ASPECTS OF JAPANESE SHIPPING HISTORY

Discussion Paper
No.JS/99/376
November 1999

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Preface

A symposium on Aspects of Japanese Shipping History was held at the Suntory Centre on 5 March 1999. One speaker was Professor Peter Davies, of the History Department at the University of Liverpool, who also serves as President of the Centre for Port and Maritime History in Liverpool. Professor Davies has written extensively on the history of shipping, and on Japan has worked with Tomohei Chida to produce *The Japanese Shipping and Shipbuilding Industries* (Athlone Press, London, 1990). Professor Kunio Katayama, the second speaker, is a member of the Faculty of International Studies at Osaka Gakuin University, and was at the time visiting Clare Hall, Cambridge. Professor Katayama is an expert on maritime history whose most recent English language publications include 'The Expansion of Japan's Shipping Interests before the Sino-Japanese War' (in D.J. Starkey and G. Halaftis (eds.)), *Global Markets: the Internationalization of the Sea Transport Industries since 1850* (University of Newfoundland, 1998).

We are grateful to both authors for allowing us to reproduce their papers here.

Janet Hunter
November 1999

Abstracts

Peter Davies in his paper outlines the major trends in the development of Japan's commercial shipping prior to World War I. The paper focusses in particular on the role played by the Japanese government, arguing that the promotion of the industry was undertaken primarily not for commercial, but for strategic imperialist reasons.

Kunio Katayama's paper focusses on Japanese shipping policy in the years immediately prior to the Sino-Japanese War of 1894-5. Using analysis of parliamentary debates over subsidies for shipping and prize-winning essays on the topic, the author contends that public opinion in favour of the creation of major overseas shipping lines was well established prior to the war, and that these plans were conceived for economic and commercial reasons, and not imperialist and strategic ones.

Keywords: Japanese shipping industries.

Japanese Shipping and Shipbuilding: An Introduction to the Motives Behind its Early Expansion

by

Peter N Davies

I

When the Meiji Government came to power in 1868 it quickly decided to give a high degree of priority to the development of its shipping industry. This was then technically very backward and so undoubtedly required much support if it were to compete with international rivals. However in view of the other enormous task facing the new Administration it is a matter of some debate as to what persuaded the ruling elite to favour this course of action. Some scholars, including Professor Kunio Katayama, are convinced that their prime motivation was *commercial* while others, including myself, believe that this was secondary to what were essentially *strategic* decisions to strengthen Japan's imperialist ambitions. It is hoped that this paper will make a useful contribution to this discussion by outlining the relevant events. These will then be analysed and a tentative conclusion will be suggested.[1]

II

Prior to the Tokugawa period Japanese vessels had ranged over large areas of what is now known as Indonesia, the Philippines and even part of Australia as well as the Asian mainland. The onset of the era of seclusion ended any long-distance voyages and the only journeys which were permitted were by small, wooden, sailing vessels known as *wasen*. These provided inter-island and coastal services which, given the geography of Japan, were vital to maintain the economy. Indeed without them it would certainly not have been possible to have fed the population of Tokyo, which had reached one million by 1800. Over the era many improvements were made to the *wasen*[2], but the arrival of Commodore Perry in 1853 showed the enormous extent to which Japanese shipping technology had fallen behind that of the West.

Over the next 15 years this topic was widely discussed amongst the ruling elite. This was partly because it was believed to be the key to colonial expansion and the domination of trade which the Western powers were exploiting so successfully. As the first practical step the Shogunate and many of the *han* acquired technically advanced ships – sail from North America and steam from mainly Britain – so as to gain experience with the latest developments; but little could be achieved until after the formation of the Meiji Government in 1868. When this came to power it faced the need to undertake the complete modernization of Japan's armed services and its political, economic, educational and social institutions. Nevertheless, the new regime indicated that it was prepared to give the creation of modern shipbuilding and ship-operating industries considerable support. The vessels it had inherited from the Shogunate plus a number that were acquired when the Government replaced the old *han* with prefectures in 1871 were placed in a state-controlled concern which then attempted to run commercial services. These proved to be unsuccessful, partly because of an unsuitable structure, but mainly because of the competition provided by a private line, which by 1874 had become known as the *Mitsubishi Shōkai*[3].

In the same year Mitsubishi's enterprise in operating viable services between Tokyo, Osaka and Kochi was strengthened by an unexpected bonus. The Japanese Government had planned a military expedition to Formosa on the basis that their troops would be carried in chartered, foreign vessels. When this proposal was vetoed by the principal powers it was decided to use Japanese tonnage and thirteen steamships were purchased for this purpose. These were entrusted to Mitsubishi who managed them for the length of the campaign. Then, when it had been successfully concluded, the Government showed its gratitude by allowing Mitsubishi to retain the vessels for a purely nominal fee. This generosity was not without reason. The Government appreciated that at this stage of Japan’s economic development one strong line was preferable to a number of weak ones, and so it gave all of its support to what it regarded as the most promising firm. This was further demonstrated when the state divested itself of all its remaining vessels which, again, were handed over to Mitsubishi at nominal cost.

These events then encouraged the company, now re-constituted as the Yūbin Kisen Mitsubishi Kaisha, to increase the range of its activities. It established its own marine training school so that a start could be made in the replacement of expatriate deck officers with Japanese nationals. Then, with the aid of its additional capacity, Mitsubishi further developed its coastal routes and also commenced a new service between Yokohama and Shanghai. The inauguration of this China line brought the firm into conflict with the (American) Pacific Steamship Company, and this was only ended when Mitsubishi (with the aid of the state) was able to buy the ships and the shore facilities which their rivals had utilised on that route. Mitsubishi’s strength was further tested when, in 1876, the P&O Line attempted to secure a footing in the trade. A six-months’ freight war followed before the British Company was obliged to give up the fight.[4]

In 1877 the outbreak of the Satsuma Rebellion gave Mitsubishi a second opportunity to aid the state. With the exception of those vessels employed on the Shanghai run all of its tonnage was placed at the disposal of the Government. The excellent relationship which this engengered can be judged by the high level of support which Mitsubishi received to aid its commercial activities once the revolt had been put down. However, the extent of the patronage Mitsubishi received, and its close connections with the Reform Party (*Kaishintō*) proved to be counter-productive, since it provoked demands for funds for a second and third line. This pressure could not be resisted indefinitely, so in 1882 the Government provided half of the capital to fund a new firm, the Kyōdō Unyū Kaisha. This was based on a number of existing companies and their vessels, together with some provided by the state and others purchased from abroad, were then operated in opposition to the Mitsubishi services. In practice this meant that both lines suffered heavy losses, so after several abortive attempts at co-operation the Government ordered them to amalgamate. This was achieved in 1885 and resulted in the establishment on the *Nippon Yūsen Kaisha* as the sole state-aided firm.[5]

In order to encourage this merger the Government guaranteed an 8% annual dividend on the company's capital. In return it was agreed that NYK's vessels would be used to provide fourteen specified services. These 'ordered routes' were mainly around Japan, but also included short sea services to China, Korea and Asiatic Russia. When it was first formed the company was a semi-official organisation, but as a result of changes to its structure in 1892 it became an entirely private enterprise. In the same year it entered into deep-sea trade by commencing a service to carry cotton from Bombay to Kobe.[6]

While the NYK was thus developing into Japan's major ship operator other firms were also being attracted to the industry. The growth of the economy was such that fresh opportunities frequently arose and in the Osaka region many firms acquired small steam vessels. By the early 'eighties' seventy companies were involved with over a hundred steamers, but the unco-ordinated growth of tonnage was tending to make the business unprofitable. This situation then persuaded a majority of the ship-owners that they should join together to form a single body and this decision resulted in the establishment of the Osaka Shōsen Kaisa in 1884.[7]

Unfortunately, the new line did not include all of the Osaka owners and those who had chosen to remain aloof continued to provide a strenuous opposition. This proved to be so damaging that the future of the OSK was in some doubt until, in 1887, the Government decided to subsidise the firm for an initial eight-year period. In return the OSK agreed to provide regular services west of Osaka and with the aid of the state subvention these were gradually extended beyond the Inland Sea until they reached Korea.

