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FOREIGN TRADE POLICY IN THE EARLY MEIJI ERA

By *Yasuzo Horie*

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I. General View of the Foreign Trade.

Seen from the statistical point of view, the foreign trade in the early Meiji era shows that the finished manufactures comprised between 50 to 60% of the imports up to the 12th year of Meiji or 1879, the percentage decreasing to around 40% up till the 22nd year or 1889, and further down to 30% beginning from the following year, with the downward trend being kept up ever since that time. On the other hand, the percentage of crude materials, which up to the 21st year or 1888 had occupied mere 6% at the maximum, rose up to 10% from the following year, with the upward tendency being further accelerated later on. As for the exports, foodstuffs, chiefly tea and sea products, comprised 30% up till the 10th year or 1877 and at times as high as 50%. Semi-manufactures, chiefly raw silk, occupied between 30 and 50%, the percentage being occupied by finished manufactures remaining at mere 13% at best. In the period from this time up till the time of the Sino-Japanese War, the percentage occupied by these semi-manufactures remained between 40 and 48%. It should be noted that the percentage of the finished manufactures registered a gradual rise up to around 25%.

As seen from the brief description as given above, the 21st year of Meiji was a turning point in regard to foreign trade, and, to

show this the following facts will be pointed out :

(1) The comparative importance of foreign trade with Asian countries as compared with that with other foreign countries increased markedly. While this fact can be pointed out on the basis of the statistics, let us here quote a paragraph from B. Brennan's "Commercial Report of Japan"<sup>1)</sup> (1897): "While in 1872 Japan's export of manufactured goods amounted in value to mere 500,000 Mexican dollars, the amount rose to 45,000,000 Mexican dollars already in 1896, thus nearly 40% of the total sum of export being occupied by the export of manufactured goods. Further, imports into Japan consisted of manufactured goods only in former years, but now the imports of crude materials showed such rapid rise that the sum in value rose up to no less than 46,000,000 dollars. This was equal to 36% of the total sum of import. That the import of such crude materials into Japan is showing such a rapid rise indicates that Japan's trade with Asian countries is rapidly expanding. In short, Japan's trade with Asian countries would be able to be described as consisting mostly of import into Japan of crude materials and export from Japan of manufactured goods."

(2) Among the imports from the European countries, the import of machinery became more striking. In the paragraph following the one quoted above, Brennan says to the following effect: "Prior to 1889, Japan's import of machinery was negligible; however, the sum in value of the machinery imported since that year up to 1896 totalled no less than 25,000,000 dollars. Not only this, Japan manufactured a vast amount of machinery in imitation of the imported ones. At various places in Japan iron works were established and progress in this respect has been so remarkable that at present demand for simpler machinery can sufficiently be met by home-made machinery. Generally speaking, machinery, unlike other goods, are not worn out with continued use, and, on the contrary, it should in substance mean a fixed assets for the manufacturers. The fact that the import of these machinery witnessed marked increase in Japan year by year, is indicative of the rapid growth of Japan as an industrial country, and in this sense this is highly worth due notice."

The point as referred to in (2), as the quotation shows, vividly reflects the growth of Japan as an industrialised country. This was not, however, necessarily directly related to the fact as was mentioned

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<sup>1)</sup> Brennan, B.: *Nippon Shōgyō-jijō Hōkokusho*, tred. into Japanese. p. 66. (I am sorry I could not see the original work.)

in (1), for, the principal item of export to China, the most important of the importing countries of Japanese goods, even then remained to be sea products, other items including, among others, matches, coal, glasswares and umbrella. Only it should be noted that cotton yarns, which were first exported in the 23rd year of Meiji or 1890 to the amount of 93 piculs, 2,360 yen in value, rapidly increased in export, and in the 27th year or 1894 the amount rose up to 35,000 piculs, 950,000 yen in value.

Generally speaking, the main manufactured goods which were exported in the early years of Meiji included silk textiles, leading at the top, matches, mattings, drugs (including camphor), toys, brass and copper wares, lacquer wares, straw plaits, carpets, umbrellas, paper fans, oil and wax, soaps, hosieries, cotton yarns and cotton textiles, the majority of these being traditional products of Japan. Although such as matches, umbrellas, soaps, hosieries and cotton yarns were products of imported industries, all these, with the sole exception of cotton yarns, could be produced on the basis of handicrafts, and, as far as management was concerned, remained within the confines of the putting-out system, or, at best, the manufactory. However, the fact that the products of imported industries, headed by matches, did, at any rate, rank among the foreign-made goods, and, rejecting the keen competition of foreign countries, succeeded in finding their markets in the Oriental countries so rapidly, and, further, that cotton yarns registered a spectacular advance as an exports item should be counted among the most noteworthy facts at this time.

Now, let us turn our eyes to the balance of trade. Up to the 14th year of Meiji or 1881 when the liquidation of the inconvertible paper money was started, the balance of trade every year registered an excess of import. The fundamental cause for this should be found in the fact that in spite of the delay in the advance of modern industries in the country, various sectors in the nation's life already had a keen demand for the modernization or Europeanization of the country. To make the situation still worse, a wide discrepancy was seen between the prices on gold-silver money and those on paper money. That is to say, the domestic prices backed by the uncontrolled issuance of inconvertible paper money remained on a comparatively higher level in comparison with the international prices based on the gold-silver standard, which, in its turn, stimulated the import of foreign-made goods.

