

CHAPTER IV
COTTON EXPORTS

THE cotton industry illustrates aspects of post-war history quite different from those brought up in our studies of ship-building and house-building. Before the war it supplied, broadly speaking, the whole of our domestic needs ; " but for the absorption of at least three-fourths of its production it was dependent upon its export markets ".¹ Hence for our present purpose the interest of the cotton industry is focussed upon its activity for exports, and this chapter will be concerned only with that.

Before the war cotton exports were the most important among the exports of the United Kingdom. In 1913 the value of exports of cotton piece goods was £97·8 millions out of total exports of United Kingdom produce of £525 millions. Exports of yarn amounted to a further £15 millions. The following tables, given by Daniels,² show approximately the variations of the exports of the different kinds of cotton piece goods and of yarn, by quantity and value, for the war and post-war years, as a percentage of the 1913 figures.³

The lines in these tables most important for our purposes are, of course, those giving aggregate quantities, particularly the one in the piece goods table. In what follows, attention will be confined to piece goods, no further reference being made to yarn, which is comparatively unimportant.

¹ *Is Unemployment Inevitable?*, chapter by Daniels, p. 306.

² G. W. Daniels, London and Cambridge Economic Service, Special Memorandum, No. 8.

³ The trade statistics were given in square yards from 1920, but after 1921 the linear yardage was also given, to enable comparison to be made with previous years. It is linear yardage which has been used in making these comparisons. Since the average width of cloth exported increased, particularly in exports to South America, this is not a completely satisfactory basis.

EXPORTS OF COTTON PIECE GOODS
(In millions of linear yards and £ thousands)

Description		1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924
Grey unbleached	Q.	2,357	86	70	57	48	32	36	39	38	61	61	60
	£	27,408	84	64	65	78	90	128	191	101	132	116	146
White bleached	Q.	2,045	82	74	90	84	59	53	71	48	65	63	69
	£	27,054	78	68	99	124	152	180	327	143	145	134	154
Printed	Q.	1,230	76	56	76	79	66	56	85	42	52	60	58
	£	16,744	76	58	96	130	164	193	392	160	136	146	146
Dyed in the piece	Q.	1,151	76	61	81	80	65	64	90	44	64	71	74
	£	21,739	81	70	110	139	173	243	422	160	168	170	154
Coloured cottons	Q.	290	72	69	74	77	65	61	89	46	60	79	62
	£	4,817	74	74	93	126	160	205	400	182	157	183	153
Total piece goods	Q.	7,075	81	67	74	70	52	50	65	43	61	61	65
	£	97,776	81	66	91	115	142	182	323	140	146	142	157
Average price per yard	..	3.32d.	100	99	119	164	271	367	496	326	239	234	239

EXPORTS OF COTTON YARN
(In millions of lbs. and £ thousands)

		1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924
Yarn	Q.	210	85	90	82	63	48	77	70	69	96	69	78
	£	15,006	79	69	89	111	143	226	317	159	176	140	185
Average price per lb.	..	17.14d.	83	76	109	176	294	292	453	230	184	203	239

It should be noted that the heavy fall recorded in the post-war period is in some measure illusory; because, as a partial offset to reduction in quantity, there was some improvement in quality. Daniels and Jewkes, in a paper before the Manchester Statistical Society in 1927, estimate that, when allowance is made for this, the average export of piece goods in 1922-4 should be put at 72 per cent of the 1913 quantity, instead of at the 62 per cent which is shown when change in quality is ignored. Part of this change in quality was due to the fact that exports fell off more in markets which had been taking cheaper cloth than in those mainly interested in the finer types. Obviously, however, when full allowance has been made for quality

changes, the broad effect of the figures in our table is only mildly mitigated.

To interpret the significance of this post-war history it is necessary to consider separately the different principal markets in which our cotton exports are sold ; for they were not all affected by the same influences. The most important group of markets are in the Far East — India, China and the Dutch East Indies, India holding easily first place. In 1913, of our total exports of cotton piece goods measured in linear yards, 43 per cent went to India, 10 per cent to China, 4 per cent to the Dutch East Indies, making 57 per cent to the Far East as a whole. The two next important groups of markets are in the Near East, comprising Egypt and Turkey, which in 1913 took respectively 3 and 5 per cent of our piece goods exports, and South America, which took 9 per cent. The remaining principal markets, the Dominions, Europe and Africa, took round about 5 per cent each.

