THE ESSENTIALS OF DUMPING AND UNFAIR COMPETITION WITH REFERENCE TO THE JAPANESE EXPORT SITUATION

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I. *Two conditions of Dumping*

Dumping is generally regarded as a method of unfair competition. First we must define the precise meaning of dumping and inquire how it is connected with the concept of unfair competition. In the Article 34 of the Havana Charter for I. T. O., dumping is defined as follows:

The Members recognize that dumping, by which the products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in a Member country or materially retards the establishment of a domestic industry. For the purposes of this Article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another, (a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or, (b) in the absence of such domestic price, it is less than either, (i) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or, (ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit. Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation and for other differences affecting price comparability.

This definition of dumping, adopted also in the Article 6 of GATT with the same phraseology, is perhaps the most inclusive one, in which we can distinguish two constituent factors of dumping; the price factor of the exporting country and the injury factor of the importing country or country competing with the former. When dumping occurs, the export price of the exporting country, must be less than that of the like product destined for domestic consumption; less than the highest comparable price of the like product destined for the third country or less than the cost of production, including reasonable profits in the exporting country. But this price condition is not the sole factor to make any export become a dumping. If such an export, as the one discriminated in price, is not injurious to the importing country or any other country competing, with the exporting one, it cannot be properly said that there is dumping, as condemned in the Article above cited.

The price factor, which constitutes a part of dumping, may be defined here, as a potential condition and the injury factor as a realization condition of dumping, in the sense that an export at a discriminating price, is not regarded as dumping if it is not injurious to other countries. Of course an export injurious to any country is not conceived as dumping if the export is carried at a very low, but not discriminating price, due to the low cost, resulting from the technical development and rationalization in the exporting country.

According to Viner, "the one essential characteristic of dumping, I contend, is price-discrimination between purchasers in different markets."[1] His definition of dumping, as he describes it, covers not only the more common form of international price-discrimination, where sales are made at lower prices for exports than in the domestic market, but also the rarer forms, (a) where there is no domestic market for a particular commodity or only a meager one and important price-discrimination is between purchasers in different export markets and (b) where the home market of the seller is made the dumping-ground and higher prices are charged to purchasers in foreign markets. It is certain that dumping as defined by Viner, extends to the unusual cases where it is very doubtful to be so called, as when products are exported at a price higher than the domestic one.

In this latter case, the party injured by dumping is that of the consumers in the importing country, owing it to the high import price, or the competing producers in the exporting country, owing it to the extremely low price, discriminately charged by the dumper. This concept of dumping may not be usually adopted in the provisions of the anti-dumping laws of most countries of the world. But from the scientific point of view, price discrimination as a potential condition of dumping is very important and I agree with Viner, as I later state in regard to the concept of unfair competition, to define dumping as a price-discrimination between national markets.

As for the damage condition of dumping, some qualification must be made in whatever case the potential dumping can become real dumping, injurious to the importing or competing country. First, if the volume of exports of the said commodity is not expanding markedly, it cannot be conceived that there is a dumping which is materially injurious to the importing parties. In Article 34, paragraph 7 of the I. T. O. Charter (Article 6, paragraph 7 of GATT) prescribes for the export of primary commodities at discriminatory prices under a system for the stabilization of the domestic price, the export at a price lower than the domestic one, is not taken for a real dumping, if the stabilization system is so operated, either because of

[1] Jacob Viner, *Dumping* (A Problem in International Trade), 1923, pp. 4–5.

the effective regulation of production, or in order not to stimulate exports unduly, which would otherwise seriously prejudice the interests of the other Members.

In the same way, the case in which the export price of the primary products becomes lower than the domestic price through the subsidies granted directly or indirectly by the government of the exporting country, is not regarded as a real dumping if the export is not stimulated as to damage the interests of other countries. This case is concerned only with the primary products under the system for stabilization of domestic price and cannot be generalized as to include manufactured goods; however, the principle is applied to all commodities exported when and if exports are not expanding so much, they will not be considered real dumping, even if their export prices are lower than the domestic ones, because they are not conceived to be a material injury to other countries.