However, as far as the people in those times felt, the biggest

factor which prompted this adverse trade balance was to be found in the fact that the power of foreign trade was virtually vested in the hands of foreign merchants. Of course, there were some who truly understood that the high price level was accountable for the continued excess of import<sup>2)</sup>; however, those, including government authorities, who expressed strong opinions on foreign trade, considering that the excess of import was responsible for the flow abroad of the specie, proposed, in order to remove this fundamental cause for the unbalanced trade situation, that it would be necessary to promote domestic industries, and, at the same time, open the way for Japanese merchants to directly conduct foreign trade in place of foreign merchants. Thus, the foreign trade policy in the early Meiji era was taken on the basis of this proposition.

## II. Foreign Trade Policy (Measures for Promotion of Direct Export).

At the time when it was thought that the most important causes for Japan being placed in an adverse trade situation was to be found in the fact that the foreign merchants had in their hands the commercial power, the attention was focussed on the promotion of direct export. Dividing this problem in a few items, explanation of this particular point will be attempted in the following lines.<sup>3)</sup>

(1) Propagation of Japanese goods in foreign markets, and the investigation of foreign markets.

With regard to the propagation of Japanese goods in foreign markets, the first thing to be mentioned concerns Japanese exhibits displayed at expositions held in foreign countries. Beginning with the World Exposition held in Vienna in 1873, a similar exposition held in Philadelphia in 1876, Japan took part in foreign expositions on more than twenty times up till 1885, and this served in promoting Japan's knowledge in technicality as well as in propagating Japanese goods abroad. Further, in connection with the investigation of foreign markets, Japan took the steps to station consuls in foreign countries, and, at the same time, government officials were dispatched to those countries, for the purpose of investigating into the condition of the sale of Japanese goods abroad as well as whether these home-made goods were sufficiently suited to foreign taste to meet their demand. It was in 1870 that Japan for the first time stationed a consul abroad,

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<sup>2)</sup> For example, "High Price of Gold." (Tōkyō Keizai Zasshi, No. 3., 1879.)

<sup>3)</sup> See, Takao Tsuchiya; Sangyō-shi. (Industrial History of Modern Japan.) pp. 124 ff.

when an American, C. W. Brucks, was named Japanese consul in New York. In 1872, Japanese consuls were sent to Shanghai, New York and Fuchow, and afterwards consuls were dispatched to various other foreign countries. Especially in the 7th year of Meiji or 1874, it was decreed that one of the most important duties of consuls would be to investigate the amount and value of the export and import, which to be reported to the Japanese Finance Office. It is to be noted, in this connection, that from this time on special attention was paid by the Japanese Government on the investigation of Japan's trade relations with foreign countries.<sup>4)</sup>

(2) Trial Sale Abroad.

To mention a few instances in this regard: In the seventh year of Meiji or 1874, Kisaku Shibusawa was asked to bring to Italy samples of black tea produced in Ibaraki prefecture and eleven other prefectures. In the following year black tea manufactured on trial at the Industrial Encouraging Bureau was put on trial sale in various countries in Europe and America,<sup>5)</sup> at the same time dispatching to America Tomotsune Kamimuchi, an officer of the Bureau, with samples of raw silk, tea and other products.<sup>6)</sup> Samples which were thus sent abroad covered a wide variety, including not only raw silk and tea but also such items as rice, wheat, hemp, tobacco, camphor, soya bean sauce, and others, while these samples were sent for trial sale in a number of foreign countries including China and India as well as those in Europe and America.

Such trial sale abroad was continued up to such time when Japanese commercial firms took steps for opening their branch offices in these foreign countries, and it should be noted that during this period, the Japanese government took active steps to take charge of export financing for Japanese firms. At this time the Japanese people were yet uninitiated in the convenient method of foreign exchange, and the Government had actively to intervene in their behalf with regard to the export financing. To show a few instances: the Industrial Encouraging Bureau positively encouraged the improvement in the manufacture of raw silk, and these yarns, after passing Government-sponsored examinations, would be bought up by the Government, which

<sup>4)</sup> Sakichio Tsurumi; *Nippon Bōeki-Shikō*. (An Outline of a History of the Foreign Trade of Japan.) pp. 248-250.

<sup>5)</sup> *Meiji Zenki Kannō-jiseki Shūroku*. (Collected Materials on the Encourgement of Agriculture in the Early Meiji Era.) Vol. 2. pp. 248-250.

<sup>6)</sup> Jitsuya Fujimoto; *Kaikō to Kiito Bōeki*. (Opening Port and the Raw Silk Trade.) Vol. 2. p. 469.

then took charge of sending them over to the United States and the money received for their sale there passed into the hands of the Japanese Government officials stationed there, who, then, took the step to send it back to Japan.<sup>7)</sup> This amply shows how the Japanese Government then was eager to encourage the promotion of direct export.

(3) Protection and Encouragement Given Traders.

