International Trade Rules and Industrial Adjustment
the Case of the Textile Industry

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**Introduction**

The purpose of this paper is to examine the influence of ‘international trade rules’ on ‘industrial adjustment’, using the case of the textile industry. Examples of ‘international trade rules’ are articles or clauses on GATT (General Agreement on Tariffs and Trade) which was established after the Second World War. And ‘industrial adjustment’ means, in general, the reallocation of factor endowments, that is, capital, labor and other managerial resources from declining to growing industries in national economy. The adjustment proceeds not only through changes in the industrial structure at country level but also through diversification at firm level.

The decline of the industry results from not only decrease of domestic demand but also inflow of foreign products. While the international competitiveness has much connection with the change of comparative advantage structure, the institutional framework represented by GATT is not irrelevant to this competitive situation. That is the reason why this paper focuses on the relation between international trade rules and industrial adjustment.

The cotton textile industry was a growing sector in many advanced economies before the Second World War, but after the war they lost international competitiveness as a result of the catching-up by developing countries (LDCs). But industrial adjustment in the advanced economies did not go smoothly because of difficulties in the mobility of factor endowments.

Consequently, advanced nations tried to modify international trade rules to avoid trade frictions and mitigate competitive pressures. The GATT was modified in the direction of protectionism by U.S. leadership. Under this modification, to be concrete, the creation of exceptional measures such as STA (Short Term Arrangement regarding International Trade in Cotton Textiles), LTA (Long Term Arrangement regarding International Trade in Cotton Textiles)
and MFA (Multi-Fiber Arrangement) which were enacted during 1950s-80s, the advanced nations, especially the U.S. government, proposed the ‘industrial adjustment policy’. It is possible that this led to various policies in individual countries to avoid sudden changes of industrial structure and the so-called ‘Positive Adjustment Policy’ guidelines developed by OECD.

Several researches regarding Japan-US trade friction and/or the protectionism in GATT are found. Yet little attention has been given to the fact that the modification of GATT is relevant to the industrial adjustment policy, while the modification of GATT has been critically reviewed on the grounds that it results in the protectionism. The studies concerning the industrial adjustment (policy) have been conducted mainly on the theoretical problems or actual situation since 1970s-80s. It is the same kind of problem as above—mentioned, that is the shifting or sharing a burden to foreign country.

This paper shows, from historical approach, how conflicts of interest between the concerned nations were dealt with and how international trade rules were modified to facilitate industrial adjustment in 1950s-80s. The paper thus examines policy making in the international organizations such as the GATT, the OECD and its member nations during this period. The main focus is on the Japanese cotton textile industry, which faced trade frictions with the U.S.,

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1 OECD (1983a; 1983b).
3 This is an argument put out mainly by the approach of neo-classical economics. CLINE (1992) mentions that the continuation of protection delays industrial adjustments and brings stagnation of competitiveness in general and analyzes that the textile industry is a typical case in the U.S. Moreover this study points out that the consumer within the country suffers a loss as compensation of continual protection. This is the same as the notion of 'the cost of income transfers and protection'. This problem is often treated by the term of 'rent' or 'economic welfare' See, for example, KINDLEBERGER (1982:75-76) and KINDLEBERGER (2000).
European countries, and afterwards developing countries as well.

The paper is structured as follows. Following this introduction, Section I illustrates establishment of GATT and the changing place of it in the overall context, and analyses the broad trends of protectionism in the U.S. textile industry in 1950s-60s. Section II examines the various threads of modification of GATT and other policies followed by the member countries.

1. Establishment of the international trade rule

1.1 Foundation of GATT and progress of free trade

The trade system after the Second World War was established by GATT that became effective in January 1948. The GATT was multilateral agreement for the purpose of abolishing the discrimination of trade and reducing trade barriers. The principle is ‘free, indiscrimination and reciprocity’. The GATT requires each country of reduction or deferment of tariff and prohibits quantity restriction in principle. In this meaning the GATT promotes ‘free’ trade. Besides, ‘indiscrimination’ indicates that the most-favored-nation clause is demanded to each treaty power. ‘Reciprocity’ is not clearly provided, but the GATT demands that the negotiation is done on the basis of reciprocity.