II. *Inequity and Unfair Competition*

Now we must proceed to the connection of dumping with unfair competition, the former being treated as one of the types of the latter. The term "unfair competition" is defined as, "passing off or attempting to pass off, upon the public, the goods or business of one person as, and for the goods or business of another. It consists essentially in the conduct of a trade or business in such a manner that there is either an express or implied representation to that effect. The basic principle is that no one has a right to dress up his goods or otherwise represent them in such a manner as to deceive an intending purchaser and induce him to believe he is buying the goods of another."[2]

Similarly, the writers of legal texts have devoted their attention almost wholly, to practices either of this or a like character. "Until recent years, therefore, the term 'unfair competition,' has refered primarily to the marketing of goods by methods involving fraud, misrepresentation, etc."[3] But the term "unfair competition" as used in the Trade Commission Act, cannot be construed as to embrace unfair competiton in the older meaning cited above. The term dumping has also no connection with fraud, misrepresentation etc., which constitute the essential characters of unfair competition in the older sense.

In recent years, there appeared numerous methods, including dumping, which are treated as unfair competition, although they have no characteristic of fraudulence. The Clayton Act of 1914, enumerated the business practices

[2] Cyclopedia of Law and Procedure, xxxviii, 756–58, cited by W. H. S. Stevens, in his "*Unfair Competition*" 1917.

[3] Stevens, *ibid.* p. 3.

which should be prohibited as unfair methods of competition, some of which are, local price discrimination, tying contract, holding companies, interlocking directorates, etc. Some of these practices are the means to create a monopoly, others being the aggressive methods practiced by it. Monopoly in itself, is condemned as something unfair, because it charges a monopoly price at the sacrifice of consumers. Such monopoly price does not correspond to the cost which the enterprise pays and incurs to supply goods and services to the consumers.

This inequity between price and cost is something like a discrimination and thus, not appropriate to the idea of equity or fairness, which is just opposite to the idea of discrimination. On the other hand, the monopolistic enterprise exercises discriminatory methods such as local price-cutting and tying contracts to suppress the competing businesses and to strengthen their monopolistic position.

So we can conclude that the new types of unfair methods of competition have as their essential criterion, the idea of discrimination, distinguished from the old type of unfair methods, where the essential characteristic lies in fraudulence. Thus this criterion makes clear the difference between the old and new concepts of unfair competition. Fraudulence is conceived in itself unfair or unjust, but discrimination in itself is not necessarily unfair; sometimes it is useful to the public, for example, the class discrimination in the trains or in the theatres. There must also be a degree of discrimination of position in the government or business organizations. But when some methods of discrimination damage the general public in the interest of a few persons, they become unfair and should be condemned as opposed to the idea of equity. A discrimination which brings some injury to others, contradicts the idea of equity. Inequity, which brings some conflicts and frictions into the community, is the essential constituent of discrimination. But we must be aware that there is also the spurious discrimination, as already stated, which does not contradict equity.

On the grounds of what has been mentioned above, I agree with Viner, who attributes the essential character of dumping, to price discrimination. But there is the question whether a price-discrimination is truly inequitable or not. As already stated, price discrimination is a potential condition of dumping, which becomes real dumping when it brings some damage to the discriminated party. Furthermore, this potential condition of dumping must be investigated from the standpoint of the principle of equity. In the Article 23 of I. T. O. Charter (Article 14 of GATT), for example, exceptions to the rule of non-discrimination are set up to the effect that, "the Members recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantitative restrictions and therefore, requires the exceptional transitional period arrangement set forth in this paragraph."

As a result of the war, when the economic structure of most countries were so greatly distorted as they are unable to stick to a non-discriminative administration of foreign trade, transitory discrimination was recognized and not conceived as contradictory to the principle of equity, on the grounds that the economic situation of the country would be worsened if the principle of non discrimination is enforced, and formal equity in that country becomes real inequity. In regard to dumping, the same consideration is required in order to distinguish a genuine price-discrimination, which is to be condemned, from that arising after a structural disequilibrium in the internal economy of the country.

Now we must consider the concepts of the so called social dumping and valuta dumping, distinguished from dumping proper, as mentioned above. These two types of dumping apparently have no price-discrimination between export and domestic prices and therefore, lack the potential condition of dumping. But when the export of any country is stimulated by the low export price originated from the low rate of wages or by an exchange rate depreciation, the interests of other countries may be materially injured and this is where the realization condition of dumping comes into existence. However, these types of low price exports, if they are actually called dumping, are different from dumping proper and, therefore, must be treated separately from the latter. But if we apply the principle of equity to these types of dumping we shall find a similar price discrimination as their potential condition of dumping.