In the meantime, some civilian traders began to think of undertaking by themselves the business of direct export. The forerunners in this field were Gisuke Matsuo's Kiritsu Kōshō-Kaisha (founded in 1873), Kihachirō Okura's Okura-Gumi (founded in 1873), Kaoru Inoue's Senshū-Kaisha (founded in 1874) (this was merged in 1876 with the Department of Native Products of the Mitsui-Gumi, and was re-named the Mitsui Bussan-Kaisha), Ichizaemon Morimura's Morimura-Gumi (founded in 1876), Kensō Hayami's Dōshinsha (founded in 1880), Yūteki Hayashi and Eiji Asabuki's Nippon Bōeki-Shōkai (founded in 1880) and the Yokohama Kōcha (Black Tea) Shōkai (founded in 1881). Further, some of the raw silk manufacturers attempted to export their products directly to the United States without depending on the intermediary channels of merchants, such as Rihachi Sano of the Nihonmatsu Seishi Kaisha (Fukushima prefecture), Chōtaro Hoshino of the Mizunuma Seishijo (Gumma prefecture) and others. The Dōshinsha, as mentioned above, was a firm established on the capital contributed by several raw silk manufacturers.

To these direct exporters, the Government took the following steps of protection and encouragement: (i) subsidies were granted, with which to set up trading companies. The Kiritsu Kōshō-kaisha and the Nippon Bōeki Shōkai were the examples of this. (ii) the Government acted as the intermediary agent in trade transactions and gave a guarantee for the receivable account. The examples of this method could be seen in the cases of raw silk exporting business undertaken by such as Rihachi Sano and Chōtaro Hoshino. (iii) the method in which the Government gave a guarantee to the bills of lading. For instance, it was stipulated, at that time, that the account settlement of the export financing on the part of the Yokohama Specie Bank in connection with its relation with the Nippon Bōeki Shokai, should, without modifications, be turned over to that of the Finance Office. Thus, it will be seen that the Yokohama Specie Bank was in no position to incur any loss under any circumstances, and, naturally the

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<sup>7)</sup> *ibid.*, p. 470.

Bank could dispose to finance export fund very generously.<sup>8)</sup> The Yokohama Kōcha Shōkai benefitted also protection under this method.<sup>9)</sup> (iv) the method of commissioning the export of the products manufactured at the Government-sponsored factories. Following the establishment in London of the branch offices of the Mitsui Bussan and the Okuragumi, the Japanese Government immediately took steps to commission them for the export of black tea and other products manufactured at the factories under Government management.<sup>10)</sup> It is noted, in this connection, that the first silk exported by the Dōshin-sha was the product of the Government-operated Tomioka Seishijo.

Here, mention should be made of the Yokohama Specie Bank. This was a chartered bank, established in the 12th year of Meiji or 1879, under the mission of opening up the way of export financing, and, at the same time, forestalling the flow abroad of Japan's specie. Of which, the former, especially direct export financing, was very important in connection with the Government policy for the promotion of direct export. It is recalled that ever since Japanese ports were opened for foreign trade toward the closing days of the Tokugawa Shogunate, trading business was conducted solely by the hands of foreign merchants, and Japanese traders were simply those who sold their merchandise to these foreign merchants, and, in addition to this, all commercial dealings were on the basis of cash. Naturally, the few foreign bank offices which then existed in Yokohama engaged in dealings solely with the foreign merchants and the Japanese traders had practically no connections whatever with these foreign banks. Thus, it was keenly felt that in order for Japanese traders to conduct direct export business there should be set up a Japanese exchange bank, and this was the principal aim and purpose for which the Yokohama Specie Bank was established.

In the foregoing lines a description in outlines was given of the policy taken by the Japanese Government for the encouragement of direct export in the early Meiji era. It was prior to the 14th year of Meiji or 1881 that these measures of encouragement were adopted by the Government. After the political reshuffle and the subsequent reorientation in the Japanese foreign trade policy, these measures gradually ceased to be taken. This was partly due to the fact that in that year the Government took the step to take over the inconvertible paper money, which resulted in the trade balance turning to

<sup>8)</sup> *ibid.*, p. 516.

<sup>9)</sup> T. Tsuchiya; *ibid.*, p. 131.

<sup>10)</sup> Meiji Zenki Kannō-jiseki Sharoku, Vol. 2. pp. 1314 ff.



export excess instead of the excess of import as hitherto. However, it was not the result of the Government suddenly taking a far less interest in encouraging the direct export. In the 22nd year of Meiji or 1889, the Government promulgated the Special Export Port Act and designated as such special export ports Yokkaichi and more than ten other ports, which illustrates that the Government was as eager in this regard as before. According to this Act, such special export ports were the ports where only those vessels as registered as Japanese vessels or else those foreign vessels as were chartered by the Japanese were allowed to enter, and the main purpose of formulating such an Act was to encourage and promote Japan's direct export to Korea and Siberia. In his "Commercial Report", already mentioned above, Brennan, its author, says:<sup>11)</sup>

"What the Japanese Government is assiduously trying to bring about is to regain in the hands of Japanese traders the powers of foreign trade, which lies, in large measure, in those of foreign merchants residing in Japan. As the reason for this endeavour, the Japanese Government points to the fact that, because both export and import trade of Japan are conducted through the medium of foreign merchants residing in Kōbe and Yokohama, these foreign merchants are in a position to muster enormous gains simply acting as the intermediary. Thus, it should be seen that in the event of all this business being taken back by the Japanese merchants, all the profit consequent upon it would naturally pass into the hands of these Japanese." To quote further:<sup>12)</sup> "The Japanese Government authorities, without distinction of persons, advance their assertion on the basis that, the foreign trade of Japan should be encouraged and promoted. However, it should be selfevident that what they actually are doing is miles apart from what they explicitly express. What they do is apparently aimed, not at increasing the volume of foreign trade, but at restoring the business of foreign trade to the hands of Japanese nationals, and, it seems to me, that the Japanese Government officials are apparently under the impression that there is a vast difference between selling 100 piculs of Japanese raw silk to a foreign firm in Yokohama and selling the same amount directly to the French customer in Lyon."