III

The establishment of the NYK and the OSK provided Japan with two large shipping companies whose operations were very similar to those of many British firms. The vast majority of their ships were purchased in Britain until well into the twentieth century and, as many western deck officers and engineers were employed, British influence was very marked. Even in this sphere, however, there was a major difference in the structure of the British and Japanese maritime organisations. British lines frequently competed with one another in the same trades although after 1875 their rivalry tended to be muted by the growth of the conference system.[8] The Japanese, however, adopted a system similar to that utilised by the German industry so that their two *shasen* or regular lines were encouraged to operate on routes where they could not come into conflict.[9]

Japanese policy in concentrating its support on just the two *shasen* lines was further strengthened during the Sino-Japanese war (1894-5). This created large demands for additional capacity so the NYK purchased nine ships as soon as the war with China commenced and the Government subsequently bought a further fourteen which were then added to the company's fleet.[10] Once the war was over the increased tonnage at its disposal encouraged the company to find alternative outlets for its vessels and a service to Europe was begun in 1896. In the same year the NYK opened a trans-Pacific line to Seattle so more of its additional ships found profitable employment on that route, but an attempt to establish a service to Australia was frustrated when Oriental emigrants were restricted from entry to that continent.[11]

While the structure of the Japanese 'regular' or *shasen* lines may well have followed western forms and practices the remainder of the industry evolved in a very different manner. The private opposition became known as the *shagaisen* (literally 'outsiders'), and these developed a particularly Japanese character. They had mainly originated as owner-operators of traditional, wooden, sailing ships (or *wasen*), but the opening up of the Japanese economy had dictated major changes to this section of Japanese shipping.

It was clear to most of these owner-operators that if they wished to stay in business they would have to adopt the most efficient vessels that western technology could offer. For two or three decades after 1853 a number experimented with imported sailing ships but the more progressive gradually realised that the future lay with the metal-hulled steamer. However, the purchase and operation of this type of vessel obviously required substantially larger amounts of capital as well as a different degree of expertise and not all were prepared to accept this new challenge.

A major division then occurred amongst the shipping entrepreneurs. Those who wished to continue as operators found it necessary to acquire additional sources of finance, while those who decided to retire from active participation in the trade needed to find an outlet for their redundant capital. To an extent these problems tended to solve themselves so that two new groups began to emerge. The first of these became operators of ships in which (at best) they had only a limited financial interest, while the second invested in vessels which they had no intention of using themselves. In the course of time these distinctions became institutionalised and an essential part of the industry's structure. Such arrangements were not unknown in western countries but their very scale made them a special feature of Japanese shipping. This can be clearly seen by comparing the ways in which British and Japanese firms expanded their fleets. For the former this was entirely a matter of internal concern although it might involve consultation with their bankers and even a new issue of shares. For the Japanese it meant that negotiations with individuals or firms would be undertaken so that the necessary amount of additional tonnage could be arranged on permanent charter. Thus in many cases ships were specially built for specific trades and the guarantee of employment consequently reduced much of the financial risk for the potential investors.

IV

It should be appreciated that the *shagaisen* companies received little or no state aid towards their operating costs. Thus in the period up to 1894 almost all of their activities were confined to Japanese home waters and only a few vessels ventured further afield. At a later stage they were able to establish a niche in a number of short-sea trades and the 1920s were operating both tramp and liner services throughout the world. This steady progress was greatly aided by the strong links which many *shagaisen* firms established with Mitsui Bussan and Mitsubishi Shōkai so that they became an integral part of the *sōgōshōsha* (general trading company) system.

It is also important to understand that it was far easier for Japan to enter international ship-operating than it was for her to commence ship-building on any scale. In the former case the *tools of the trade* (the ships) could be acquired from abroad with little difficulty. On the other hand the formation of ship-building capacity required the support of strong steel and engineering industries for its output to be competitive with imports – sectors which were not fully developed until the 20th century. Thus until 1896 the average size of the merchant vessel constructed in Japan was under 250 gross tons while imported foreign ships averaged nearly 2,000 gross tons.[12] In that year the National Promotion Law provided support for the construction of vessels over 1,000 gross tons and in 1898 the operating subsidies for foreign built ships were reduced to only 50% of those allowed to domestically produced tonnage. These measures enabled Japan to acquire the facilities to build all types of ship but their cost continued to be well above international (especially British) levels. As a result 50% of merchant ships were still being imported in 1910 but this situation was, of course, to be dramatically changed for the duration of the First World War.

V

In general terms Professor Katayama's work suggests that the principle motivation for the expansion of Japanese shipping was commercial and not imperialistic. However, I would suggest that the evidence does not support this view and that at the very least these motives carried equal weight with those in power.

From an economic point of view it could easily be argued that at this stage of her development Japan should not have attempted to arrange her own ocean transport. This was, of course, because the Western nations were ready and willing to carry Japan's overseas trade at freight rates which could not be remotely approached by unsubsidised potential national carriers. In addition, any possible gains, e.g. savings in foreign currency, would be greatly offset by the need to operate mainly foreign built tonnage. The early Meiji Period was also an era when a huge number of essential projects were desperate for the limited amount of capital then available. A few examples of cases where scarce resources could have been more profitably employed include the educational sector, the cotton industry and the rail network.

However, in spite of these favourable alternatives successive Governments felt obliged to invest large sums in support of its shipping. To a large extent I would argue this was because of the ongoing belief that it was the control of communications which had enabled the West to secure a grip on trade and hence the emergence of formal or informal colonies. Thus almost from its inception the Meiji Government took steps to protect its coastal and inter-island routes and successfully resisted the possibility of foreign intervention – this was certainly a decision based on strategic as well as commercial criteria.[13]

The decision to invade Formosa (Taiwan) in 1874 was then to transform Mitsubishi from a small coastal operator to a substantial concern able to operate deep-sea vessels. The failure to be able to charter foreign ships for this enterprise was a great mystery to the Japanese but, in the event, it confirmed the Government's view that it must have its own merchant fleet if if were to control its own destiny. Once the invasion had been completed Mitsubishi acquired the tonnage purchased by the state on a permanent basis. It then faced the problem of attempting to operate these ships profitably. This, in turn, was then to lead the Government to support the line when it sought to enter and remain on the Yokohama-Shanghai route. Further evidence of the value of *in house* domestic, steam-shipping came with the Satsuma rebellion, and thereafter it was accepted as an essential aspect of national policy. As a result relatively large subsidies were subsequently to be made available for the maintenance and expansion of the *shasen* lines' overseas services.

While on this point I would mention that the source quoted by Professor Katayama in his lecture[14] to indicate the subsidies provided by other nations is not particularly relevant as it takes no account of the scale of the merchant fleets concerned. In any event the provision of national assistance – which is a most complicated affair – does not rule out the fact that economic forces were also at work. As Professor Katayama rightly points out the growth of overseas trade during the 1880s provided a much sounder basis for the development of specific services – the

Kobe to Bombay cotton trade being a prime example. This was especially important as it enabled the NYK to subsequently break into the Far Eastern Shipping Conference.[15] Nevertheless the priority of the state can be seen when the Sino-Japanese War commenced, for virtually all merchant vessels were quickly mobilised for military service. The NYK was then encouraged to extend its fleet and the Government itself purchased 14 large ships which the line operated during hostilities and retained thereafter.

