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**The Japanese Shipping Challenge and the Lower Yangtze Shipping
Conference, 1921-1927**

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Introduction

The surveys on industrial policies have interested academics for a long time. Germany and Japan have been critical case studies.¹ In the maritime industry, liner shipping subsidies are frequent seen as a “strategic” policy as liner is a high fixed cost business. Subsidies are “government-supported” assistance to the shipping firm. In addition to subsidies, also, on some routes, some shipping firms organised shipping conferences to maintain freight rates. The nature and effect of conference systems were a matter of debate for many years.²

Since the late nineteenth century, there have been many debates about the strong shipping rings harming the trading of British manufacturers. This was a source of conflict between the British shipping industry and all the other British industries. The repeal of the Navigation Acts had removed the protection of the British shipping industry. However, the subsidies were still a kind of protection for particular shipping firms, as S. G. Sturmev has pointed out.³

The shipping conferences set freight rates and fixed the share of trading

1 K. Barkin, *The Controversy over German Industrialization 1890 to 1902* (Chicago: University of Chicago Press, 1970) ; Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford: Stanford University Press, 1982).

2 The historical surveys on the shipping conferences see Daniel Marx Jr., *International shipping cartels: a study of industrial self-regulation by shipping conferences* (Princeton: Princeton University Press, 1953).

3 S. G. Sturmev, *British Shipping and World Competition* (London: Athlone Press, 1962) p.28.

of each member. If these arrangements could not be stabilised, the over-tonnage still disturbed the freight market. For the further rationalisation of tonnage, the shipping companies might organise a pool and reach a pooling agreement fixing the share of cargo allocated to each member, and stipulating that the revenues from extra cargo should go to the conference as compensation to members whose cargo share had been infringed. The freight market was strictly difficult to penetrate if the pools were working well because the outsiders or the newcomers had to quote lower rates to attract a limited amount of cargo and sometimes it would not be profitable. The shipping conference might be an oligopoly rather a monopoly because it is a 'flexible instrument' and 'there is considerable scope for individual negotiation both as to rates and as to cargoes carried, provided always that the rest of the Conference members agree to the special terms'.⁴

The first modern international shipping conference was the UK-Calcutta Conference in 1879, founded by John Samuel Swire and the other main shipping firms on this route, but it was not stable until 1885.⁵ There were many rate agreements formed before 1879 for different routes. However, the Calcutta Shipping Conference could be seen as the first international agreement that established a formal administrative structure and that publicised their rates of freight and other information to its members.⁶

This following research presents a complete case study on the Japanese shipping expansion in the Lower Yangtze and the responses of shipping conference, which the British dominated.

The beginning of the Anglo-Japanese shipping rivalry on Yangtse

4 Francis E. Hyde, *Far Eastern Trade 1860-1914* (London: Adam & Charles Black, 1973) pp.28-9.

5 Through their extensive archive surveys, Sheila Marriner and Francis E. Hyde, *The Senior John Samuel Swire 1825-1898: management in Far Eastern Shipping Trade* (Liverpool: Liverpool University Press, 1967), in chapters 8 & 9, offered the best research on the origins and operation of the pre-1900 UK-Calcutta Shipping Conference.

6 K. A. Moore, *The Early History of Freight Conferences: background and main developments until around 1900* (Maritime Monographs and Reports, no.51) (Greenwich: National Maritime Museum, 1981) p.23. This is a good pre-history of the modern shipping conferences; see also Edward W. Sloan, "The first (and very secret) international steamship cartel, 1850-1856" in David J. Starkey & Gelina Harlaftis (eds.), *Global Markets* (St. Johns, 1998).

The shipping forces of the Great Power penetrated into inland rivers in China since 1858. Negotiations regarding the tonnages, sailings and fares had been held since 1868, as an American firm, Shanghai Steam Navigation Co. wished to maintain its ascendancy. Soon, the American firm lost in the rivalry with the British firms, the China Navigation Co., owned by the John Swire & Sons, and the Indo-China Navigation Steamship Co., owned by the Jardine, Matheson & Co.. Meanwhile, the Chinese government promoted its nationalism business strategy and established the China Merchant Steam Navigation Co., which competed with the two British firms on Yangtze since the 1870s. The Chinese company went down since the 1880s and reached several pooling agreements with the two British firms in the established Lower Yangtze Shipping Conference since 1893. Actually, due to inefficient management and corruptions, China Merchant Steam Navigation Co. was unable to fight with the two British firms anymore. However, the admission of this Chinese company into the shipping conference made this organisation international. The British firms wished to keep the Chinese in the Shipping Conference.