This point of view, as indicated in the quotation above, might have been accepted by British officials upholding a liberalism in foreign trade; however, it was out of question for Japanese officials to concur

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11) B. Brennan; *ibid.*, p. 58.

12) *ibid.*, p. 159.

in this opinion, in view of the fact that Japan at that time, as a newly-rising capitalist nation, was in a position to follow the footsteps of her senior countries in Europe and America. In the 30th year of Meiji or 1897, the Government formulated the Raw Silk Direct Export Encouraging Act,<sup>13)</sup> and on the strength of this, took the step to grant special subsidies to those manufacturers who produced silk of superior quality eligible for being exported directly. On receiving a strong protest from the British Government that this Act was in violation of the provisions of the Anglo-Japanese Treaty of Commerce, the Japanese Government, however, had to rescind this Act only two months after its promulgation. In spite of this, the Government continued to persist in its intention to encourage the promotion of direct export, and this was manifestly shown in the promulgation in the 33rd year of Meiji or 1900 of the Cooperative Act for the Important Export Goods.

### III. Why Was Emphasis Placed Especially on Promotion of Direct Export ?

As has been described in the foregoing lines, the main emphasis in the foreign trade policy in Japan in the early Meiji era was placed on the encouragement of direct export. The main reasons necessitating this will be explained in the following paragraph.

(1) The first reason to be mentioned is the fact that the Japanese people in those years generally were under the strong impression that Japan was inevitably placed in a disadvantageous position in terms of international trade as long as the actual powers of conducting foreign trade were placed in the hands of foreign merchants. Toshimichi Ōkubo, one of the foremost economic planners of that time, was, of course, counted among these people, who, in his "Proposal for Setting Up the Foundation of Direct Selling Abroad",<sup>14)</sup> which he submitted to the Government in the 8th year of Meiji or 1875, asserted to the following effect :

"Ever since the Japanese ports were opened to foreign trade towards the closing years of the Tokugawa Shogunate, the actual powers of conducting foreign trade have been monopolized by resident foreign merchants, leaving the Japanese traders completely at their

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<sup>13)</sup> This Act, falling under the protest from the English Government to the effect that it violate the Treaty of Commerce, was abolished after only two months of its enactment.

<sup>14)</sup> Ōkubo Toshimichi Monjo. (Collected Documents of Toshimichi Ōkubo.) Vol. 4. pp. 465 ff.

mercy. In rare instances, some of the Japanese merchants, starting as a small-scale tradesmen, succeeded to become a big merchant. Their rise and fall, however, was so incessant and frequent that up till the present time there practically were no Japanese who could command actual commercial powers equal to those commanded by foreigners. Now, considering how this circumstance has been brought about, we cannot but reach the conclusion that the main reason responsible for this state of things is, on the one hand, that the Japanese merchants are not thoroughly accustomed to the ways of foreign trade, and, on the other, that the fund at their disposal is so small that it lacks the capacity to endure for long."

Thus, Ōkubo, emphasizing the need of promoting direct export, proposed, as a means for this purpose, the Government should persuade financial and industrial leaders to establish a big company for direct export, and should extend an assisting hand to this company in regard to the fund involved.

Among the Government officials concerned, was Masana Maeda, who was famous for his book entitled the "Kōgyō Iken" (Views on the Encouragement of Industries), and who later became the Vice-Minister of Agriculture and Commerce. His "Some Views upon Direct Export" (1879) was one of the best known writings in this field, and, in another of his books, the "Shoken" (The Views) (1892), he, taking up the same problem, asserted that "the way of restoring to the Japanese the commercial powers now would be, by dint of direct trade, to dislodge powerful foreign merchants from their citadel, the foreign settlements."

In the meantime, a strong demand for direct export was also advanced from civilian circles. For instance, we find the following lines in "On the Maruya Company"<sup>15)</sup> (1869), said to have been written by no other person than Yukichi Fukuzawa: "The original purposes for which these foreigners came over to Japan were not simply to fraternize with our people, but to conduct foreign trade here... For the Japanese to sit idly to let these foreigners monopolize the powers of foreign trade would be tantamount to failing in the discharge of our duties as Japanese nationals. Once we fall into such an impasse where we are deprived of the actual trade powers and allow them to be vested in the hands of foreign merchants, and where we loan money from them, are employed in their firms, or else invite foreigners to Japanese firms to be looked upon and respected as our leaders, and

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<sup>15)</sup> Maruya Shōsha no Ki. (in the "Meiji Bunka Zenshu", Vol. 9.)

where we are forced to acquiesce to their dictates willingly—if this state of things is allowed to actually occur, no greater harm would have been done to our State, and a State in such conditions would hardly be worthy of a State.”