This pattern was to be repeated after the Russo-Japanese War (1904-05) and the First World War (1914-18). Thus it is quite clear that each time the nation was engaged in war its merchant fleet grew more rapidly than in normal times.[16] Although the *shasen* mainly benefitted from the Sino-Japanese War it was the *shagaisen* which gained the most tonnage from later hostilities and then went on to extend their services on a wider scale.

I would thus argue that the growth of the Japanese merchant marine in the period up to 1894 was primarily due to what successive administrations regarded as their essential *strategic* interests. However I fully agree that the firm foundation which this provided was then further developed by *commercial* enterprises, which took every advantage of the state support which was available. It should also be appreciated that by the outbreak of the Sino-Japanese War the rapidly increasing level of Japan's overseas trade was supplying a sound basis for the expansion of the nation's fleet. While foreign carriers could still offer cheaper rates than domestic lines, at least the latter could make a useful contribution towards saving Japan's scarce foreign exchange reserves. This, in my view, is the correct sequence of events, so I would suggest to Professor Katayama that his emphasis requires a little revision.

A final point which supports this opinion and demonstrates the importance which Japan placed on control of the sea can be judged by the evolution of her ship-building capacity. As noted earlier the construction of merchant vessels was still very limited in the early 1890s. At that time the country possessed eleven private builders and their output remained very small. On the other hand the Yokosuka Naval Shipyard was already operating on a substantial scale and its work-force was larger than those of all the civilian yards put together.[17] Surely a significant indication of Japan's real priorities!

Endnotes

[1] This paper is based on a lecture given by the author at STICERD, London School of Economics, on 5 March 1999.

[2] Kobe Maritime Museum contains many examples of these improvements.

[3] The name Mitsubishi is derived from the crest of the Tosa Clan and literally means, ‘three water-caltraps’ – a kind of water weed.

[4] J Hirschmeier and T Yui, *The Development of Japanese Business*, 2nd edition, George Allen & Unwin, London, 1981, p.140.

[5] R Furuta and Y Hirai, *A Short History of Japanese Merchant Shipping* (Trans. D Macfarlane) Tokyo News Service, Tokyo, 1966, pp.113-4.

[6] Ibid., p.114.

[7] Ibid., p.115.

[8] Details of the working of shipping conferences can be found in B M Deakin and T Seward, *Shipping Conference. A Study of their Origins, Development and Economic Practice,* Cambridge University Press, 1973; Daniel Marx Junior, *International Shipping Cartels,* University Press, Princeton, New Jersey, 1953; and K A Moore, *The Early History of Freight Conferences,* National Maritime Museum, Greenwich, 1981.

[9] Henry Hauser, *Germany’s Commercial Grip on the World,* Eveleigh Nash, London, 1917) pp.128-9.

[10] *Golden Jubilee History of Nippon Yusen Kaisha, 1885-1935*, N.Y.K., Tokyo, 1935, pp.22-4.

[11] Ibib., pp.33-5.

[12] Tomohei Chida amd Peter N Davies, *The Japanese Shipping and Shipbuilding Industries*, Athlone Press, London, 1990, p.214 (fn.5).

[13] Ibid., pp.6-7.

[14] Katayama, Kunio, ‘The Expansion of Japan’s Shipping Interests before the Sino-Japanese War’, *Journal of Maritime History*, pp.149-61.

[15] Malcolm Falkus, *The Blue Funnel Legend*, Macmillan, Basingstoke, 1990, p.124.

[16] Chida and Davies, op. cit., p.205.

[17] Ibid., p.13 (See also pp.25-8).

Japanese Economic Development Strategy and the Shipping Industries, 1881-1894[1]

by

Kunio Katayama

1. Introduction

From the middle of the 19th century, the international steamship network was increasingly extended into Far Eastern waters. Before the Sino-Japanese War (June 1894 - November 1895)[2], this international network was in the tight grip of European (British, French, German, Dutch and Scandinavian) and American shipping firms. The entry of Japanese shipping into the international network began immediately after the Sino-Japanese War. That is, the major lines of operation by Japanese shipowners to Europe, Seattle, San Francisco and Australia were opened in this period.

After the war in 1895, it appeared that Japan had joined the imperialist race in the Far East and Japanese shipping expansion has often been seen in this context. Shipping activities have frequently been studied in relation to the imperialist passion. I do not argue that Japanese shipping was unrelated to imperialism[3]. However, the close relationship between imperialism and shipping has been somewhat misunderstood because of the Western historical experience. Before the Second World War western shipping power was gigantic and overwhelmed that of other countries. In the case of Britain, the empire expanded all over the world and British shipping became an important element in maintaining the empire. Accordingly people often believed that shipping expansion was inseparable from imperialism. Nevertheless modern shipping is essentially a commercial activity and a support to ordinary commerce.

Therefore, we should not presuppose an inevitable relationship between shipping and imperialism. Good examples of an alternative pattern would probably be Norwegian and Greek shipping. Their shipping expansion was tremendous, but, most people would not consider them imperialist states[4]. The present paper examines Japanese enthusiasm for shipping growth before the Sino-Japanese War and emphasises its purely commercial aspect[5].

We can divide international economic activity into two fields: ordinary trade and emigration on the one hand and on the other hand an incursion into the sovereignty of another state to control its economy[6]. It is my view that the plan to expand Japan's shipping before the Sino-Japanese War belongs to the former field. That is, I reject the imperialist nature of Japan's shipping expansion plan before the Sino-Japanese War. I would like to focus on the situation a few years before the war, when there were several moves or campaigns to promote overseas shipping lines in Japan. Japan's eagerness to join the international shipping networks was already obvious. This paper shows the various moves in Japan: those of the shipping companies, the House of Representatives, and the government. In addition, the prize-winning essays on shipping written at that time will be studied. Examination of these moves and essays should reveal the enthusiasm for shipping expansion in the early 1890s.

In order to understand the origin of Japan's overseas shipping lines, we need to take into account various factors, such as the establishment of Japanese shipping in adjacent seas, the comparative advantage of Japanese shipping, the stage of the country's economic growth and the development of international trade. An examination of the details of these subjects is beyond the scope of this paper, and will be the theme of separate papers, but a brief and simple overview of the modern economic development of Japan would be useful in order to appreciate its shipping strategy in the 19th century. In the next section I would like to outline several perspectives which may be useful in understanding the economic development of Japan after 1853.

2. Legacy of the Tokugawa Era (1600 - 1867)

The House of Tokugawa won its final decisive battle of Sekigahara in 1600, and the Tokugawa head was appointed as hereditary Shogun: the Barbarian-Conquering Grand General. The House of Mōri was beaten and its territories were narrowed down into Chōsh• while the house of Shimazu ruled only over Satsuma. It is sometimes said that Japan was ruled under a decentralised feudal system. I would like to make a few comments on this description. First of all, during the Tokugawa era, Japan was fairly centralized because of the nature of the Tokugawa government. The house of Tokugawa was the largest of the territorial lords and it controlled the other lords. The Tokugawa government was more like a federal government. Edo (Tokyo), where the Tokugawa government was located, was the political capital of Japan. Each lord maintained his own large house in Edo and, accordingly, Edo was not only the political centre but also the consumption one. On the other hand Osaka was the mercantile capital: many shipments, particularly rice, came first to Osaka and were then traded and distributed all over Japan, so that Osaka was the most important port city of Japan's home waters. The Tokugawa government placed its governor in Osaka.