The post-war collapse in the Indian market was very serious. For quantities in linear yards of cotton piece goods, with the 1913 figure written as 100, we find for British exports to India, according to the Annual Statement of Trade of the United Kingdom :

1919	1920	1921	1922	1923	1924	1925
25	42-43	34	43	44	51	44

Three main factors were responsible for this development : decreased consumption in India, increased home production there, and increased importation from countries other than Great Britain. The decrease, as against 1913, in consumption was presumably due to war-induced poverty, though it should be noted that consumption in 1913 was at an abnormal level, some 17 per cent more than the average of 1910-14. Home production, which was already expanding

before 1913, was stimulated by the difficulty of obtaining imports during the war. The following table prepared by Mr. Corlett shows for fiscal years (April to March) Indian mill production, total imports, imports from the United Kingdom, and net balance available for consumption after allowing for exports and re-exports. A final column is added for British exports to India per calendar year, as given in the Annual Statement of the Trade of the United Kingdom. The table makes no allowance for the production in India by hand-looms. An estimate by Daniels and Jewkes puts this for the average of 1910-14 at 1056 million yards and for 1922-6 at 1226 million yards annually.

COTTON PIECE GOODS
(Millions of linear yards)

Year (Fiscal years April- March)	Indian Mill Production	Total Imports	Imports from United Kingdom	Net Balance available for Consumption after allowing for Exports and Re-exports	United Kingdom Exports to India (3 months earlier)
1913-14	1164	3197	3104	4210	3057.4
1918-19	1451	1122	867	2310	935.4
1919-20	1640	1081	976	2435	767.8
1920-21	1581	1510	1292	2883	(1300)*
1921-22	1732	1090	955	2587	1038.6
1922-23	1725	1593	1453	3087	1307.6
1923-24	1700	1486	1319	2960	1337.0
1924-25	1970	1823	1614	3557	1553.2

* A rough estimate since the statistics for this year were only given in square yards.

Comparing columns 3 and 4 of this table, we find that in no single post-war fiscal year did the fall of Indian imports from Great Britain exceed the aggregate fall of Indian imports by more than 125 million yards; and in none would the contraction of imports from Britain have been as much as a tenth less than it was, even if there had been no substitution of imports from other countries for British imports. It is thus apparent that the *main* cause of our loss of trade to India was contraction in Indian consumption

and growth in Indian production — not the ousting of our exports by foreign competition. That cannot at the most have been responsible for more than a very small proportion of the total decline.

Nevertheless, competition, mainly competition from Japan, had considerable significance, more especially as a prelude of things to come. The following table, taken from the *Review of the Trade of India*, shows the share of the United Kingdom and Japan in the imports of cotton piece goods into India and gives separate figures for the main types :

Year	Total		Grey		White		Coloured	
	U.K.	Japan	U.K.	Japan	U.K.	Japan	U.K.	Japan
1913-14	97.1	0.3	98.8	0.5	98.5	.	92.6	0.2
1918-19	77.3	21.2	64.3	35.4	95.9	3.7	88.5	9.1
1919-20	90.3	7.0	87.1	11.8	96.6	0.9	89.9	5.0
1920-21	85.6	11.3	72.4	25.9	96.9	0.9	91.8	3.3
1921-22	87.6	8.3	82.8	13.1	97.8	0.6	88.0	3.6
1922-23	91.2	6.8	89.5	9.6	98.2	0.6	86.9	6.3
1923-24	88.8	8.2	85.2	13.7	97.0	0.6	87.4	6.7
1924-25	88.5	8.5	86.0	13.0	97.1	0.8	83.1	10.0

The "Total" column in this table shows the proportion of the trade in cotton piece goods for India that was lost to Japan. The other columns show that the loss was not general to all types of cotton goods, but had been particularly heavy for grey goods. In whites the Japanese trade still continued very small. The grey class, however, had been the most important in the Indian imports before the war ; for in 1913-14 the imports of greys were 1534 million yards out of the total of 3197 millions. It still remained the most important in the years after the war. Thus in 1919-20 imports of greys were 533 million yards out of a total of 1081 ; in 1922-3 they were 931 millions out of 1593.