On starting the business of the Nippon Bōeki Shōkai, Eiji Asabuki said to the following effect: “The real gain or loss of the Japanese foreign trade at the present moment should be considered to lie, not in the superficial absence of trade balance, but, much deeper, in the fact that the Japanese have allowed to have the commercial powers vested in the hands of foreigners, whereas these should have been appropriated by the Japanese themselves.” It was in upholding this vein of thinking that the Nippon Bōeki Shōkai, the Dōshinsha and a number of other direct exporters rapidly made appearance at this time.

It should not, however, be thought that the direct export immediately resulted in greater gains in the national economy in comparison with the trade procedures hitherto adopted.<sup>16)</sup> To elaborate this point: because the trade transactions conducted in the foreign settlements were based on cash dealings, there was no doubt but that the Japanese were sure to have their goods sold off, and this kind of dealings had the benefit for the sellers to have their merchandise converted into cash on the spot, though there was a room for foreign merchants to engage in immoral practices. In contrast to this, the practice of direct export entailed the difficulty in finding the suitable buyers, and, even in case such buyers had been found in time, it would be several months before the sellers could hope to receive payments for the merchandise sold, and naturally the interest to be paid in the meantime would have to be taken into due consideration. Further, unlike in the case of the dealings conducted in the foreign settlements, the Japanese exporters, in this case, were in the position to bear for themselves the risk entailed in the course of their merchandise to be transported abroad. Thus, Hama-merchants, generally alluded to as “urikomiyā”, in particular, who were those Japanese merchants exclusively engaged in dealings with resident foreign merchants, were not necessarily on good terms with direct exporters, and even among some of the Japanese business leaders were those, like Tomoatsu Godai, who were critical of direct export.<sup>17)</sup> In spite of all this, however, not only Government officials but also thinking minds in civilian circles were clamorously

<sup>16)</sup> Yokohama Kaikō 50nen-shi. (Fifty Years History of the Opening Port of Yokohama.) Vol. 2. p. 539. Fujimoto, *ibid.*, pp. 553 ff.

<sup>17)</sup> “Views upon Direct Export.” (manuscript).

upholding the principle of direct export and the urgent need of promoting it.

(2) The second reason should be sought in the desire, by means of direct export, to forestall, more or less, the continued flow abroad of the Japanese specie, and, further, if possible, to effect the inflow of the specie into Japan. In the 8th year of Meiji or 1875, Toshimichi Ōkubo, in conjunction with Shigenobu Okuma, the then Finance Minister, submitted a proposal to Sanetomi Sanjō, the then Prime Minister, declaring that Japan should pay for foreign loans not with the specie but with export merchandise.<sup>18)</sup> They proposed that such Japanese products as would be demanded in Britain, Japan's creditor nation of that time, be bought up with the Japanese Government fund, and then put on sale in the British market, the sale of which would be utilized in the payment for the Japanese debits incurred there. This would not only prevent the further flow-out of the Japanese specie, but, on the other hand, would mean much in the way of encouraging the Japanese exporters. This intention was already observable in such measures as the trial sale abroad of Japanese goods. The Japanese Government further went to such an extent that it fully utilized the Japanese direct exporters in an attempt to fetch foreign specie to Japan. The method adopted by the Government for this purpose was that the Government let the Yokohama Specie Bank finance export fund to direct exporters in paper money and decreed that the specie these exporters were to receive abroad be handed over to the Government, this specie, in its turn, being supplied to the money market from time to time, with which to regulate the amount of the paper money then in circulation.<sup>19)</sup>

(3) As the third reason, the fact should be mentioned that the encouragement of direct export was at its height since after the 7th year of Meiji or 1874. In 1873 Japan took part in the World Exposition in Vienna, which afforded a rare chance for the young Japan to acquire a certain extent of knowledge about Europe. In the 7th year of Meiji or 1874, the entire Japan was in turmoil over the Korean problem, some advocating that Japan should lose no time in launching a punitive military campaign against Korea. On the return to Japan at this moment of Toshimichi Ōkubo and his followers from a tour of inspection in Europe and America, however, the civilian faction, as against the military clique, in the Government ranks, scored a decisive victory,

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<sup>18)</sup> Collected Documents of Toshimichi Ōkubo. Vol. 6, p. 461.

<sup>19)</sup> Fujimoto, *ibid.*, p. 516.

culminating in their taking the political powers in their hands. What should be mentioned here with special emphasis is that in the same year the Ono-Gumi, one of the biggest commercial firms at that time reputed to an equal terms with even the powerful Mitsui Gumi, was bankrupt. The Ono-Gumi was a sort of commercial capitalist, and had a network of branch offices throughout the country, and contributed substantially toward the development of local products. Especially in the northeast part of the Honshū, great many small-scaled silk manufacturers benefitted from the fund supplied by the Ono-Gumi and their products were on a regular sale route through the assistance offered by the latter. With the fall of the Ono-Gumi, however, small manufacturers in provincial districts deprived of their source of fund, with the natural result that local industries declined sharply. This situation forced the Japanese Government authorities, especially Toshimichi Ōkubo, to reflect upon the exigencies of the times: they were of the opinion that in order to promote the industries the first pre-requisite would be to promote commerce. This at once led them to the conclusion that the promotion and development of Japan's industries was possible only on the condition that her direct export be encouraged and developed. In view of the primitive condition in which Japan's industries then were placed, such an opinion was only natural and a matter of course.