Secondly, the samurai were originally and in theory warriors, but during the Tokugawa era there were very few internal disturbances and no external wars. Most of samurai served as administrators and judges. Furthermore many of them were almost entirely separated from farming operations. They were actually hereditary salaried government officials.

During the Tokugawa era transport networks were well developed, though they were rather slow because the general ban on wheeled carriages meant that shipping and horses were the only means of transport. A nation-wide market developed for various commodities, particularly for rice. Influential businesses also appeared such as the house of Sumitomo, the house of Mitsui and so on. Financial institutions also developed. The most important achievement of Tokugawa Japan was probably, in my view, the considerable growth of literacy among the common people. This is the key factor in understanding the Japanese ability to respond to various economic challenges that occurred from time to time thereafter.

On the other hand there were serious defects in Tokugawa Japan. The government was very authoritarian and keen to adopt regulatory measures. Economic freedoms were strictly limited. The emphasis of economic policy was placed on agriculture. The Tokugawa government adopted an isolationist policy in the 1630s. Travelling abroad was prohibited by the death penalty. Building ocean-going vessels was also forbidden. The government monopolized the very limited trade with foreign countries: Holland, China and Korea. Higher education and research were not unified, and little was understood about the important relationship between scientific discoveries and the industrial revolution in the west[7].

It was a serious shock for Japan when China was defeated in the Opium

War in 1842. Some intellectuals began to think that Japan was not sufficiently secure, especially in view of its vulnerability as a group of islands cradled by the Pacific Ocean yet close to the Asian mainland. In 1853 the final blow to the Tokugawa regime arrived with the black gunboats of Commodore Perry which anchored in Tokyo Bay. Perry carried a letter from President Filmore of the US demanding the opening of Japan. That gave rise to a movement seeking reforms, which ultimately led to the total collapse of the Tokugawa government and to the Meiji Restoration in 1868.

3 The reforms after the Meiji Restoration

The Meiji government was a revolutionary one, consisting of leaders who had carried on a successful opposition, including military campaigns, against the Tokugawa government. The Chōshū and Satsuma domains played leading roles, and the Tosa and Hizen domains were their allies. In the name of the emperor they formed a coalition against the house of Tokugawa, and in this respect, the new government lacked the democratic basis that a general election would have granted to it. However, in its early days it effected fundamental reforms in Japan. Feudal rights and regulations were generally abolished. Territorial lords and samurai who had retained hereditary powers to rule the people from ages past were dismissed with a relatively small amount of compensation. These reforms were carried out under the leadership of the founding fathers of modern Japan[8].

As for economic matters, it was a period of great deregulation and liberalization. People, goods and money were enabled to move freely in Japan. Prohibitions and restrictions on international trade and travelling were abolished. Modern statutes that were based mainly on continental

European ones replaced feudal legal systems. A new constitution and a parliament were established, in which members of Japan's Lower House were chosen by restricted popular vote. It acquired the decisive power over the national budget and over major legislation.

The government encouraged the introduction of western methods of production, commerce and finance. Educational systems were also expanded and modernized at all levels. Experts were invited from Europe and the US by the government to introduce legal, economic and technological systems based on western models. Young people were sent to study in Europe and the US for the same purpose. Thus, the basic social systems were greatly reformed. However industrialization and the improvement in per capita GDP was not so successful. The economic growth of Japan in the late 19th century was not as high as the growth realised by the four Asian dragons in the last three decades. Even shortly before the outbreak of the Pacific War, nearly half of the Japanese labour force was engaged in primary industry: agriculture, fishery and forestry. This means that Japan, as the first nation among the Newly Industrializing Economies, faced every possible facet of the trial and error process as it muddled through the critical years of economic take off. Nevertheless it canot be denied that even in the nineteenth century Japan's industrialization made steady progress.

The role of the government has often been emphasized in stimulating the modernization process in Japan. The importance of the government cannot be denied; but I think that its influence is sometimes exaggerated. Accordingly, I would like to present several points that may shed light on this issue.

4. Industrialization

Some foreign scholars describe the situation as if the Meiji government maintained a power over the execution of policy that made the mercantilist policies of Colbert or Frederick the Great pale by comparison[9]. I would say that their judgements are not always correct.

4-1. Limits of government

The government's greatest efforts were directed towards building the social and economic infrastructure in order to modernize Japan. A modern monetary system was evolved. The government encouraged the creation of a railway network, and a telegraph system. Remarkable achievements were made in establishing railways. The main trunk line, the Tōkaidō Line, between Kobe and Tokyo was completed and operated by the government. Other lines were completed by co-operation between private interests and the government. In its earliest days, the Meiji government itself tried to operate various businesses, including model factories: mining, shipyards, shipping, cement, silk, cotton spinning, woollen textiles, glass, bricks, and so on. However, most of these were complete failures due to the government's lack of business skills and the absence of sufficient capital investment.

It must be emphasized that the Japanese government was not, and is not, a big government. In the nineteenth century, government expenditure as a percentage of GDP was around 10%. Even today, the Japanese government cannot be said to raise a very large budget compared to that of many advanced countries. This means that the Japanese government was not financially strong in the nineteenth century, and did not have enough financial resources to carry out the rapid industrialization of Japan.

4-2. The diversion of the policy in 1881

1881 saw great changes in policy. Three issues triggered these changes. The first was a debate on the constitution. Ōkuma Shigenobu, one of the important goverment leaders, produced a radical draft by himself, which angered other leaders, in particular Itō Hirobumi. Secondly, Japan faced inflation due to a crisis of public finance and foreign exchange. Thirdly, newly rising journalists harshly attacked the undemocratic government. As a result, Finance Minister Okuma was sacked from the government. Although Ōkuma had been the most ardent industrial policy supporter, the new Finance Minister Matsukata Masayoshi instituted a severe deflationary policy and promoted the privatization of public businesses. National mines, shipyards, factories and so on were sold to shrewd businessmen. This marked a separation of the government from mercantilism at that time. Direct involvement in mercantile enterprises had been difficult for the government without technology, resources and management skills. Government policy therefore shifted to co-operation with emerging Japanese entrepreneurs in order to develop modern manufacturing industries.

4-3. The early phase of the Meiji modern economic sector

As mentioned above, railways had developed rapidly. Raising of capital for further development of railways was greatly stimulated by the growth of a stock exchange, though obvious railway tycoons did not appear in the Meiji era. The silk industry became important without any significant government assistance. The export of raw silk to the US was the largest earner of dollars before the Great Depression. A cotton yarn and fabric industry was the typical gateway into modern industry for underdeveloped countries, and quite a few Japanese companies concentrated on this business. Indeed, Japan imported enormous amounts of raw cotton.

Generally speaking, the Japanese economy was dominated by the economic doctrine of laissez-faire until the end of the First World War. After the war the world economy entered into an age of economic planning and regulation, and Japan also was influenced by this trend. It culminated in the worldwide Great Depression of the 1930s which although felt in Japan, especially by the working class, was relatively less severe and shorter than in the US and Europe. In Japan the greatest impact of the Great Depression was on politics.

5. Shipping: The exception to the laissez-faire doctrine

5-1. <u>Service businesses concerned with international trade</u>

William D. Wray has pointed out that Mitsubishi - later N.Y.K. - (a shipping company), Mitsui Bussan (which conducted import and export businesses) and the Yokohama Specie Bank (which provided financing for foreign exchange) were the big three service enterprises of modern Japan's international trade[10]. Mitsubishi was a new shipping enterprise founded by the Iwasaki family. It became the leading shipping company after successfully operating ships for the government when Japan carried out the Taiwan expedition in 1874[11]. Mitsui was an old business family. It set up the Mitsui Trading Firm (Mitsui Bussan) in 1876 at the request of government, which appointed Masuda Takashi as the head of the firm. The Yokohama Specie Bank was originally planned by a number of capitalists, and was established in 1880 with the support of the government.