It is well known that there was a sort of limitation in GATT. First of all, the GATT did not become effective as formal international agreement. Each country including the U.S. applied it provisionally. Secondly several escape clauses were instituted; various exceptions even in the general most-favored-nation clause and also in the general prohibition quantity restriction which

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5 The main body of this paper is based from my preceding paper published in French; WATANABE, Junko (2006).
are the basic principle of the GATT.

This limitation originate in that the GATT was established as a compromise between each country holding various complicated concerns in it. The escape clauses are a sort of safety valve that the importing or exporting countries can use when they fell into difficult situation as the result of free trade.

In any event, the free trade organization was established by the U.S. leadership in the postwar, although having such a limitation. And by several rounds (Multilateral Trade Negotiation), the tariffs of each country were substantially reduced. Moreover the non-tariff barriers were removed not a little. These contributed to scale expansion of international trade.

In this way each country’s tariffs reductions were advanced under the international organization of GATT, and the U.S. herself practiced tariff concessions of many items. While the U.S. opened her huge domestic market to other countries, the U.S. received benefits of tariff reduction from them.

**1.2 Domestic situation of the U.S.: the rise of protectionism in textile industry**

The situation changed around 1954-1955. The export volume of cotton fabrics in the U.S. and the other regions except Japan was decreasing. Moreover the import volume to the U.S. home market was also increased. It was Japanese cotton fabrics that increased share the most. (See Table 1.) This tendency became a trigger that caused the U.S. cotton textile manufacturers to practice import restriction campaign targeting Japan.
Table 1  Cotton fabrics export of each country and import of the U.S.

<table>
<thead>
<tr>
<th>year</th>
<th>Japan export</th>
<th>U.S. export</th>
<th>Great Britain export</th>
<th>Europe export</th>
<th>U.S. import</th>
<th>from Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1 million m²)</td>
<td>(1000 quintal)</td>
<td>(1 million m²)</td>
<td>(%)</td>
<td>1937</td>
<td>2,643</td>
</tr>
<tr>
<td>1946</td>
<td>1</td>
<td>789</td>
<td>514</td>
<td>450</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1947</td>
<td>398</td>
<td>1,491</td>
<td>533</td>
<td>639</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>1948</td>
<td>448</td>
<td>940</td>
<td>761</td>
<td>1,029</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>1949</td>
<td>744</td>
<td>898</td>
<td>904</td>
<td>1,284</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>1950</td>
<td>1,088</td>
<td>560</td>
<td>822</td>
<td>1,561</td>
<td>-</td>
<td>19</td>
</tr>
<tr>
<td>1951</td>
<td>1,092</td>
<td>781</td>
<td>864</td>
<td>1,871</td>
<td>48</td>
<td>2</td>
</tr>
<tr>
<td>1952</td>
<td>762</td>
<td>756</td>
<td>711</td>
<td>1,590</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>1953</td>
<td>914</td>
<td>617</td>
<td>710</td>
<td>1,512</td>
<td>65</td>
<td>28</td>
</tr>
<tr>
<td>1954</td>
<td>1,278</td>
<td>591</td>
<td>637</td>
<td>1,570</td>
<td>74</td>
<td>42</td>
</tr>
<tr>
<td>1955</td>
<td>1,139</td>
<td>532</td>
<td>554</td>
<td>1,420</td>
<td>141</td>
<td>119</td>
</tr>
<tr>
<td>1956</td>
<td>1,262</td>
<td>507</td>
<td>474</td>
<td>1,339</td>
<td>197</td>
<td>104</td>
</tr>
<tr>
<td>1957</td>
<td>1,468</td>
<td>548</td>
<td>456</td>
<td>1,378</td>
<td>127</td>
<td>71</td>
</tr>
<tr>
<td>1958</td>
<td>1,245</td>
<td>501</td>
<td>384</td>
<td>1,331</td>
<td>146</td>
<td>84</td>
</tr>
<tr>
<td>1959</td>
<td>1,263</td>
<td>472</td>
<td>347</td>
<td>1,576</td>
<td>250</td>
<td>85</td>
</tr>
<tr>
<td>1960</td>
<td>1,424</td>
<td>437</td>
<td>327</td>
<td>2,033</td>
<td>464</td>
<td>77</td>
</tr>
</tbody>
</table>


Note1: Original data is The Cotton Board, Quarterly Statistical Review, MOF etc.