#### IV. The Object and the Subject of Foreign Trade Policy.

Here an examination will be attempted of the character of the direct exporters, the object of the Government foreign trade policy in those years.

Ever since the closing years of the Tokugawa Shogunate till the early years of the Meiji era, most Japanese foreign trade merchants, in spite of their nomenclature, were actually nothing more than mere "urikomiyā". Their business, in short, was to collect export goods, and to bring them to Yokohama to sell to the foreign merchants residing in the settlements. They were the comprador, in a word. However, the merchants which the Japanese Government then picked up for the object of its new foreign trade policy were not of the same category as these traders. What the Government chose to deal with were commercial capitalists of active mind. They were, however, of various different origins and very differently connected with local

industries.<sup>20)</sup> Chōtaro Hoshino, hailing from the farmer class, was the manager of the Mizunuma Silk Manufacturing Plant, while Rihachi Sano, the head clerk of the Nihonmatsu Silk Manufacturing Company, operated by the Ono-Gumi, hailed from the *chonin* class. Kensō Hayami, the president of the Dōshinsha, which was set up as a direct exporter of raw silk under the cooperation of silk manufacturers in Gunma prefecture and other localities, and which continued in existence as such up till around the 20th year of Meiji, first had been the chief of the silk manufacturing plant of the Maebashi clan, next become the manager of the Government-operated Tomioka Seishijo (Silk Manufacturing Plant). This man had come from the *samurai* family.

The Nippon Bōeki Shōkai, which was at one time looked upon as an equal of the Dōshinsha, was established under the positive assistance of Shigenobu Okuma, the then Finance Minister, through the good offices offered by Yataro Iwasaki of the Mitsubishi Kaisha and Yūkichi Fūkuzawa of the Keio Gijuku (later the Keio University). The presidency of the new firm was assumed by Yūteki Hayashi, founder of the Maruzen & Co., while Eiji Asabuki, hailing from the Mitsubishi Co. was named the general manager. Unlike the Dōshinsha, this new company was a purely commercial firm with no foothold in manufacturing industry. The commercial department of the Mitsubishi Co. was separated in the 22nd year of Meiji or 1881 and came to be known as the Mitsubishi Shōji (Commercial) Kaisha. The Mitsui Bussan Kaisha, a pre-doomed competitor of the Mitsubishi Shōji, was, under the sponsorship of Kaoru Inoue, who, hailing from the Chōshū clan, was once Finance Minister, established under the name of the Senshu Kaisha, a purely commercial firm.

The Okura-Gumi was a commercial company inaugurated by Kihachiro Okura, a merchant hailing from Shibata, Niigata prefecture, in response to the advice offered by Toshimichi Okubo, while the Kiritsu Kōshō Kaisha was another commercial concern set up by Gisuke Matsuo, a tea dealer in Saga prefecture, under the sponsorship of the same Toshimichi Okubo. The Morimura-Gumi originated from the horse implements dealer in the old Shogunate era in Yedo (Tokyo), who was a pioneer in foreign trade. It is well known that this firm, in later years, turned its attention to the manufacture of porcelains, and set up the Nippon Tōki Kaisha in Nagoya.

To sum up the foregoing, it would be seen that the merchants who were picked up by the Government as the object of its new

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<sup>20)</sup> See, Fujimoto, *ibid.*, Yokohama Kaikō 50nen-shi, and others.

foreign trade policy hailed from various classes, some having been original commercial dealers, some having hailed from the defunct *samurai* class, and still others having had the record of engaging in manufacturing industry. In spite of this diversity, however, it should be noted that the majority of these persons were commercial capitalists and the manufacturing foothold on which they stood was either the putting-out system or the manufactory. The trade situation in the early Meiji era being such as has already been outlined in the foregoing lines, their manufacturing foothold was not to be allowed to remain in such a condition. Under the circumstances, the Government authorities, ever since the 7th year of Meiji or 1874, embarked upon an active foreign trade policy, and at the same time took active measures for the modernization of cotton spinning industry, woollen industry, and others for the purpose of preventing increase of imports. Their far-sighted ambition was that these industries, upon their full-fledged development on a modern pattern, should take their due place as the manufacturing foothold of commercial capital.

It need not be reiterated here that the leading officials in the Government mainly hailed from some of the more influential clans. It should be noted, however, the feudal society in existence under the Tokugawa Shogunate was not merely a caste society but also was in reality territorial states, their economic aspect, territorial economy, actually constituted a national economy on a minor scale. In the "Collected Documents of Toshimichi Okubo", the so-called "clans" were represented as "states". These clans, naturally, aiming at making their respective territory rich and strong, had to resort to such economic policies as would be welcomed by commercial capitalists, including steps for the encouragement of the native products and the monopoly exercised over the sale of them, and the merchants in these respective clans shrewdly found their opportunities for expansion by sharing a part in such over-all economic program of the respective clans to which they belonged. Persons with traditions and experiences in such "territorial states," with the emergence of the new Government after the Meiji Restoration, found their time to take in their hands the political powers, when they had to enlarge their former sentiment of competition with other "territorial states" to that of the competition with foreign countries, and, it was on the spur of this, that the authorities of the Government in the early Meiji era had to take such foreign trade policy as has been described briefly in the foregoing lines. Naturally, it would be safe to assert that the



new foreign trade policy of the early Meiji Government was, in a sense, a modification on a larger scale of the industrial measures which were enforced in various clans under the Tokugawa Shogunate. There might be some important difference in the contents and methods of policy and in the views upon merchants between the economic policy of the former clans and that of the Meiji Government, no doubt; however, they were in common in that they allowed the initiative for the development of the economy in the hands of the commercial capitalists. And, such a principle in the economic policy was just proper for the enhancement of Japanese economy to a modern capitalist one, seen from the stage on which it had then climbed.

