manchukuo since 1932. The impression that the volume of this trade has declined under Japanese influence is erroneous. The official record is as follows: (Since the

United States has not "recognized" Manchukuo, statistics on United States trade with that country are identifiable in United States reports covering the Kwantung area.)

Total United States Sales to Manchukuo			
1929	\$11,798,000	1934	\$ 3,938,000
1930	6,404,000	1935	4,188,000
1931	2,176,000	1936	3,542,000
1932	1,186,000	1937	16,068,000
1933	2,691,000	1938	17,005,000

In other words, between 1929-32, the United States lost approximately 90 per cent of its trade with Manchukuo while that country was under Chinese control. In the next five years, the United States recovered all of this lost trade and 44 per cent more, with Manchukuo under Japanese influence.

And China

It is quite obvious that trade between the United States and China should suffer loss during the recent years of battling in the latter country. However, it is also obvious that ultimately there will be peace in China. When this happens trade will increase by leaps and bounds and for very important reasons.

Peace in China will be followed by a long period of industrial and other development which will attract the attention

of the world. Thousands of miles of railroad will be built and link together the points which from a transportation viewpoint have been widely separated.

Then there will be the development of industry. Machinery, construction materials, railway equipment, road machinery, and other items will be needed in tremendous volume, and this regardless of whether final rule and control is in the hands of Chinese or Japanese.

Billion Values

If the Japanese wholly or almost completely dominate China, it will be absolutely essential that the economy of the country with nearly 400,000,000 population must be and will be lifted. It is quite conceivable to realize that when the living standards in China are lifted until there is parity with that of Japan that the possibilities of foreign trade will be considerably greater than can possibly be visualized even by the experienced foreign trader.

If the living standard in all of China can be lifted to a parity with that of Japan, it should mean that the per capita foreign trade will equal that of Japan. That would mean that the total value of ex-

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United States-Japan Trade

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ports and imports between the United States and China on such basis would approximate in excess of two billion dollars.

Based upon 1938 figures estimates place the value of exports and imports between the United States and the Far East at approximately \$1,000,000,000.

Within two decades this value may be increased to a grand total of three or more billion dollars. Certainly, this is a trade stake worth striving for.

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