Note2:* is the mean of 1934-36.

1.3 Problem of Japan’s participation in GATT

The movement of protectionism by the U.S. textile industry was gradually developing. However the stance of the U.S. Government was not to change the free trade system. Accordingly there was no choice to increase custom tariff of cotton manufactures products⁶.

On the contrary, the U.S. reduced custom tariff of cotton manufacturers products before Japan gained membership of GATT officially. As a result of tariff negotiations in GATT held in Geneva in 1955, the U.S. carried out substantial tariff concession to Japan including cotton

⁶ Concerning the process of trade friction including this problem, see Tsu-sho Sangyo-sho [the Ministry of International Trade and Industry of Japan], (1989-1994), each volume.
manufactures products. In the half of the 1950s, one of the interests of the U.S. Government was directed to the problem of Japan’s participation in GATT. Until then Japanese exportation was treated discriminatively from some countries, for example the Great Britain and so forth, so that it was an earnest wish for Japan to be affiliated with GATT to be applied a general most-favored-nation clause and to avoid arbitrary discriminative import-export restrictions by trading partners in principle.

The British Commonwealth of Nations who had an antipathy against Japanese trade practices, ‘dumping export of textile goods of in the prewar days’, opposed to Japan’s participation in GATT strongly, while the U.S. supported it actively.

As the result of tariff concession, the exportation of Japanese cotton manufactures products increased and the U.S. textile manufacturer had a sense of crisis concerning this situation.

1.4 Import restriction campaign by the U.S. textile industry

The urgent import restriction (safeguard) was admitted as a measure of GATT, in the case that import of specific products increased rapidly. However it was almost impossible for the U.S. textile industry to prove that the damage occurred to them by import from Japan. In addition, this emergency measure of Article 19 of GATT applied to all member nations indiscriminatively. In other words, even if the U.S. suffered a loss in her domestic market from sudden increase of import of particular country, it was not possible to adopt the safeguard to snipe the import from this particular country

For that reason the U.S. textile industry groped to take legal actions for import restriction, expecting on the application of domestic law or the submission of import restriction bill
‘protectionism bill’) in the U.S. Congress, targeting Japan mainly. (See Table 2.) These protectionism bills including anti-dumping law were hardly materialized, nor were anti-dumping duties imposed actually.

Table 2 Application of import restriction

<table>
<thead>
<tr>
<th>year</th>
<th>sort of import restriction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>the Upper House Bill, No.2702. application of import restriction on the basis of Agricultural Adjustment Act (AAA).</td>
</tr>
<tr>
<td>1956</td>
<td>submission to US Congress the bill of import quota system against Japanese goods submission velveteen and blouse's case to customs duties committee.</td>
</tr>
<tr>
<td>1958</td>
<td>amendment of anti-dumping law application of import restriction on the basis of Agricultural Adjustment Act (AAA).</td>
</tr>
<tr>
<td>1961</td>
<td>start investigation of import resurction on the basis of Reciprocal Trade Agreement;</td>
</tr>
<tr>
<td>1962</td>
<td>Trade Expansion Act Section 232(b).225,351</td>
</tr>
</tbody>
</table>

Source: Tsu-sho Sangyo-syo[Ministry of International Trade and Industry: MITI],etc.

Under this system, interested parties or pressure groups seeking a protection were apt to approach to the executive branch, while giving pressures on the Congress directly to legislate protectionism bills. Consequently the activity of the executive branch became the same political as the legislation of protectionism bill.

Nevertheless it was in a difficult situation to apply some domestic laws as an import restriction measure in actuality.
2. Modification of international trade rule

2.1 Preference for voluntary export restraint (VER)

It was difficult to apply neither safeguards nor new protectionism legislations, so that the U.S. textile industry resulted in relying on the measure of VER (voluntary export restraint) at the side of the exporting country. The U.S. Government also preferred this measure and requested ‘voluntary’ regulations implicitly and explicitly to foreign nations, because it was not necessary to change the standard of ‘free trade’ to solve her domestic problem.

The outline of Japan-US textile trade frictions is shown in the figure 1. As shown in the left side of figure 1, Japan enforced some export adjustments since 1954 and started one-sided voluntary restriction on exports of the cotton manufactures products for the U.S. on condition that the term was limited within 1 year from January 1956.