One notable point is that historically Japan's dependency on exports has

been relatively low compared to that of many other countries. Some foreign observers often overlook this fact. However, in order to modernize Japan needed foreign currency not only to import hardware such as western machinery and iron, but also to invite experts from and send students to western countries. In this sense, foreign trade was essential for Japan. These three firms above promoted Japanese international trade in general. The Japanese government strongly supported their establishment. This was a natural response to the abandonment of the isolationist policy. As mentioned above, under the severely restricted foreign trade system during the Tokugawa Period, Japan had not established any institutions for carrying on modern international business. After trial and error in the early Meiji Era, these service firms were created as strategic organs for Japan's foreign trade.
Regardless of the change in industrial policy towards non-intervention in 1881, government support for these three firms was retained. In particular, government subsidies to liner shipping were continued at a very high level.

5-2. The early phase of Japanese modern shipping

The first major liner firm was Mitsubishi Steamship, but Mitsubishi was involved in political struggles, and there was also a lot of antagonism to the monopoly position enjoyed by Mitsubishi. In 1882, an opposition group set up the Kyōdō Un'yū Steamship Co. sponsored by the government. It began to operate liners the following year, 1883. In 1884, another lesser liner firm, Osaka Shōsen Kaisha (O.S.K.) was created under the leadership of Hirose Saihei, Chief Executive of the House of Sumitomo. Conflict was so severe between Mitsubishi Steamship and Kyōdō Un'yū that they were eventually merged to become Nippon Yusen Kaisha (N.Y.K.). The government retained strict supervision over N.Y.K.

Excluded from operating independently as a shipping line, Mitsubishi expanded its business into mining, shipyards, banking, etc.

5-3. Dreams of overseas lines

Ideas of transoceanic shipping lines owned by Japanese companies were current in the earliest phase of the Meiji Era (1868-1912)[12]. These would be lines to Europe, America and Australia. Naturally, they were just paper dreams and difficult to realise at that time because the Japanese people lacked the modern technology and economic competence to participate in the modern shipping world. Although N.Y.K. (Nippon Yusen Kaisha, that is, the Japan Mail Steamship Co.) was established in 1885, for some time its operation was limited mainly to neighbouring waters.

Some people would argue that Japan's choice of the shipping industry as a strategic one is irrational because the shipping industry is very capital intensive and therefore inappropriate for a developing country such as Japan was at that time. This point is interesting and merits consideration in a separate paper. Here I only point out that many Japanese leaders, at that time, considered the maintaining of flag carrying ships to be useful for Japan's foreign trade.

The Japanese government was aware of trends in western shipping policies. For example, the Japanese consul in San Francisco reported in 1883 on the shipping subsidies awarded in western countries[13]. Ranking countries according to the amount of subsidy shown in the report, France ($4,750,000) was in first place, Britain ($3,000,000) second, Italy ($1,540,000) third, Austria ($800,000) fourth, the Netherlands ($284,000) fifth, the United States ($200,000) sixth, Norway/Sweden

($157,000) seventh, Spain ($100,000 for Havana, $20,000 per Manila round) eighth, and Belgium ($100,000) ninth. Around the same time, when N.Y.K. was established in 1885, the Japanese government promised an annual grant of 880,000 yen (about 500,000 US dollars) for 15 years. This was an exceptionally large industry subsidy in terms of Japan's small national budget at that time[14]. It must be noted, however, that the subsidy was spent mostly on maintaining the line between Japan and Shanghai, which was practically a feeder service to trunk lines operated by western companies.

According to the report of an honorary consul in Germany, the German government had not subsidized its shipping lines for a long time. However, in 1884, the consul reported that the German government was preparing a bill to subsidize lines to the Far East[15], and wrote as follows:

> 'The majority of German MPs traditionally have been firm free traders and never agreed with such subsidies to industries. However, the main opposition newspapers seem favourable to this case. Accordingly, many MPs will vote for the bill.'

Actually, his prediction was wrong. In the next report, he wrote as follows:

> 'Although the government introduced the bill to Parliament, it was not accepted in the last session'[16].

However, ultimately, the German government was successful. The next year, the bill was laid again before Parliament and passed[17]. As a result, the North German Lloyd opened lines to East Asia and Australia in 1886 and was annually granted 4,000,000 Marks (a little more than $1,000,000) for 15 years[18]. In the earliest days, this East Asian line started from Bremen for Shanghai calling at Singapore and Hong Kong[19]. Although NDL at first operated a feeder line to Japan from Hong

Kong, it soon extended the main line to Japan[20]. So, in the 1880s, western shipping made remarkable progress further into Far Eastern waters[21].

Japanese consuls reported not only on German shipping expansion but also the new Canadian move. The Canadian Pacific had been building a railway from Montreal to Vancouver. Just after its completion, CP started a connecting shipping service, Vancouver/Yokohama/Hong Kong, in June 1887[22]. This was a notable change for the transpacific route. Thus, international shipping networks were rapidly increasing in the 1880s. Although Japanese people recognised this progress, Japanese shipping itself had not grown enough to follow these moves at that time.

In the 1890s, however, Japan evolved clearer shipping expansion plans. By that time Japan had had some experience in the shipping business and its trade had been to some degree developed. Japan was also interested in Japanese emigration which was seen as a solution to any problem of overpopulation. The plans for the Nicaragua Canal (a proposal that predated the Panama Canal) and the Trans-Siberian Railway, which were major issues then internationally, seemed to offer a great opportunity even for a Japan situated in the Far Eastern corner of the world.

6. N.Y.K.'s Preparations for Overseas Lines

6-1. <u>Three major lines for Japan</u>

The three major lines in which Japan was interested were those to Europe, America and Australia.

Europe: The opening of the line to Europe by Japanese ships was coveted for various reasons. First, it was one of the trunk lines in world shipping. Second, the Japanese wanted their ships to carry their flag to what was seen as the centre of the world. Third, Europe was then the most important trading partner of Japan[23]. This last point was important in relation to the cargo-sharing problem, that is, many Japanese believed that Japanese ships had to share in the carriage of their own trade. Japan had some confidence in relation to overseas shipping due to the successful opening of the Bombay line in 1893, but difficult problems for Japan on the European route were the existing strong competitors and the exclusive Shipping Conference.

America: The line to America was also wanted because the United States was seen as the friendly country that had introduced Japan to international relations, and was also an important trading partner similar to Europe. Japan considered too that the opening of a line would promote Japanese emigration to North, Central, and South America. The N.Y.K. already had experience in carrying Japanese emigrants to Hawaii. One obstacle to opening the lines was the negotiations with the American railways that would provide a connecting service on the West Coast.

Australia: The line to Australia was the one which seemed likely to be established first, though the quantity of trade between Japan and Australia had been quite small. Western shipowners had not operated lines between Japan and Australia. Australia was a great distance from the advanced industrial countries, while the maritime distance from Japan to Australia was not very great. It was expected that Japan would initiate a shipping line to Australia since it had a geographical advantage in doing so. Many Japanese businessmen anticipated that economic development would progress in Australia, and naturally took into account the fact that the number of Japanese emigrants could be expected to increase if the line were opened.