Mention should be made here briefly, in this connection, of the relations between the Government authorities and the foreign trade dealers. That a special relation was in existence between the Government officials and the trade dealers, similar as in the case of the shipping and industrial policies, has been already mentioned at various places in the foregoing lines. It would not necessarily be appropriate to interpret this as implying the existence of the so-called "political merchants." It will be readily admitted, of course, that the importation by the Government of some of those goods needed by it, especially arms and naval vessels and ships, could have afforded an excellent opportunity to have a special relation between the Government officials concerned and such "political merchants" to be formed. In this sense, therefore, the fact that the Okura-Gumi and the Mitsui Bussan Kaisha, as early as the 8th year of Meiji or 1875, went so far as to set up their respective branch offices in London, should be considered to be worth special notice. Especially the fact that they were given the chance to deal in the import to Japan of such items of goods as mentioned above, should draw our particular attention. Here, however, we will not touch this angle, as it trespasses the confines of our present treatise.

#### V. Character of Foreign Trade Policy.

The economic policy of the new Meiji Government was, one by one, already in force ever since the establishment of the new regime. To show a few examples in this field: in the 2nd year of Meiji or 1869 the Government set up eight Tsūshō Kaisha (trading companies) and Kawase Kaisha (finance companies) under the Government Bureau of Commerce; in the following year the Kaisō Kaisha (shipping company) was set up also under the Bureau of Commerce; in the 5th

year of Meiji or 1872 the Government formulated the National Banking Act, while the Government took an active part in the inauguration of the Tomioka Seishijo (silk manufacturing plant). It was, however, after around the 7th year of Meiji or 1874, that the Government economic policy was firmly set up on a uniform shape and in this the trade policy was to play the principal and central part. An important circumstance worked to prompt the Government to formulate its uniform economic policy. To explain this briefly: as a result of the tour of inspection in Europe and America undertaken by Tomomi Iwakura, Ambassador Plenipotentiary, the authorities of the Government were willy-nilly forced to admit seriously the backwardness of the Japanese economy in comparison with what then prevailed in the Western countries.<sup>21)</sup> The rôle played by Toshimichi Okubo, who was one of the members of the Iwakura mission, and who, after returning home, courageously stood for putting the first emphasis on enriching the nation rather than wasting the national power by launching a useless military campaign against Korea, further, should not be made little of, for it was he who, later establishing the Department of Home Affairs and becoming the head of this Department, almost exclusively took into his own hands the entire powers of directing the young Japanese economy and formulating adequate economic policy for its expansion.

It goes without saying that the ultimate objective in view of all endeavors exerted by the Government for the promotion of the Japanese economy lied in making the country "rich and strong", and this, in concrete terms, would mean to have the balance in the export and import restored and to forestall further flow overseas of gold and silver. In an effort to prevent the flow abroad of specie due to import, plans were laid down for the establishment in Japan of such industries as cotton spinning, woollen weaving, sugar refining based on modern technique, while, on the other hand, emphasis was placed on the encouragement of direct export by the hands of Japanese exporters. Such was, in short, the essence of the foreign trade policy at this time. That the Japanese merchants in general willingly responded to the call of the Government can readily be seen from the lines of, for instance, "On the Maruya Company", as alluded to before, where all voices were in unison for making the country "rich and strong." That the new foreign trade policy could have contain a substantial

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<sup>21)</sup> Y. Horie; Introspection upon Japanese Economy in the Early Years of Meiji. (Keizai Ronsū, Vol. 57, No. 8).

content may well be attributed to this positive cooperation effected between the Government and private commercial circles, both making a strong headway toward the common objective in view. Thus, it would be safe to assert that without a due consideration of the foreign trade policy, a true and unbiased interpretation of even the agricultural policy as well as the shipping and industrial policies will be out of the question. With the establishment of the Department of Agriculture and Commerce in the 14th years of Meiji or 1881, however, such positiveness in the economic policy disappeared for the time being, since the new Department was in a position to take the whole charge of the economic affairs. One important factor in this connection was the adoption of liberalism in the economic policy. This, however, should not be taken as meaning a complete re-orientation of the entire system of the economic policy, for the ultimate objective in view of making the country "rich and strong" was still there, positive measures were continued to be taken even afterwards, and, after the Japanese victory in the Sino-Japanese War, a positive policy was again taken up vigorously over the entire field of Japan's economic expansion.

Here, a brief description of the special character of the economic policy as was enforced in the early Meiji era will be attempted, divided into three separate items.