However it was carried over to the Agreement between Japan-US Governments during 5 years from 1957 to 1961. Furthermore it continued on STA and LTA that were approved in GATT since 1961. Finally LTA method was taken over to MFA since 1974. VER resulted in an implicit supply restriction cartel or price cartel in substance.\(^7\)

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### Figure 1  Outline of Japan-US textile trade frictions

<table>
<thead>
<tr>
<th>Japan's VER for the U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954.11 countermeasure to prevent cotton goods' bargain (MITI)</td>
</tr>
<tr>
<td>1955.2 measure to prevent textile goods' bargain for the U.S. and Canada (MITI)</td>
</tr>
<tr>
<td>other countermeasures by the industry (quantity and price)</td>
</tr>
<tr>
<td>1956.1 voluntary restriction of cotton goods' exports (1 year)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VER on the basis of Arrangement between Japan and the U.S.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>latter half of 1956 (during 5 months) negotiation between Japan-US Government (1957.1 agreement)</td>
</tr>
<tr>
<td>VER of 25 item cotton goods (5 years; 1957-1961)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VER on the basis of GATT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961.7 STA coming into effect (term of validity; 1 year)</td>
</tr>
<tr>
<td>1961.9  negotiation between governments for cotton goods on the basis of STA</td>
</tr>
<tr>
<td>1962.10 LTA coming into effect (term of validity; 5 years)</td>
</tr>
<tr>
<td>1963 negotiation between governments for cotton goods on the basis of LTA</td>
</tr>
<tr>
<td>1967.10 extension of LTA (3 years)</td>
</tr>
<tr>
<td>1970.5 re-extension of LTA (3 years)</td>
</tr>
<tr>
<td>1971.10  Agreement of Japan-US Government (3 years)</td>
</tr>
<tr>
<td>1973.9 re-extension of LTA (3 months)</td>
</tr>
<tr>
<td>1973.10 re-extension of agreement of Japan-US Governments (1 year)</td>
</tr>
<tr>
<td>1973.12 invalidation of LTA</td>
</tr>
<tr>
<td>1974.1 MFA coming into effect</td>
</tr>
<tr>
<td>1974.10 Arrangement of Japan-US Governments on the basis of MFA</td>
</tr>
</tbody>
</table>

**Source:** Tsu-sho Sangyo-sho [MITI], (1989-1994) ; Vol. 9.

#### 2.2 The background of Kennedy Round (1964-1967)

The keynote of the U.S. trade policy in the beginning of the 1960s was still ‘free trade’, but the rise of protectionism became remarkable in the field of such industry as textile.

Around 1960, the trade environment of the U.S. was changing into severe situation. First, ‘the dollar crisis’ has arisen because the balance of payments deficit of the U.S. expanded and the gold began to flow out at the end of the 1950s. It became a problem for the U.S. to improve her balance of payments. Secondly, EEC was materialized in 1958 and it established a system of common external tariff. For the U.S. this European policy seemed to be contrary to her market open policy. Thirdly, the tariffs negotiation in GATT became to be difficult one after another, as
the result that the tariff reductions of many items have already materialized to a high degree until then. Consequently the conventional negotiation method, so-called bilateral and each item negotiation came to a deadlock.

Therefore the U.S. proposed a new method of negotiations for across-the-board tariff reductions, that is the method that all participating nations negotiate to reach an agreement of uniformity reduction on all articles in a bundle, through the Meeting of Cabinet Ministers of GATT held from December 1962 to May 1963.

This proposal was based on the intention of the U.S. to decrease substantially the common external tariff barrier of EEC and to expand the export from the U.S. to EEC. This negotiation was continued in Kennedy Round from 1964 to 1967, advocated by President Kennedy.

Before this Kennedy Round, Trade Expansion Act became to be effective in the U.S. in October 1962, as a new legislation that substituted Reciprocal Trade Agreements Act since 1934. President Kennedy was given a substantial power of tariff reduction by this act and set to arrange inside the country to promote Kennedy Round.