6-2. N.Y.K.'s plans of expansion

N.Y.K. made trial voyages in various waters shortly after its foundation in 1885. It is noteworthy that N.Y.K. ran tramps to Hawaii for transporting Japanese workers. Its ships also steamed several times to New Caledonia and Queensland for the same purpose[24]. As for the American line, N.Y.K. had talks with line operators such as the Mexican government and O&O (Occidental and Oriental Steamship Co.). The Belgian government also proposed a joint operation of the European line. N.Y.K., however, needed support from the Japanese government in order to establish these lines; but the government refused to provide any assistance. The government did not consider the Japanese economy and shipping to be sufficiently developed and decided that such proposals were premature.

However, 1893 saw the further development of N.Y.K. First, the joint operation of the Bombay line by N.Y.K. and the Indian big business company, Tata[25], was successfully started as Indian raw cotton was needed by the growing Japanese spinning industry. Second, negotiations began on the Seattle line, as a result of the bankruptcy of a British shipowner, Mr. Gordon Upton, who had been engaged mainly in carrying Japanese workers to North America. Upton's agent arranged talks between N.Y.K., Upton and the Great Northern (the railway company based in Seattle) with a view to opening the Seattle line[26]. Against this background, in 1893 N.Y.K. drew up a plan to open the three major overseas lines as follows[27]:

I European Line

Yokohama/London	11,980 miles
6 ships	3,100 GRT each

II American Line

Yokohama/Seattle	4,200 miles
2 ships	8,500 GRT each

III Australian Line

Yokohama/Melbourne	7,097 miles
3 ships	2,500 GRT each

N.Y.K. prepared to petition the government to subsidize these lines, demonstrating N.Y.K.'s increasing confidence and eagerness at that time to begin overseas shipping line operations.

7. The Petition by the Japanese Parliament

The Emperor promulgated the first modern constitution in 1889 and the first general election took place in July 1890. It was a restricted popular vote since the law required voters to have paid more than 15 yen (about US$ 12 at that time) per year in direct tax[28], but the election result did reduce the government 's influence. Many newly elected members were on the side of the opposition. In the first session, which opened in November 1890, the government faced severe difficulty with its budget plan because the constitution required the consent of parliament to pass the annual budget.

Shipping expansion was discussed by parliament on 16 December 1892 during the fourth session, when Diet Member Nishiyama Shizumi and eight other members of the Liberal Party introduced in the House of Representatives a proposal for shipping expansion[29]. Nishiyama argued that the existing lump sum subsidy to N.Y.K. had not led to the expansion of overseas shipping and demanded a total change in the method of shipping subsidies. The order of priority should be first the

Australian line and then the European line. The American line and the Vladivostok direct line were also considered, but not regarded as urgent, so should be postponed, to a subsequent occasion. The main points of the proposal can be summarized as follows:

a. To transform the existing subsidy system into one similar to that of many other advanced countries.

b. Not to grant subsidies to domestic lines but only to overseas lines.

c. To put priority on opening the Australian and European lines.

d. To negotiate with N.Y.K. to achieve these reforms.

e. To ask the consent of the House to produce resources for the subsidy when the government should draw up the plan.

Key factors underlying the proposal were as follows. Firstly, the reasons why the priority was put on the Australian line have already been noted above. No regular line existed in those days between Japan and Australia, though the Eastern and Australian Steamship Navigation Company, which was based in Australia, operated a line from Adelaide to Hong Kong and sometimes extended its voyages to Japan. Secondly, at this time the American line was not given top priority, since for the line to the United States Japanese shipowners needed American railway partners on the West Coast who would provide connecting services. As Japanese shipowners had not found partners, they were hoping to use the proposed Nicaragua Canal that was then being planned. They were thinking of the line from Japan via Hawaii, San Francisco and through the canal to New York after the completion of the canal. There was no opposition to the proposal, though some Diet members raised the question as to how Japan could cope with the counter subsidies that might be awarded by foreign governments to their own companies to compete with Japanese lines.

One can explain the general background of this proposal as follows, namely that the Trans-Siberian railway was being built and a canal across America was being planned, so Japan was anticipating major changes in international transport networks. It was believed that Japan would lag far behind if the country could not prepare for this. Another factor was that in the 1880s, in opposition to the Meiji oligarchy, activists from political parties and various factions outside the government campaigned strongly for the people's rights. This was the high season of political activity. The passionate political struggles eased to some degree in the early 1890s due to the establishment of a modern parliament, but members of the Diet became increasingly interested in economic policies. In particular, the idea of subsidizing overseas shipping lines gained support when a financial surplus was produced in 1892.

The proposal for shipping expansion was submitted to the appropriate committee and amended[30] somewhat there. Then it was finally adopted in the House of Representatives on 17 February 1893. This proposal of the House of Representatives was technically only a request to the government. However, it was naturally difficult for the government to ignore the request of the House because the House could introduce bills and pass them. Unlike in western parliaments, though, Japanese Diet members rarely introduced bills, particularly those involving budget arrangements. They thought that implementation of economic policies would be simplified if the government drew up bills.

Some readers might suspect that this demand on the part of the Japanese parliament reveals imperialist ambition although the proposal was disguised as economic policy. I would like to make two points here.

First, parliament rejected the naval expansion plan produced in the government's budget during this fourth session, leading to the Emperor's mediating between parliament and the government. The result was that parliament took his mediation with bad grace. Second, the threatening power to Japan at that time was the Chinese navy, which possessed much larger battleships than did the Japanese navy. I would not wish to argue that the Japanese parliament was pacifist. I would only argue that the shipping expansion plan to Australia or Europe had little to do with military matters.

The efforts of the government to realise this proposal for shipping expansion will be explained later. Next, four prize-winning essays will be examined.

8. Prize-winning Essays on Japanese Shipping

The Japanese Economic Society (Nippon Keizai Kai) was known to favour protectionist doctrine[31]. Each year it sponsored an essay contest. The subject in 1893 was Japanese shipping, and two topics were set. The first was the history and the present situation, the second the future enterprises that Japan should embark on. The judging committee consisted of seven leading economists and businessmen. Many people entered the contest. The first prize was awarded to Terajima Narinobu[32], the second to Tokai Sanshi, the third to Saitō Watarō and the fourth to Yagi Taichirō. Their four essays were published as a book in 1894 under the title *Japanese Shipping*[33]. The official history of the Communications Ministry states that these essays demonstrate the increasing public concern in relation to shipping expansion[34]. In the same year Tsuboya Zenshirō, a leading journalist, published a book with the same title[35], and may have been stimulated by the contest in doing this. In any case, shipping expansion was a popular subject of discussion among the people of young modern Japan.

Here the discussion will focus on the second essay topic mentioned above, namely the future enterprises that Japan should embark on. The main points of interest are (1) the order of priority of shipping lines to be opened, (2) the rationale or justifiable reasons for government subsidies and (3) the method of subsidies.

8-1. <u>The order of priority of lines to be opened</u>

First, we shall examine the views of each author on the priority of lines to be opened. After the proposal made by the Liberal Party, the Bombay line was unexpectedly opened and the possibility of opening the Seattle line re-surfaced. Most of the essay authors as well as Tsuboya remarked on these facts. Priority attached to each line by each author can be summed up as follows:

Terajima: North America (Seattle/Vancouver); Australia; Europe; North America (San Francisco); Vladivostok.

Tokai: India (Bombay) and North America (Seattle); Europe and Australia; Mexico and South America.

Saitō: Europe; North America (Seattle); Australia.

Yagi: Australia; Europe; North America (San Francisco/Vancouver).

Tsuboya: Australia; North America (San Francisco) and South America; Europe.