If the income of wage earners, compared with the income from profit of the employers is very low and the exploitation of labour is very conspicuous in a country, it can be assured that there prevails a discriminative low wage, which contradicts the idea of equity and the resulting low price export may be called true social dumping. But if the average income level of that country is lower than those of other countries, the resulting lower price exports of that country cannot be called social dumping, for it lacks the potential condition of dumping, that is, the discrimination criteria, contradictory to the principle of equity.

On the case of valuta dumping, there occurs, at least for a time, a substantial divergence between the internal and external purchasing power of the currency for that country. "A depreciating currency will thus tend to operate as a premium on exports by causing export prices, temporarily at least, to be abnormally low in terms of foreign currencies. This is a practice, however, which is quite distinct from dumping proper."[4] Exchange dumping has perhaps more serious effects to the importing countries than dumping proper, because the former lowers the prices of all export commodities in

[4] Viner, *Dumping*, pp. 15–16.

terms of the currencies of the importing countries, while the latter concerns only to some particular commodities. Thus in exchange dumping there exists the realization condition of dumping and also a discrimination between the external and internal values of the currency, effecting to lower the export prices compared with the domestic ones. Therefore, exchange dumping should be condemned more than dumping proper, because its injurious effects to the importing countries are more serious and extensive.

III. *Forms of Dumping and the Standards of Equity*

The condition for considering dumping as a form of unfair competition, is as already stated, found in the existence of price discrimination in exports, when it damages the competitive industries of other countries.

In general, when a discrimination prejudices the consumer or the laborer in that country or in foreign nations, or again, when it brings more than normal profits, it is considered an unfair method of competition. When the domestic price is kept higher than the export price, this is regarded by the domestic consumers as unfair, or in the case of "reverse dumping," as stated by Viner, we can say that, the gains of foreign consumers are affected. In the actual definition, dumping is regarded unfair, only because it affects the competitive position of other countries. In general and theoretically, "discrimination" and its accompanying prejudices, must be understood in a wider sense. However, what we must reconsider here, is that not every price discrimination in exports is to be always regarded as the essential factor in unfair competition; therefore, it is necessary to analize the different forms of dumping.

Here, we are going to make studies concerning dumping in its original meaning, however, it is necessary to notice that even in cases like social dumping, when it is due to the low wages resulting from the low levels of national income in the exporting country, it cannot be called true social dumping. Again in the case of valuta dumping, when it is necessary to take the measures of an exchange devaluation, owing to the fundamental disequilibrium in the balance of payments of that country, can neither be regarded as true valuta dumping. This is because the standards of unfairness, i.e., inequity and or discrimination, are not present. Then, what happens in the case of dumping, taken in its original sense?

From the standpoint of the degree of continuity in original dumping, Viner classifies original dumping into three classes: Sporadic, short run or intermittent and long run or continuous. Furthermore, each one of this is classified according to the motives or objectives of dumping. a) From this basis, a classification is made as follows:

Classification of Dumping According to Motive and Continuity.[5]

Motive	Continuity
A.—To dispose of casual overstock	Sporadic
B.—Unintentional	
C.—To maintain connections in a market in which prices are on remaining considerations unacceptable	Short Run or Intermittent
D.—To develop trade connections and buyers goodwill in a new market	
E.—To eliminate competition in a market dumped on	
F.—To forestall the development of competition in the market dumped on	
G.—To retaliate against dumping in the reverse direction	
H.—To maintain full production from existing plant facilities, without cutting domestic prices	Long Run or Continuous
I.—To obtain the economies of larger-scale production without cutting domestic prices	
J.—On purely mercantilistic grounds	

Any criticism in regard to Viner's classification of the forms of dumping, shall be omitted here since, I believe that the following classification is more adequate for our purposes. First, Policy Dumping; second, Cyclical Dumping, and thirdly, Structural Dumping.

Policy Dumping refers to the export bounties of a country and historically was much practiced during the period of Mercantilism. It corresponds to the (J) section of Viner's classification. Next, Cyclical Dumping, which is mainly caused by the fall of prosperity in accordance with the cyclical fluctuations during the period of Free Capitalism, and includes the several forms of dumping that Viner mentions under the Sporadic and short run or intermittent forms. Finally, Structural Dumping, which appears during the period of Monopolistic Capitalism, includes the long run or continuous dumping described by Viner.