The U.S. Government was urged to cope with a strong protectionism of the U.S. textile industry, to materialize Trade Expansion Act that aimed at an expansion of ‘free trade’. For that reason, the policy of ‘industrial adjustment assistance’ was introduced in Trade Expansion Act. But this contained some restrictions for the U.S. textile industry, for example, of inclusive control of import; the Tariff Commission could investigate and authorize in advance concerning the injury to the domestic industry by tariff reduction and so on.
2.3 From STA to LTA

The new president John F Kennedy, who played a close contest in the presidential election in 1960, has pledged to the U.S. textile industry during the election under strong influence of Southern States’ pressure group, to support this industry.

The new policy plan for the U.S. textile industry has been expected for such a political reason. President Kennedy offered a proposal of new industrial policy for the textile industry, establishing a Meeting of Cabinet Ministers in charge of the textile industry immediately after his assumption of the Presidency in January 1961.

This proposal was announced as the Textile Industry Furtherance Plan (Seven Point Program) in May 1961. This plan consisted of 6 sections, and in the 6th section the following issue was provided; the Department of State should prepare urgently for ‘the plan to hold the international conference of major textile trading nations, to avoid causing unfair confusion to an established textile industry’. (See, figure 2.)

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8 The source was based on Tsusho-sangyo-sho [MITI], op.cit.
9 It is said that as a matter of fact, this program consisted of not ‘seven’ but ‘six’ points. See U.S. Department of State, FRUS, 1961-63, Vol. IX: Foreign Economic Policy, No.216, Circular Telegram From the Department of State
Figure 2 Seven (Six) Points Program by President Kennedy

<table>
<thead>
<tr>
<th>Point 1.</th>
<th>Department of Commerce to launch an expanded program of research.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point 2.</td>
<td>Revision of existing depreciation allowances on textile machinery.</td>
</tr>
<tr>
<td>Point 3.</td>
<td>Small Business Administration to assist cotton industry to obtain modernization financing.</td>
</tr>
<tr>
<td>Point 4.</td>
<td>Correction of differential due to two-price cotton system.</td>
</tr>
<tr>
<td>Point 5.</td>
<td>Adjustment Assistance for industry injured by imports.</td>
</tr>
<tr>
<td>Point 6.</td>
<td>Calling of conference of textile exporting and importing countries to seek an international understanding &quot;which will provide a basis for trade that will avoid undue disruption of established industries.&quot;</td>
</tr>
</tbody>
</table>

Source: Department of State, Central Files, 394.41/6 - 1061. Official Use Only; Verbatim Text. Drafted by Emerson M. Brown (E/OT/TA), cleared by Ball and Nicholas A. Veliotes (S/S - RO), and approved by Sidney B. Jacques (E/OR).

As a result, the international conference was held for the purpose of drawing up an agreement regarding to cotton manufactures products trade with the support of GATT in July 1961, at the request of the U.S. ‘to mitigate a strong pressure of domestic textile industrial world’ and ‘to break through an urgent crisis in cotton manufactures products trade which was apt to be thrown into a state of disorder (market disruption)’.

At the time Japan was situated in an extremely disadvantageous environment in international trade; the import restriction against Japan and the application of Article 35 of GATT were continued in European countries, while she was forced VER in the U.S. market in isolation.

Consequently, although the best solution for Japan was to recover a free competition system primarily, she chose the second-best policy that ‘the international control of cotton manufactures products trade was imposed upon other exporting countries than Japan’: because the cotton...
manufactures products of the developing country, especially those of Asian countries other than Japan, flowed into the U.S. market as a result of the VER of Japan.

STA (Short Term Arrangement regarding International Trade in Cotton Textiles) was concluded as the agreement between many governments in July 1961. STA had effect for 1 year from October 1961. The main contents were to enforce the following in cotton textiles trade.

1. The country, enforcing import restriction, should mitigate substantially the existing level.
2. The country, not enforcing import restriction at present, should maintain an import order from now on.
3. In the case that the confusion of import market occurred, the exporting country should take the VER measures. In the case that the exporting country did not take VER measures, the importing country could enforce import restrictions at the same level.
4. The long-term solution about the cotton textile trade would be under review after the end of STA.

And LTA (Long Term Arrangement regarding International Trade in Cotton Textiles) was concluded in the end of STA, in 1961\(^\text{10}\).