Terajima's idea was similar to the proposal made by the Liberal Party, although he gave priority to the Seattle line, considering that Vancouver should be a port of call on the Seattle line, since there was a possibility of emigration to Canada as well as trade. Tokai was interested in Central and South America, and he seemed to consider that these regions would be favourable for Japanese emigrants. Saitō gave first priority to Europe, second to Seattle, and Australia was given the third. Saitō simply ranked the lines according to the quantity of trade and traffic. He also expected that the line to the United States would become the most important one. Though he gave a low priority to Australia at that time, he recognized the promising future of Australia. One interesting thing is that he emphasized the promotion of tramp shipping in the South Seas and mentioned the trial voyage made by Taguchi Ukichi[36], who had once sailed on the *Tenyu Maru* to trade with the islands of Micronesia and look for regions where the former retainers of the Shogun could settle, since many of them were in reduced circumstances due to the loss of hereditary privileges. As neither Yagi nor Tsuboya mentioned the Seattle line, it seems that they had no knowledge of it. Their priorities were similar to the proposal of the Liberal Party.

These authors had different opinions concerning the priority of lines to be opened. The difference depended mainly on their views on emigration policies. However, there was no discrepancy in respect of their judgement that the three major lines should be opened by Japanese shipowners in the near future and that the government should subsidize either the shipowners or the lines themselves.

8-2. <u>Why shipping was important for Japan</u>

Next, we will examine in what respects the contestants considered shipping to be important for Japan. Saito and Terajima presented similar points of view on this problem as follows:

a. International postal needs: In 1877 Japan became affiliated with the Universal Postal Union which had been founded in 1875. It was important for Japan to strengthen international co-operation in the carriage of mail by using Japanese lines[37].

b. Promotion of Japan’s trade: It was a widely shared idea that Japanese lines would foster an increase in its international trade.

c. The shipping business itself: Shipping was an income generating activity. It would make a contribution to the generation of employment as well as to saving and the earning of foreign currencies.

d. Usefulness for the shipbuilding industries: Shipping expansion would provide assistance to the infant shipbuilding industries since Japanese shipowners would be interested in Japanese-built ships.

e. Emigration and support for settlers abroad: Emigration was regarded as an effective solution to the overpopulation problem in facilitating emigration and providing reliable support for settlers overseas.

f. Diplomatic status: Flag carrying liners would contribute to Japan’s national prestige.

Terajima and Saitō also mentioned the military aspects of shipping, but did not put any particular stress on this aspect.

8-3. The justifications for shipping subsidies

Many Japanese people were in agreement as to the importance of the shipping industry. However, government subsidies were a different matter because a number of important industries were asking for subsidies at that time. Tsuboya justified in simple terms the reasons why shipping should be justified.

a. Some infant industries had a very promising future, but could not expand smoothly if they were not appropriately protected. Tsuboya did not explain why he considered shipping to be a promising infant industry, apparently because the reasons seemed to be too self-evident to consider stating them.

b. National industries overwhelmed by large and dominant foreign businesses should also be protected. The implication was that Japanese shipping was an obvious victim of such competition.

c. The government should support some industries notwithstanding their unprofitability if they provided vital services for the national welfare. According to Tsuboya, shipping was one such industry, and in this context Tsuboya seems to have learned a great deal from economic policy debates abroad.

8-4. <u>The method of subsidy</u>

The next issue was concerned with the method of subsidy. A fundamental distinction was drawn between general subsidies and specific subsidies. A general subsidy was a subsidy given for any overseas voyage by qualified Japanese ships in proportion to their tonnage and the miles covered. On the other hand, specific line subsidies would be given to the line operation that the government recognized as contributing to the public benefit. Most opinion leaders were in favour of shipping expansion plans and subsidies. However, the supporters of free trade preferred general subsidies to specific line subsidies. They maintained that the grant of specific line subsidies would give an unfair advantage to the designated shipowners, as the recipient of such a subsidy would become the sole Japanese operator along an important route. Accordingly, supporters of free trade were critical of specific line subsidies, whereas protectionists favoured them. In relation to this point Terajima was a protectionist, and a supporter of specific line subsidies. He was unique in his assertion that ships used on subsidized lines should be built in such a way that they could be employed not only for commercial purposes but also for military purposes. Tokai supported specific line subsidies in light of a judgement that line expansion was a decisive foundation for economic development. Moreover, giving examples from some other countries, he expressed doubts that general subsidies were effective measures for promoting shipping. He also rejected Terajima's idea of dual use on the ground that ships designed to serve both commercial and military needs were likely to cause problems in economic terms. Saitō, too, supported specific subsidies. He considered in addition the promotion of tramp shipping, and recommended that there be some ship building subsidies for tramps. Yagi took the existence of specific subsidies for granted, and explained the general subsidies in practice in foreign countries. All these four writers favoured specific subsidies. This result is understandable, the essay contest was sponsored by an association dominated by protectionists.

9. The Desire for Shipping Expansion

9-1. The attitude of non-protectionists

Does the evidence of these prize-winning essays fairly indicate public opinion in regard to shipping policy at that time? My view is that these essays reflected the views of Japanese protectionists. However, the vital core of all the ideas was a desire to open transoceanic lines. As far as this point is concerned, these writers represented public opinion. For example, Tsuboya[38] cannot be considered to be a protectionist since he supported the idea of general subsidies. Nevertheless, he clearly argued for plans for shipping expansion. This implies that the idea of shipping expansion was not peculiar to protectionists.

Free trade supporters also published interesting evidence on this. The representative journal of liberal doctrine was the *Tokyo Economic Journal,* whose owner and chief editor was Taguchi Ukichi. Taguchi was born into the family of the Shogun's astronomer. He became a supporter of laissez-faire doctrines and criticized the government's economic policies. Under Taguchi the *Tokyo Economic Journal* published articles supporting free trade and often discussed shipping policies from the perspective of laissez-faire doctrine. For example, in the early 1880s the journal published articles arguing that the principle of free trade should be maintained in the field of shipping[39]. One writer criticized Adam Smith and J. S. Mill because they had approved of the Navigation Acts, relying instead on the authority of John Ramsey McCulloch, who denied that there was any public benefit from the Navigation Acts. However, the tone changed in 1894, when a writer called Ban Naonosuke discussed shipping expansion in the journal[40]. In the article Ban made the following statement:

> 'I am a supporter of tree trade. I want to emphasize the public benefit of free competition. However, as far as shipping is concerned, this principle is not always appropriate. My conclusion is that Japanese shipping has to be subsidized by the nation. The problem is how to subsidize shipping. I would argue that we must assist all the qualified shipowners without any discrimination.'

Ban agreed that shipping policy was an exception to the principle of free trade. According to another contemporary, Oikawa Yoshinobu, Ban was a theorist of liberal doctrine and co-operated with Mr. Taguchi Ukichi. At the same time Ban was engaged in managing several railway companies.[41] Thus not only protectionists but also free trade supporters wanted shipping expansion plans with government subsidies.

9-2. The first shipping promotion bill

In response to these moves and to public opinion, on 19 December 1893, the government submitted a shipping promotion bill to the Lower House of the Diet.[42] Contrary to the demand of the Diet, the intention of the government was to legislate to provide general subsidies for all qualified shipowners operating overseas voyages. The scheme for specific line subsidies was retained in the fiscal budget. The total system of shipping subsidies was accordingly a compromise between the different views concerning the method of subsidizing overseas voyages. However, the discussion of this first shipping promotion bill was not completed. The bill was dropped, for at that time the House was opposed to the government on diplomatic affairs, and finally the government resorted to the dissolution of the House on 29 December 1893.