Undoubtedly, this three forms appear at present in a mixed manner but, from the historical standpoint, we can say that they correspond to the periods of Mercantilism, Free Capitalism and Monopolistic Capitalism, respectively.

1) POLICY DUMPING.

The first mentioned policy dumping, which due to the direct export bounties and subsidies by the government, creates a discriminative low export price, was typical as a policy of the Mercantilistic Era; however even at present times, depending on the national benefit of indirect or otherwise concealed subsidies, it can be seen that in several countries a discriminative

[5] Viner; *Dumping* (A Problem in International Trade); p. 23

low export price is found.

It is needless to say that policy dumping as such meets with sharp criticism, for it promotes the exports of a country while destroying the competitive industries of other nations; furthermore, it is natural to encounter obstruction in matters of offset and dumping tariffs. Moreover, it cannot be denied that, from the position of the exporting country, when the profits of the export industries are promoted or at least maintained by means of taxation, the existence of inequity, even internally, is relevant. In this sense, the provision of the I. T. O. Charter, Article 26, section 1, concerning export subsidies, states as follows:

"No member shall grant, directly or indirectly any subsidy on the export of any product; establish or maintain any other system which subsidy or system results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in taxation and for other differences affecting price comparability."

However, an additional provision is laid down, concerning such primary commodities as agricultural products. One of those provisions, as stated above, refers to the case where there is a price support system for agricultural products (I. T. O. Charter, Article 27, section 1) and the important conditions are, "The system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise as not to stimulate exports unduly or otherwise seriously prejudice the interests of other members," (Article 27, section 1, Part b). Again, it can be seen in the I. T. O. Charter, a provision concerning "undertaking, regarding stimulation of exports of primary commodities" which goes as follows: "Any member granting any form of subsidy, which operates directly or indirectly to maintain or increase the exports of a primary commodity from its territory, shall not apply the subsidy in such a way as to have the effect of maintaining or acquiring for the member, more than an equitable share of world trade in that commodity," (I. T. O. Charter, Article 28, section I). Consequently, a subsidy which does not promote an export, exceeding the "equitable share of a member," can be admitted.

In making the basis for determining the rationality of subsidies, the following stipulations, as stated in Article 28, section 4 of the I. T. O. Charter, shall be mentioned. a) The member country's share of world trade in the commodity during a previous representative period. b) Whether the member's country share of world trade in the commodity is so small that the effect of the subsidy on such trade is likely to be of minor significance. c) The degree of importance of external trade in the commodity to the economy of the member country granting, and to the economies of the member countries materially affected by the subsidy. d) The existence of price stabilization systems conforming to the provisions of paragraph 1 of Article 27. e) The desirability of facilitating the gradual expansion of production for export in those areas able to satisfy world market requirements of the commodity concerned in the most effective and economic manner and therefore of limiting any subsidies or other measures which make the expansion difficult.

Taking into consideration these stipulations, even though we make export subsidies a form of dumping, they will determine whether they are to be rejected as unfair or not. The important thing here, is not that the export subsidies will result in export promotion but, that the share of exports is maintained without exceeding their previous amounts; therefore, when it does not impose severe damages to the competing country. Again, when the export of a commodity has, for that country, a great importance from the standpoint of the balance of payments, or when that country has an adverse balance of payments, there is reason to admit an export subsidy even if it has the effects of dumping and it cannot necessarily be called "unfair." Of course, this only refers to the primary goods such as agricultural products whose price elasticity of supply and demand is low. But it is possible also to use this considerations in regard to industrial goods.

2) CYCLICAL DUMPING.

Cyclical dumping occurs mainly with the decline of prosperity. The "sporadic" dumping of Viner, in other words, the one used for the disposal of overstock belongs to this form. Again, when a low export price is kept as "short run" or intermittent dumping in order to maintain the business transaction, this should be regarded as a cyclical form of dumping.

With the decline of prosperity and the increase in competition, dumping tends to occur repeatedly; due to this, the tariff of every country will be increased and fears may rise as to a general spread of economic nationalism. In this case, the domestic price of the exporting country will also fall but, the demand will become extremely unelastic; thus, in order to dispose off the surplus commodities, dumping into other nations will take place. Essentially, this dumping which subsides the competitive goods of other countries will result in an increase of exports, therefore, as it is considered an unfair competition, it will receive a sensible resistance. Cyclical dumping, which subsides the products of other countries and tries to go into a larger than the normal world share of exports, cannot be justified.