(1) In view of the fact the Japanese in those years, without fully scrutinizing whether or not the encouragement of direct export immediately mean a gain in terms of the national economy, hastened to restore the commercial powers to the hands of Japanese merchants from those of foreign merchants, it would safely be asserted that the anti-foreignism of the latter Tokugawa Shogunate era was again there in a different guise. In this connection, Brennan, already quoted from, says<sup>22)</sup>: "The spirit of exclusion which the Japanese had a few scores of years ago still persists in their minds, this time under a peculiar guise. What the Japanese desire is that all the goods Japan exports and imports should be carried by the Japanese, that all the ships entering and leaving Japanese ports should be those registered in Japan and that all items contributing to the wealth of their country should be conducted by the hands of the Japanese." This view is perfectly concurred by Gottfried Wagener, a German employed by the Japanese Government, who says virtually the same thing in his "Report

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<sup>22)</sup> Brennan; *ibid.*, p. 165.

on the Internal Industrial Exposition" (1881).<sup>23)</sup>

This attitude of anti-foreignism was held in common among the Government officials and the people. It is significant that so far as this point was concerned, even the Hama-merchants, who were not necessarily friendly towards the Government with regard to the latter's encouragement of direct export, shared the same view with the Government. In 1881, or the 14th year of Meiji, they, in an effort to restore to their hands the huge profit hitherto monopolized by foreign merchants through the sale of raw silk, undertook to establish a cooperative organisation known as the Rengō Kiito Niazukari-Sho (Cooperative Silk Storage Office), and engaged in dealings in silk at this new organ.<sup>24)</sup> In the face of vigorous opposition staged by foreign merchants, however, the new office had to close mere several months after its inauguration. It was, however, a manifest declaration on the part of the Japanese merchants to restore to them the initiative in the dealings in the sale of raw silk.

The conclusion to be drawn from the foregoing is that the economic policy with the trade policy as the pivotal point was a *system of national unity*, which means that all the attention of the people be turned to foreign trade relations, to mitigate the conflict of interest in the internal field of activity and thus to strengthen the directing powers on the part of the Government. In the light of the fact that the Japanese minds still retained traces of anti-foreignism of bygone days, such was a highly efficient attitude so far as the economic policy then was concerned.

(2) This economic policy, at the same time, was a *system of national power*. In order to increase the national power, emphasis was naturally placed on the concentration of all the economic resources in the country. Before the national ambition of revising treaties concluded on an unequal footing could be achieved, the increase of national power, combined with the national unity, was the first pre-requisite and an indispensable condition. It should be recalled that even the Western countries, at the time when they first emerged on the face of modern history as the modern states, did everything in their power for the increase of their respective national power; and especially, through the establishment of a vast colonial empire, they tried to reach the aim above stated and to compete with each

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<sup>23)</sup> In the "Ishin Sangyō Kensetsu Ronsaku Shūsei". (Collected Papers of G. Wagener upon the Industrial Development of Japan.), Compiled by Takao Tsuchiya.

<sup>24)</sup> For the detail, see, Fujimoto, *ibid.*, pp. 590 ff.

other. In Japan the main emphasis was placed, not in the acquisition of colonies, but in the repletion of interior national power in various respects, and, in this sense, the method adopted would be described as being rather passive; still, the objective in view, so far as its fundamental principle underlying all this was concerned, was not much different from what those Western nations had before.

(3) Thus, as a means to fill up the national economic power and strengthen the national political power, emphasis was naturally placed on the control of import and the promotion of export, with the pivotal point of importance placed on gaining balance in foreign trade, and the immediate criterion of this balance was found in the flow out and in of the specie, so much as that, in the words of Brennan,<sup>25)</sup> the Japanese Government apparently was under the impression that all that was gained in Japan by foreigners meant so much loss on the part of Japan. Toshimichi Okubo, in his "Proposal to the Government", submitted in the 9th year of Meiji or 1876, said to the following effect, after mentioning three causes responsible for the continued out-flow of the gold specie :<sup>26)</sup>

"If this situation is allowed to persist without doing anything to improve it, all the gold coins in the country will go within less than several years hence.... And, the only means to forestall this would be to restore the balance of foreign trade." What, then, should be done in order to restore this balance of foreign trade? According to Toshimichi Okubo, this end will be attained by promoting export, on the one hand, and, by encouraging the development of domestic industries capable to compete favorably with foreign merchandise. Thus, the Government went on positively to formulate plans to promote the growth of modern industries, while, disregarding its own prestige, did everything in their power to transplant here the modern technique of western industries. Rather, it would be safe to declare that the Government, under the unified national powers, endeavored to effect an accumulation of capital with the commercial capitalists as the main moving factor.

To sum up all that has been said so far, it would be able to compare the economic policy adopted in the early Meiji era in Japan to the Western Mercantilism. However, in saying thus, sight should not be lost of the fact that Japan worked under her own peculiar condition, which resulted from her being a backward nation in those years. Thus,

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<sup>25)</sup> Brennan; *ibid.*, pp. 164-5.

<sup>26)</sup> Collected Documents of Toshimichi Okubo, Vol. 7, pp. 119 ff.

there can be seen a specific feature of the Mercantilism of Japan, compared with that of Western predecessors, in that point, that she concentrated her endeavor first and chiefly upon the increase and replenishment of her internal national power. At the same time, it would be safe to assert that the general feature of the economic policy, which can be seen throughout the history of Japanese capitalist economy, the economic policy has been formed and systematized with the foreign trade policy as its central pivotal point, was already discernible in the economic policy adopted and pursued in the early Meiji era.