The success of the Japanese in the post-war period was

due partly to the fact that during the course of the war, when exports from this country were severely handicapped, they had succeeded in establishing business connections. In 1918-19 the imports of cotton piece goods from Japan were well over one-fifth of the total imports into India. For greys the imports from Japan were 35.4 per cent of the total. As can be seen from the table above, there was a tendency to return to the old source of supply in the prosperous year 1919-20, but some of the ground regained then was lost again in the following year. A second reason was the post-war poverty of India and, in particular, the unfavourable terms of trade, with which she, like other mainly agricultural countries, was confronted. This made it difficult for her to pay for high-quality British cotton goods, so that lower grade Japanese goods took their place. A third reason is the fact that in the Japanese industry a large proportion, perhaps 50 per cent, of the raw cotton used was Indian grown, whereas this country, of course, depended almost entirely on American and Egyptian cotton. In 1913-14 the price per pound of Indian No. 1 fine cotton was 5.62 pence, 77 per cent of the price of American Middling; in the post-war period it was somewhat smaller, only a little over 70 per cent. This, for what it was worth, made things easier for the Japanese. The great scale on which their cotton industry expanded is shown by the fact that, whereas in 1913 they had 24,224 looms (already more than double what they had in 1907), in 1918 they had 40,391; in 1920, 50,588; in 1922, 60,765; and in 1924, 64,225. It must be remembered further that in Japan, after the war, working hours were twenty-two a day in two shifts, so that their machinery, when compared with that of Europe, was equivalent to more than double the figure shown.

In China, to which, as we have seen, some 10 per cent of our total exports of cotton piece goods went before the

war, the course of our post-war trade is shown in the following table of indices :

1918	1919	1920	1921	1922	1923	1924	1925
100	42	67-8	32	47	36	45	27

The same sort of decline as we saw in India is visible here ; in the first few years it was not quite so serious, but in the last three it had become worse. The causes, however, were in part different. The factory industry in China, though absolutely small, showed a very great proportionate increase in size during the war and early post-war years, the number of looms increasing between 1915 and 1923 from 4564 to 22,477. Daniels and Jewkes, in the paper already cited, estimated the mill production of cloth to be 27 million pounds in the post-war period, as against 10 million before the war. For the same period they estimated that the hand-loom production in China had risen from 570 million pounds to 870 million pounds. This kind of production seems to have been greatly stimulated when the price of imported piece goods rose, because the population were too poor to pay the higher prices. The increase in consumption as a whole was substantially less than that of home production. Nevertheless, Daniels and Jewkes estimate that, after allowing for imports and exports, it had risen from 887 million pounds to 1162 millions — a development very different from that of India. As with all statistics used for China, partly on account of the difficulty of estimating hand-loom production and partly because of the imports via Hong-Kong, the figures must be treated with great caution. It seems, however, that, far from decreased consumption having been a cause of lost trade in China, consumption actually increased by something like 275 million pounds.

The estimate made by Daniels and Jewkes of the excess

of imports over exports was 307 million pounds in the pre-war period and 265 million pounds after the war — a drop of 42 million pounds, or about 14 per cent. This is very much less than the drop in exports of cotton piece goods to China from the United Kingdom, and can have had little to do with it. Competition from rival sellers, particularly Japanese competition, was the main factor at work. The following table shows the percentage share of the United Kingdom and Japan in the imports of China reckoned by weight :

Exporter	1912	1913	1921	1922	1923	1924
United Kingdom	55	50	27	32	28	30
Japan . . .	18	23	57	54	59	58

Thus the United Kingdom had lost its predominant position in the Chinese market, and that place had been occupied by Japan. The main reason was once again that the inhabitants could only afford to buy the cheaper Japanese goods. Mr. Barnard Ellinger, in a paper before the Manchester Statistical Society on 12th January 1927, held that the Japanese advantage lay, not so much in their closeness to the market, as in the fact that they concentrated on the mass production of one type of article.

The other main Far Eastern market was the Dutch East Indies, to which 304.9 million yards had been exported from the United Kingdom in 1913. The comparative figures for the post-war years, as percentages of 1913, were as follows :

1910	1920	1921	1922	1923	1924	1925
41	80	62	52	53	53	75

There is once again the same tendency to fall off, but it is not as bad as in the other two Far Eastern markets. Before the war the imports into the Netherlands East

Indies had been shared almost equally by Great Britain and the Netherlands. There had been negligible imports from Japan. After the war Great Britain had gained slightly on the Netherlands, but the imports from Japan had risen to about 20 per cent of the total.