10. Concluding remarks

The Sino-Japanese War in 1894/1895 was a great divide with regard to Japan's international policy. Japan entered the war without any clear idea of its policy towards Korea and China. The decisive and complete victory was far beyond its expectation[43]. This victory is considered to be the beginning of Japanese imperialism in the Far East; and although it might appear that Japanese shipping expansion simply resulted from this Japanese infant imperialist enthusiasm, several moves or campaigns for the promotion of overseas lines based on commercial reasons can be observed before the war. Examination of these moves indicates the following:

First, in the 1880s Western countries were improving and extending transport facilities, including transcontinental railways, shipping lines and important canals. Japanese people therefore expected major changes in international transport networks. Second, members of the Japanese Diet were becoming interested in shipping expansion. In December 1892, they demanded that the government should rationalize existing shipping subsidies and that the subsidies should be used to expand the overseas lines. As for shipping expansion, there was no opposition to shipping expansion policy in the Diet. Third, the N.Y.K. (the largest shipping company in Japan) drew up a plan to open three major overseas lines -- to Europe, the United States (Seattle), and Australia -- and petitioned the government for subsidies to these lines in 1893. Fourth, the Japanese Economic Society (*Nippon Keizai Kai*), which was an influential supporter of protectionist doctrine, every year solicited and published essays on an important policy issue. The subject in 1893 was ‘Japanese Shipping’ and the four best essays were published in book form. All of these essays argued that major overseas lines should be opened within a few years and receive a public subsidy. Finally, supporters of free trade also expressed the view that shipping was of strategic commercial importance, and they therefore did not oppose the idea of public subsidies to the shipping industry.

It thus appears that public opinion in favour of the creation of major overseas shipping lines was well established in Japan before the Sino-Japanese war. Because of Japan’s economic progress, the country was eager to become a partner in the international shipping network that was at that time regarded as a very important infrastructure for economic development. Furthermore, the date of the outbreak of the Sino-Japanese war is noteworthy. The war was triggered by an uprising in Korea, an event that was entirely unexpected both in Japan and China. The matters treated in this paper therefore have nothing to do with the war, and one can conclude that the plans for Japanese shipping expansion before the Sino-Japanese war were conceived purely for economic and commercial reasons.

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Endnotes

1 In this paper Japanese names are given surname first. Materials published in Tokyo, Osaka and Kobe are in Japanese unless otherwise stated. Readers wishing to know the original Japanese references for the materials used in this paper should contact the author at Faculty of International Studies, Osaka Gakuin University, Kishibe, Suita City, Osaka 564-8511, Japan. (katayama@pa2.sonet.ne.jp).

2 Japan waged its first modern war, the Sino-Japanese War, against late Imperial China. This war broke out due to the military intervention of both countries in the Korean crisis caused by the peasants' uprising in 1894.

3 The paper I read at Greenwich in 1984 dealt with some aspects of this problem in relation to the Japanese colonial government of Taiwan. See Katayama Kunio, 'The Expansion of Japanese Shipping into Southeast Asia before World War I: The Case of O.S.K.', *The Great Circle*, Vol.8, No.1, April 1986. As for Japanese

shipping imperialism in Korea, see Ang Pyongte, ‘Korean Shipping in the Late Lee Dynasty: The Japanese Invasion’, in Horie Yasuzō (ed.), *Studies of Maritime Economic History*, Kaibundō Shuppan, Kobe, 1967.

4 However, as these countries have focussed on tramp shipping, some people might argue that the liner sector is another problem. This is an interesting point that deserves a separate paper.

5 In addition, this paper denies any relationship between the beginning of Japanese imperialism due to the victory over China and Japanese shipping expansion after the war. I emphasize that the time order of these successive events does not prove a causal relationship. On the contrary, I argue that the start of shipping expansion was independent of the war.

6 W. G. Beasley, *Japanese Imperialism 1894-1945*, Oxford University Press, 1987. P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion 1688-1914*, Longman, 1993.

7 Alan Macfarlane has made an interesting comment on this point. See Alan Macfarlane, ‘”Japan” in an English Mirror’, *Modern Asian Studies*, 31-4, 1997.

8 The founding fathers of modern Japan are Saigō Takamori, Kido Kōin and Ōkubo Toshimichi.

9 See Paul Kennedy, *The Rise and Fall of the Great Powers*, Fontana Press, London, pp.265-269.

10 William D. Wray, ‘Japan's Big-Three Service Enterprises in China, 1896-1936’, in Peter Duus, Ramon H. Myers and Mark R. Peattie (ed.), *The Japanese Informal Empire in China, 1895 - 1937*, Princeton University Press, 1989.

11 Japan intended to punish head-hunters in Taiwan.

12 The Meiji Restoration took place in 1868.

13 ‘Consular Report from San Francisco,’ Consul Tatsuda Kaku, 21 July 1883.

14 Emi Kōichi and Shionoya Yūichi, *Public Expenditure*, Tōyō Keizai Shinpōsha, Tokyo 1966, p.46.

15 ‘Consular Report from Hamburg’ , Consul Martin Bouchard, 15 May 1884.

16 ‘Consular Report from Hamburg’, Consul Martin Bouchard, 29 October 1884.

17 ‘Consular Report from Hamburg’, Acting Consul Julius Schubert, 26 March 1885.

18 *The Official Gazette of Japan*, No.639, 17 August 1885.

19 *The Official Gazette of Japan*, No.935, 12 August 1886.

20 Mitsui O.S.K., *Eighty Years of O.S.K.* Osaka 1966. p.20.

21 P&O, Blue Funnel, MM, NDL, PM, O&O, CP and Scandinavian tramps all operated there.

22 ‘Consular Report from London, 13 November 1885’, ‘Consular Report from San Francisco, 20 May 1889’, ‘Consular Report from San Francisco, 18 October 1889’, ‘Consular Report from Vancouver, 8 July 1892’.

23 This is apparent from any look at the trade figures. Trade statistics also demonstrate the significance of trade with the United States and the small volume of trade with Australia mentioned below.

24 The Ministry of Communications, ‘The Business Inspection of Nippon Yusen Kaisha’, Tokyo 1894.

25 Mikami Atsufumi, *The Business History of Indian Big Businesses*, Dōbukan, Tokyo, 1993. pp.39-172.

26 ‘Consular Report from Vancouver, 15 July 1893’.

27 N.Y.K., *Fifty Years of Modern Japanese Shipping: A Short History*, Tokyo 1921.

28 The universal suffrage of the male population was effected in 1925.

29 *The Stenographic Records of the House of Representatives, the fourth session*, 1893.

30 The main revision was an addition to the proposal that the government should advance the opening of the American and Vladivostok lines depending on the progress of the Nicaragua Canal and the Trans-Siberian Railway.

31 *Tokyo Keizai Zasshi* (*The Tokyo Economic Journal)*, No. 270, 20 June 1885.

32 Mr. Terajima was the translator of Alfred Thayer Mahan's work, *The Influence of Sea Power upon History: 1660-1783* (1890), and later became a director of the N.Y.K. board. When he wrote the essay, he was working for the Japanese Navy as a civilian and engaged in translating Mahan's work.

33 Yano Yoshihiro (ed.), *Japanese Shipping*, The Japanese Economic Society, Tokyo, 1894.

34 See Ministry of Communications (ed.) *The History of Communications Works*, Vol.6, Tokyo, 1941, pp.817-818.

35 Tsuboya Zenshirō, *Japanese Shipping*, Hakubunkan , Tokyo, 1894.

36 He was elected a member of the Diet in 1894.

37 See Kokaze Hidemasa, *Japanese Maritime Transport under Imperialism*, Yamakawa Shuppan, Tokyo, 1993, pp.140-144.

38 Tsuboya was the chief editor of Hakubunkan, an influential publisher in Tokyo.

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