In the foreign investment in China, Japan became a new comer after Japan won in the first Sino-Japanese War in 1895. Japanese economy in China expanded quickly but they did not win the British. In the shipping business, Japanese received the generous subsidies from their government and did not worry about the losses. The two British shipping companies in inland Chinese waters did not receive the subsidies. However, the British government used law to secure the British shipping interests, as Joseph Chamberlain began to think about protectionism in England at the same time.

The various Japanese shipping firms kept up severe competition among themselves on the Yangtze River. What followed is a classical example of Japanese industrial policy. The Japanese government intervened and another firm was established to cover the combined interests. In addition to the shipping conference, this was one method adopted by the shipping companies to strengthen their competitiveness, even in UK in late nineteenth century.⁷ In March 1907, the Nisshin Kisen Kaisha (hereafter the NKK) was

⁷ Peter N. Davies, 'Nineteenth-century Ocean Trade and Transport' in Peter Mathias and John A. Davis eds. *The Nature of Industrialization Volume 5 International Trade and British Economic Growth from the Eighteenth Century to the Present Day* (London: Blackwell, 1996), p.63.

established. The NKK was a “kokusaku kaisha” (national policy firm) and it received huge subsidies every year. At that time, the British government was tending to minimize the conflicts on the Yangtze with Japan in order to reduce the risk to British investments there.⁸ In five years after 1907, the NKK had taken half of the cargoes on Yangtze.⁹

The freight market on the Lower Yangtze after the First World War

The trade on the Yangtze doubled from 1900 to 1914 and the tonnages expanded 3.8. The Japanese tonnages expanded 13.9; the British expanded 2.3 and the Chinese expanded 3.5. It can be argued that the Japanese expansion challenged the stable operation of the Shipping Conference. Actually, the Shipping Conference did invite the NKK to join and the latter joined in 1913. Baron Kendo, the President of the NYK, the biggest Japanese shipping company became the President of the NKK in 1914. It means that the NYK was influential over the inland China waters as well. Despite of the new admission into the Shipping Conference, the NKK left in 1915 after the First World War broke out. As the Table Three shows, the NKK made huge profits thereafter. During this period, the other three companies kept the Shipping Conference working and they still expected the NKK to join.¹⁰

Table One

Year . Tonnage	U.K.	China	Japan	Total
1900	16,175	5,725	1,815	23,715
1914	23,715	20,000	25,260	82,682
1924	39,046	28,193	22,053	89,292

Source: Gweng- Tzam Dschu, *Die Binnenschiffahrt auf dem Jangtse-Kiang seit 1900* (Berlin, 1933), p.85.

Table Two

Swire Jardine NKK China Merchant

8 Peter Lowe, *Great Britain and Japan, 1911-1915* (London: Macmillan, 1969) Chapter V.

9 William D. Wray, *Mitsubish and the N. Y. K. 1870-1914* (Cambridge, MA: Harvard University Press, 1984), pp. 388-394.

10 Letter No. 1156, 17 September 1915, from London to Hong Kong, in JM: London to Hong Kong 1915 I; JSS III 2/2 1922.

Year	Ton.	%	Ships									
1914	17,250	21.5	9	19,172	23.8	7	25,260	31.4	12	18,704	23.3	8
1918	19,436	21.4	9	19,787	21.8	8	32,104	35.3	14	19,625	21.5	8
1924	20,744	26.0	15	18,302	23.0	11	21,486	27.0	16	19,145	24.0	13

Total		
Ton.	%	Ships
80,386	100	36
90,952	100	39
79,677	100	55

Sources: 1914, 1924: Gweng- Tzam Dschu, *Die Binnenschifffahrt auf dem Jangtse-Kiang seit 1900* (Berlin, 1933), pp.86-7; 1918: *Shina Nenkan* Vol.4 (1920)

In addition to the rise of the NKK, some local merchants also established their own shipping firms to compete with the Shipping Conference. Among them, the Ning Shao and the San Peh, both were under the management of Yu Qia-ting, a shipping tycoon. The outsiders were considerable threats to the Shipping Conference. From the figures in the Table One and Two, there are many Chinese firms established after the First World War as the China Merchant's proportion in the Chinese tonnages decreased.

After the First World War, Jardine Matheson & Co. knew that their existing ships were old, due to the declining profits following Japanese competition. As early as 1919, Jardine Matheson & Co. decided to place a new contract to build a steamer with a British company in China.¹¹ Though Britain could build the most advanced ships in the world at that period, Jardine Matheson & Co. preferred to build their ships in China to reduce the capital cost.¹² They also had problems because some staff asked for raised salaries. Not only were they unable to get new ships, but they also had to consider reducing the dividends.¹³ This was a problem that many shipping companies constantly needed to deal with during the early 1920s: shareholders asked for more dividends, whereas when the company wished to maintain large reserves; large dividends would

11 Letter No. 154, 13 Oct 1920, from Shanghai to Hong Kong, in the Archives of Jardine Matheson & Co. (thereafter JM) Shanghai to Hong Kong 1920.