However, when the domestic price of the exporting country is kept at high levels, due to a policy of full employment or to a certain inflationary tendency caused by any reason, while on the other hand, the international price level falls into a depressionary state and furthermore, when the exporting country finds itself with a deficit tendency, it will try to check the decline of exports; so if dumping takes place in order to maintain the normal world share of exports, not only in the case of primary goods as mentioned before, it cannot be immediately recognized as unfair competition.

When the national price level, due to such things as a domestic policy of full employment does not fall as much as the international price level, and in such a case when it produces a disequilibrium in the international balance of payments, the existence of a "fundamental disequilibrium" is clear and an exchange devaluation can be recognized (see International Monetary Fund, Article IV, section 5) or furthermore, it may also recognize import control measures (see I. T. O. Charter, Article 21).

In this case, when an exchange devaluation takes place, the result will be a valuta dumping, but if, on the other hand, the degree of dependency of imports in foodstuffs and raw materials is high, exchange depreciation will not be profitable for the national economy of that country. Here, in the case of certain products, a discriminative low export price is created but, this loss would be made up by a high price in the domestic demand. This type of dumping may not be always and necessarily concluded to be a form of inequity.

In short, the domestic price level does not fall in concert with the international price level, for only the export price will be reduced to the international levels and if it hardly manages to maintain its previous export share, this type of dumping cannot be regarded as inequity. However, if the difference between the domestic and the international price is constant and "fundamental disequilibrium" persists continuously, this is not a cyclical phenomena but, a structural one; hence there is a need of an exchange devaluation or a change in the structure of production to increase the domestic productive power. If we try, partially, to solve this structural contradiction by means of dumping, it will become a structural form of dumping, but the fact that it might become permanent, even provided that this dumping is not unfair, cannot be recognized.

3) STRUCTURAL DUMPING

Next, we shall take up the structural dumping. This includes not only the "long-run or continuous" dumping but also, the short-run dumping, which as mentioned by Viner, will establish a monopoly, eliminating the competition in foreign markets.

These types of dumping are of a structural character because, the export industries, through which these methods take place, have a structure capable of monopolizing not only the domestic market, but also, the foreign market. It can make a discriminative dumping by the structural necessity, whatever the phase of the cyclical trade aspects are at that time.

The most prevailing types of structural dumping are the two mentioned by Viner under 'continuous dumping', namely, that which is "to maintain full production from existing plant facilities, without cutting domestic prices" and those which are, "to obtain the economies of large scale productions without cutting domestic prices." These two kinds of dumping have the same effect. They will export their products at a price lower than the domestic monopoly price, in order to maintain mass-production methods and to gain maximum profits from the full operation of the capital equipment. "It is probable that this is the most prevalent type of dumping."[6]

These types of structural dumping require two structural conditions; one is a large scale system of production installed by the enterprises and the other is a protective tariff, charged to the competitive imports, facilitating the monopolization of the domestic market. The large scale production of the monopolistic enterprises, enjoys the advantage of decreasing costs as they increase production and are able to lower the average unit cost to their minimum. But, to maximise profits, it is necessary to maintain a monopoly price in the domestic market, by means of an import tariff and if the whole output, obtained at the optimum position of production, cannot be sold out at that price, the necessity to dump the surplus products into the foreign markets, arises. The stronger the monopolistic position of a large enterprise or a cartel is, the more powerful and continuous this structural dumping becomes. From the standpoint of both the discriminative prices and the damages inflicted upon others, it is considered a genuine form of unfair competition. Here, not only the foreign competitors but also the domestic consumers are affected by the price discrimination between, the low dumping price and the high monopoly price, the latter, making the former possible.

But in some instances, this structural dumping may not be injurious to the home consumers; such is the case when dumping can expand the production much more and lower the average unit cost and domestic price, as contrasted with the case, where no dumping takes place and therefore, less output is produced at higher unit cost. As Haberler clearly stated, "when there are falling marginal costs, dumping leads to a reduction in the home price. In a similar manner, it can be shown that, when marginal costs are constant, there is no change in the home price and that when marginal costs are rising, dumping raises the home price."[7]

In any case, however, as long as there exists a monopoly price in the home market, consumers' interest may be injured and monopoly price, which in itself, is a discrimination, is regarded as unfair, therefore doomed to be prohibited by the Anti-Trust Law.