2.4 Japan-US textile negotiation and MFA

Thereafter the so-called Japan-US textile trade friction occurred in the autumn of 1968, and the wool, rayon, and synthetic fiber manufactures products became a subject of negotiation during nearly 3 years. Japanese textile industry shifted or diversified its main exporting goods from those of cotton to various processed products including wool, rayon, and synthetic fiber, so that the subjects of trade friction were also diversified. Finally Japan-US Textile Agreements was concluded in October 1974, while LTA developed to MFA (Multi-Fiber Arrangement)\(^\text{10}\).

\(^{10}\text{Concerning STA, LTA and MFA, the details are in Nihon Boseki Kyokai [Japan Spinners’Association]}(1962).\)
regarding the international trade of the textile goods in January 1974.

MFA was a multilateral agreement that became effective in January 1974, admitting import quantity restriction as a safeguard measure against a rapid increase of the textile import.

It is often said that the establishment of MFA was a challenge to deviate from the principle of GATT and ‘the most organized VER’. MFA aimed for selective safeguard targeting a particular exporting country, and contradicted the principle of Article 19 of GATT. The indiscrimination principle of GATT was undoubtedly broken in MFA and this contradiction came into question up to the present. Nevertheless MFA was managed to be one of the organizations of GATT. In other words, GATT itself recognized a challenge of the largest-scale deviation to GATT.

Japan-US Textile Agreements was an agreement between Japan-US governments under MFA, which integrated agreements between this two-governments until 1974.

2.5 The other actors and Japan’s situation

The actors who brought about import restriction movements against Japan were not only the U.S. The many markets including those of European countries, Canada, and Australia also played an important role. European countries has continued import restrictions against Japan most severely for many years\textsuperscript{11}, although this fact was not attracted an attention of the public so much as the case of Japan-U.S. trade friction.

At first the markets of the U.S., Canada, Australia was relatively free, in comparison with that of European countries. But after 1954-1955, the U.S., especially the textile industry’s group began to strengthen restriction movements against Japanese cotton manufactures products, so

\textsuperscript{11} Nihon Boseki Kyokai [Japan Spinners’Association],op.cit.p.127,and Tsu-sho Sangyo-sho[MITI], op.cit.
that the ‘voluntary’, in the true sense of the word, VER of Japan was enforced since 1954 (figure1), and VER on the basis of Arrangement between Japan and the U.S. governments was started since 1957. Finally STA, LTA and MFA were materialized drawing most of the countries in the world into them.

The arrangement between Japan-U.S. governments was changed to the arrangement between the two nations on the basis of STA, LTA and MFA. And many European counties also tried to continue import restrictions, by means of concluding the arrangement between two nations.

The Japanese situation was also complicated. At first Japan was in the position of exporting country, but after it changed to that of importing country who was interested in import restriction against developing countries12.

3. Conclusion

After the Second World War, the U.S. constructed ‘free’ international trade system, re-defining the world market along her national interest. However as the result of ‘free’ itself, the movement of protectionism was raised in the field of U.S. textile industry. To cope with this difficulty, the U.S. government chose the modification of international trade rule on the GATT, instead of shutting up this problem in the interior.

This negative effect spread over the world, including European countries, Japan and other Asian countries. That was exactly to search the historical causality of protectionism in the field of textile trade.

12 Concerning the relation between Japanese textile industry and that of the other Asian countries, see Junko WATANABE, Le rattrapage des PVD d’Asie et les mesures prises par les entreprises japonaises: sur le cas de l’industries textile, Japon In Extenso, France, no.40, juin 1996.
Nevertheless, what has to be noticed is that the consensus for ‘industrial adjustment’ and the idea of ‘industrial adjustment policy’ were more or less shown in President Kennedy’s 7 Points Program and STA (afterward, also LTA and MFA). It may be true that managed trade causes protectionism, but simultaneously the international trade rules serve to mitigate international competitive pressures to the textile industry in advanced economies and promote gradual industrial adjustment, which decreases social cost of adapting to the sudden change in their demand condition.

It is possible that this tendency to managed trade led to industrial adjustment policies in individual countries and ‘Positive Adjustment Policy’ guidelines by OECD. A further direction of this study will be to make a strict analysis of this point.
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Nihon Boseki Kyokai [Japan Spinner’s Association] (1972), *Sengo Boseki shi [Postwar History of Cotton Spinning Industry]*.

Nihon Boseki Kyokai [Japan Spinners’ Association] (1982), *Bo-kyo Hyakunen-shi [100 Years’History of Japan Spinner’s Association]*.