12 Letter No. 263, 15 March 1923, from London to Hong Kong, in JM: London to Hong Kong 1923.

13 Letter No. 232, 10 August 1922, from London to Hong Kong, in JM London to Hong Kong 1922.

weaken the company finance if the capital was not increased during the unprofitable years. Therefore, the company began to consider paying dividends by deferred shares to replace paying by cash.¹⁴

During the early 1920s, the two steamers for the lower Yangtze were the only new ships of the Indo-China Navigation Steamship Co.; the board had declined to build any other new ships.¹⁵ The solution was for more chartering of ships. It may be suggested that the Butterfield & Swire Co. possessed the advantage of their equipment, such as lighters and towships, and that they were more productive in shipbuilding. The advantages of the Swire could be proved by the data in the Table Two.

Shortage of money forced Jardine Matheson to ask for higher rates in the conference in the following years, in contrast with the lower rate for larger cargo, as was the policy of the Butterfield & Swire Co. In Butterfield & Swire Co.'s view, they considered the Indo-China Navigation Steamship Co. to be an inefficient operator, whose competition was always limited; therefore, to form an alliance with them as a defence against the more dangerous ship owners was the best plan.¹⁶ It seems that Jardine Matheson & Co. seldom considered that the higher rate would cause them to lose cargo and that the companies outside the conference would increase their share of the business.¹⁷

Meanwhile, the question of Japanese participation in the Yangtze conference began to have repercussions for competition on China's seagoing routes. For Jardine Matheson & Co., the reason to urge the Japanese to join the Yangtze pooling agreement was the heavy shipping loss during 1921. In the correspondence, the Hong Kong office reported the loss of 25000 pounds in 1921, against the profit of 48000 pounds in 1920 for the Shanghai-Canton line; and the profit of 5153 pounds in 1921, against the profit of 46800 pounds in 1920 for the Lower Yangtze line.¹⁸

14 Letter No. 276, 29 December 1921, from Shanghai to Hong Kong, in JM London to Hong Kong 1921.

15 Telegram 29 January 1920 from London to Hong Kong, in JM: London to Hong Kong 1920.

16 The Papers of John Swire & Sons (thereafter JSS) III 1/1 (Hong Kong General Letters): 14 April 1921, from London to Hong Kong.

17 JSS I 16 Box add. no.15 (Directors in the East: correspondence) 30 July 1926 from Warren Swire in London to Colin Scott in Shanghai.

18 Telegraph 23 June 1922, from Hong Kong to London, in JM: London to Hong Kong, 1922.

In addition, because of its limited number of steamers on the river, the Indo-China Navigation Steamship Co. would be weaker in any rate war. Therefore, Jardine Matheson & Co. endeavoured to persuade Warren Swire, the principal of the Butterfield & Swire Co., to agree to the collaboration.¹⁹

The threat from NKK and the strategies of the Conference

The threat of the NKK to the lower Yangtze Conference had become greater after the Armistice. The NKK could handle a large share of cargo on the river.²⁰ The Butterfield & Swire Co. wished to put up a fight, but the other conference members disagreed. Therefore in May they decided to offer a 10% in differential rates to the NKK, which they had agreed to in course of the NKK's earlier refusal to join the conference. In the December of 1921 the NKK wished to negotiate with the British about joining the conference, without any reservations.²¹

Since 1920, the NKK received the subsidies and used one ship in the service between Canton and Shanghai three sailings per month. The Canton-Shanghai coastal line could make the cargoes transferred from south China northern forward more quickly. According to the Conference regulation, only full loaded of the China Navigation Co.'s ships could operate in this route. The NKK service did not worry about losses due to the official support and this made the British uneasy. A serious British concern raised in 1922 as the NKK increased the service to four sailings with two ships per month. The local office of the Butterfield & Swire Co. also observed the Japanese and Chinese shipping companies were giving rebates to local merchants and they advised Warren Swire should withdraw from the conference.²² By the instruction of Warren Swire, the firm came to the decision that, "the Japanese have secured undue proportions of cargo on the Yangtze River by underhand means, and

19 Warren Swire (1883-1949), the son of John Samuel Swire, the founder of the Butterfield & Swire Co.. He had worked in the firm since 1904 and became principal since 1918.

20 Letter from Shanghai to London, dated 2 December 1921: in JSS III 2/1.

21 Telegraph 9 December 1921 From Hong Kong to Shanghai, in JM: London to Hong Kong 1921. Telegraph from Hankow to Shanghai, dated 8 December 1921, enclosed in JSS III 2/1.