Thus, dumping under monopolistic conditions, is structural in character and in most of the cases, performed by the exporters in highly developed countries, where the monopolistic conditions are prevailing.

Now, we must distinguish here, another form of structural dumping, which is not accompanied by monopoly due to the monopolistic structure of the export industries, as was mentioned above. This other kind of dumping has its root in the structural disequilibrium of the national economy of the

[6] Viner, *ibid.*, p. 28.
[7] G. V. Haberler, *The Theory of International Trade* (Eng. trans.), 1936, p. 309.

export countries. If a country looses in a war and its territory, in comparison with the population, becomes much smaller and furthermore, there is a too large decrease in the volume of foreign trade to accomodate enough raw materials and foodstuffs for the population, their balance of payments will show persistent deficits. Under this condition an inflationary price tendency appears, then it must be considered, that there exists a fundamental disequilibrium in the economy of that country.

The country with such a fundamental disequilibrium may be allowed by the IMF to depreciate its currency and lower the exchange rate. But, when its elasticity of demand for imports is very low and that of the foreign demand for exports is not so high as to be able to offset the consequences of the former, it is better for that country to maintain its exchange rate. The alternative way to support its export trade in order to import the necessary foreign products and to employ its labour population as much as possible, is to lower its export price, compared to the domestic one.

This discrimination between export and domestic prices is forced by the competition of many export traders who endeavour to acquire foreign currency, to buy profitable imports which can be sold at a good margin. The exporters are not intending to monopolize the home market or to dump the surplus goods which cannot be sold in the home market at a monopoly price. On the contrary, they are competing with each other in the foreign and domestic markets which became much narrower since the war.

This sort of structural dumping has also in appearance, a price discrimination, as a potential condition of unfairness but, in reality, its domestic price is abnormally higher than the international price level, due to the structural disequilibrium of the national economy, so that its export prices are compelled to line up with the normal level of the international economy. Thus, it can be said that, the export prices which are lower than the domestic ones, are not, in reality, the factor of discrimination which constitutes unfairness.

As for the realization condition of dumping, their export prices are not much lower than the international level and do not undersell the foreign competitive goods. Moreover, the country, as a whole, had not restored the foreign trade to the pre-war level and is always in a position of deficit in their balance of trade.

In such a case, the export at a lower price cannot be considered to be harmful to the foreign competitors. For the reason above mentioned, we conclude that the dumping of a country in an inflationary condition arising from the structural disequilibrium, cannot be treated as a real dumping, which is a method of unfair competition.

IV. *REFERENCE TO "JAPANESE DUMPING"*

Japan had been notorious and condemned as having engaged in social dumping during the pre-war years. But after the war, the conditions of labourers in Japan have improved remarkably as compared with the recovery of the general level of the real income per population, which stood, in the year 1951, at 93% of the pre-war level (1934–1936).

The absolute wage level of Japanese labourers, as well as the level of money income in general, is still very low, as compared to those of American and European labourers but, when we take into consideration the efficiency of labour and calculate the efficiency reward, as treated by R. Harrod, in his "International Economics," then Japanese wage level, in the post-war years, cannot be regarded so low as to constitute social dumping.

As a reference, the following table, prepared by S. Fujii, Prof. of Kobe University, will give proof of this facts.

COMPARISON OF EFFICIENCY WAGES OF THE COTTON INDUSTRY IN JAPAN, THE UNITED STATES AND THE UNITED KINGDOM

A.—Comparison of Efficiency wages in the Cotton Industry in the Pre-war Years.

	JAPAN (average from 1930–34 1933, 35, 36)	U. S. (average for the month Sept.)	U. K. (same as U. S.)
1.—Real Wage Index (Japan=100)	100	371	197
2.—P. M. H. (Productivity Per Man-Hour) Index	100	163	124
3.—Efficiency Wage Index ((1)/(2))	100	227	158

B.—Changes of Efficiency Wages in the Cotton Industry, before and after the War.