The Near East markets comprise in the main Egypt and Turkey. Our exports to Egypt in 1913 were 266.6 million yards, and to Turkey they were 360.7. The following table shows the post-war percentages :

Importer	1919	1920	1921	1922	1923	1924	1925
Egypt .	69	126	94	89	92	86	105
Turkey .	92	84	62	68	72	64	75

Although there was a decrease in this region, the post-war situation was not nearly as bad as in the Far East. Our exports to Egypt had remained on practically the pre-war level, and, while those to Turkey had declined rather more, they were still fairly high. In this area the main source of increased competition had been Italy. The percentage of imports into Egypt of cotton piece goods from Italy had been about 6 per cent before the war and had risen to about 20 per cent by 1923-5. Most of the rise took place in the early 'twenties. The reason is to be found in the disturbed state of the market and also in the greater cheapness of cloth from Italy.

The other main area for our piece goods exports was South America, to which 672.9 million yards were sent in 1913, 199.1 millions of these going to the Argentine. The post-war percentages, as against 1913, for the Argentine and for the whole area, were as follows :

Importer	1919	1920	1921	1922	1923	1924	1925
Argentine .	54	89	57	80	96	82	87
South America	42	78	53	101	82	80	83

Thus, except in 1921, our exports to this area kept up fairly well after the war. In the Argentine, where there was very little production, the main source of imports before the war had been the United Kingdom, which had supplied about half of the total, and Italy, which had supplied about a quarter. These proportions were almost maintained after the war, but imports from the United States had increased to about 15 per cent from under 1 per cent. A large part of that gain was lost in 1923 and 1924. Imports from Japan also increased slightly. Similar conditions prevailed in the other South American markets.

Little need be said of the other main groups of markets. The following table shows our exports to them in million linear yards in 1913 and the percentages of the 1913 quantities which were exported in the post-war years :

Importer	1913	1919	1920	1921	1922	1923	1924	1925
Dominions .	393.2	39	74	53	101	82	80	83
Europe .	369.7	200	102	46	149	89	120	139
Africa .	333.2	..	81	53	71	80	82	105
U.S.A. .	44.4	92	234.6	126	217	389	355	197

Thus our exports to Europe after the war were larger than before, but this was partly due to the export of some grey goods to be finished there. The African markets suffered through the reduction of the relative export prices of some of the main African products, causing the purchasing power of the inhabitants to be reduced. The most striking feature of the table is the increase in our exports to the United States, in spite of tariff increases. The total quantity was not large in relation to our total exports of piece goods, but what were sent to the United States were mainly goods of high quality. The purchasing power of the inhabitants being high, they were able to afford this class of goods and so to buy more from Great Britain.

It remains to summarise with a somewhat closer dating

the movement of our exports of cotton piece goods in the aggregate. During the war these had inevitably been much contracted ; at its close it would have been natural to expect an immediate improvement. In fact, however, in the early part of 1919 depression deepened. This was attributed by some writers to cable delays with Eastern markets causing contracts to be lost. But there was probably a more important cause at work. Purchasers were hopeful that the high prices then ruling would fall and that, if they held off the market a little longer, they would get the advantage of that fall. On later happenings the following table throws light. It gives, by quarter years, the quantities of exports of cotton piece goods in millions of linear yards for 1919 and millions of square yards for the later years.¹

Quarter	1919	1920	1921	1922
I	647.6	1123.9	726.0	894.9
II	830.4	1272.9	485.0	955.9
III	885.1	1143.9	655.3	1217.4
IV	1160.6	894.7	1035.9	1115.5
Year	3523.7	4435.4	2902.2	4183.7

These figures show that, after the first quarter of 1919, during the year of Boom, April 1919–April 1920, there was a strong expansion, though aggregate exports of cotton goods were still very much less than in 1913. During the Slump there was a heavy fall, beginning in the third quarter of 1920 and covering the second quarter of 1921. For 1921 as a whole the table on p. 96 shows exports as less than half what they were in 1913. From the third quarter of 1921 over the next stage of the Slump there was a recovery.

¹ The approximate rate of conversion from linear to square yards is 1 square yard=1.04 linear yards. Thus the total for 1921 in linear yards was 3018, and for 1922 was 4351.

This was maintained and continued in the Doldrums, so that exports in 1924 were as good as in 1920. In no completed year throughout our period did they attain to as much as two-thirds, or, allowing for changes in quality, say three-quarters, of their pre-war volume.