4.—Real Wage Index	(May 1950)	(Mar. 1950)	(Oct. 1949)
In Pre-war Years=100	160.1	174.2	164.9
5.—P. M. H. Index	(1st. half' 50)	(1944)	(1949)
in pre-war years=1	0.751	2.24	0.917
	JAPAN	U. S.	U. K.
6.—Efficiency Real Wage Index ((4)/(5))	213	78	178

C.—Comparison of Efficiency Wages in the Cotton Industry in the post-war years.

7.—(3)×(6)	213	177	281
8.—Index Numbers Japan=100	100	83	131

SOURCES: Japan Textile Association, Wages of the Cotton Industry in Japan; Comment to the so-called "Low Wage Theory," Nov. 1950.
See: Shigeru Fujii, "Dumping and Exporting price of Japan." "Sekai Keizai." Journal of the Institute for World Economy, Tokyo, Feb. 1953.

The index numbers of this table may not be precisely comparable because, these figures are calculated indirectly from the comparison of the efficiency rewards in the pre-war years, with those in the post war years and moreover the dates of the figures were not the same. However, they are useful to our purpose, as they give us only an approximate figure.

This table shows the changes in the competitive power of the cotton industry in each country, during the pre-war and post-war years. During the pre-war years, the competitive power to export in Japan, is shown to have been so dominant that the efficiency rewards in Japan were running less than a half of those in the United States, and about 50% below, than those in the United Kingdom. However, the productivity in the United States, after the war, doubled their pre-war level, but those in Japan and the United Kingdom, remained below their pre-war level. As a result, the efficiency wages in Japan, more than doubled the level existing before the war; those in the United Kingdom, became 80% above and on the contrary, those in the United States, were 20% below their pre-war level, owing to the fact that real wages increased almost in the same proportion in each country.

The efficiency wage index of the post-war years, shows that the competitive power of Japanese cotton industry, became inferior to that of the United States, although somewhat above to that in the United Kingdom. Thus, Fujii indicates, that if efficiency is taken into consideration, there is not much difference between the efficiency rewards of Japan, the United States and the United Kingdom, even if the absolute level of wages in Japan is much lower than those of other countries.

It is certain that the money wages in Japan still remain at their low level, in contrast to the high money wages in the United States and the United Kingdom. But, this is due to the over-populated structure and post-war weakening of the national economy of Japan. We can conclude, therefore, that if we consider the structure of the Japanese national economy and especially the reduction of the productivity of labour, and the considerable increase of real wages, we might say that the low, absolute level of wages in Japan does not indicate the existence of social dumping, as unfair competition.

In regard to the structural dumping, the following table of domestic and export prices, in Japan, as compared with those in the United States and the United Kingdom will show the inflationary disequilibrium in Japan.

	JAPAN		U. S.		U. K.	
	domestic price	export price	d. p.	e. p.	d. p.	e. p.
1949	100	100	100	100	100	100
1950	118	87	104	97	114	105
1951	164	136	116	111	139	123
1952	167	127	113	110	141	130

Sources: U. N. Monthly Bulletin of Statistics. Base year is converted from 1948 to 1949, in which year, the single rate of exchange was fixed in Japan.

In the United States, the domestic wholesale and export prices, took very similar changes and there is no marked divergence between the two price indexes. In Japan, both prices moved quite differently and differed from each other, especially in the years 1951 and 1952. In 1952, the wholesale price went up, but export price sunk considerably. In England, the domestic price became higher in 1952, only accompanying a similar export price, while the domestic price in the United States, became lower in that year, accompanied by a lower export price. In 1952, Japanese exports were dwindling, owing to the high domestic price and import restrictions of foreign countries which worsened the balance of payments in Japan.

Thus, there appeared a spurious dumping, forced by the deeply rooted structural disequilibrium in the Japanese economy. Japan is now trying to overcome her unbalanced economy through the deflationary policy, which is, however, quite doubtful that it may attain success. Furthermore, exchange depreciation cannot be easily introduced to cure the situation. Perhaps Japanese exports will, owing to the structural necessity, continue in appearance their price discrimination. But, this spurious dumping might be permitted for a while during which, Japan can gradually correct her economic structure, distorted through the war.

Fair competition means, a competition of economic or productive efficiency but, does not signify the destruction of a weak country by a strong one in the world economy. Japan has only attained now, the 35% export level of the pre-war years and is struggling for an existence, only allowed about 20 years ago.

In these circumstances, Japanese dumping, so to speak, might be regarded not as an unfair method of competition but, as fairly acceptable in a world economy of co-existence and co-prosperity.