22 Telegraph from Shanghai to London, dated 5 January 1922, in JSS XII 4/5 (China Sundries Letter Books)

therefore, to negotiate with them on the present cargo carrying basis is unfair to the China Navigation Company. John Swire & Sons wished to obtain a larger share of the cargo through competition before the discussions about including the NKK in the conference.”²³

Actually, almost all Japanese cargo was handled by Japanese shipping companies. According to their calculations, excluding Japanese cargo, the NKK had obtained limited advantages and the Butterfield & Swire Co. managed to handle 30% of non-Japanese cargo.²⁴ The initial plan of the Butterfield & Swire Co. was to withdraw from the conference with all members. After the withdrawal, they planned to impose a rate-cutting policy. However, none of the other companies agreed.²⁵ Jardine Matheson & Co. thought Warren Swire’s attitude was “arbitrary” and preferred to push the NKK into the pooling agreement as soon as possible.²⁶ The China Merchant’s Steam Navigation Co. followed this appeasement policy. Warren Swire actually wished to make an agreement with the NKK as well, but he wished to negotiate with the Japanese after the rate-cutting policy weakened them.²⁷

In 1922, the three companies in the conference began to negotiate with the NKK. The conference members asked the NKK to confirm that they did not have any co-operation with the NYK and the OSK. The conference was unsatisfied when the China Navigation Co. made losses, but the negotiation with the NKK failed as the Japanese asked to organise a shipping conference on the Canto-Shanghai route.²⁸ The NKK still claimed they wished to continue their coastal trade as soon as possible on their admission to the conference.²⁹ Therefore, the members of the conference planned to give notice to withdraw from the conference and they began rate-cutting competition. Jardine Matheson & Co. and the

23 Telegraph 3 March 1922, from London to Hong Kong, in JM: London to Hong Kong 1922. Also JSS III 2/2 Letter from Shanghai to London, dated 6 March 1922.

24 See telegraph from Shanghai to London, dated 5 January 1922 in JSS III 2/2.

25 See the correspondence enclosed in JSS III 2/2.

26 Telegraph, 27 February 1922, from Hong Kong to London, in JM: London to Hong Kong, 1922.

27 See the In Letter to Landale dated 30 July 1924, in JSS I/4/10. See also his private letter to Hong Kong, dated 12 August 1924, in JSS XII 4/6

28 Letter from Shanghai to London, dated 10 February, 30 March & 28 April: in JSS III 2/2.

29 Letter dated 28 April 1922 from Shanghai to London, in JSS III 2/2.

Chinese agreed with the withdrawal but they refused to take part in the rate war, because they thought the Japanese would try to secure local support after receiving the notice.³⁰ In May, the companies in the conference came to a conclusion about the conditions of the NKK's participation: they would consider agreeing to let the NKK join the conference under a new proposal. In this proposal, the NKK, under a five-year agreement based on the 1916 agreement, would be the only Japanese company permitted on the lower Yangtze; also, to maintain full and equal rates of freight in all river ports, the NKK, in addition to the existing three steamers, would not be allowed to enter on the trade between river ports and coastal ports. The three companies would not enter on the direct trade between the river ports and Japan as a reward.³¹ In the new agreement, the pooling would be divided between both parties (the NKK being one party and the three companies belonging to the other).³² Therefore, it would be difficult for the NKK to monitor the finance of the other three companies. On 15 May, the companies in the Lower Yangtze conference gave notice to withdraw from the rate agreement.³³

On 21 July, 1922, the NKK told the Butterfield & Swire Co. that their Shanghai/Canton Line lost 10000 Taels per month, but that they had to carry on because the vessels on this route received the subsidies.³⁴

30 Letter no.296 30 March 1922, from Shanghai to Hong Kong, in JM, Shanghai to Hong Kong, 1922. Telegraph 6 April 1922 from Jardine Matheson & Co. to the Butterfield & Swire Co., in JSS III 2/2 1922.

31 In the Shanghai/Yokohama Line Agreement, the Butterfield & Swire Co. had a consensus since 1909 with the NYK that the Butterfield & Swire Co. could not operate the Shanghai/Japan trade, which they had begun in 1906. See the report from the Consul at Shanghai to the Ministry of Foreign Affairs, dated 21 May 1906 in FM 3-6-3-14. Also see JSS III 2/1 Letter from Shanghai to London, dated 14 October 1921, and the letter from London to Shanghai, dated 27 April 1922, in JSS III 2/2. In the Butterfield & Swire Co.'s opinion, NYK and its associates should not operate the coastal trade in China. See JSS III 2/2 Letter from Shanghai to London, dated 10 February 1922.

32 Memo of meeting on 6 May, with the proposal letter to NKK enclosed in letter no.304, 11 May 1922, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong, 1922. Letter dated 10 May 1922 from Shanghai to London, in JSS III 2/2.

33 Shanghai Economist no.9 (April 1925) p.15. See also letter 15 May 1922, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong, 1922.

34 Letter from NYK dated 31 December 1920 in JSS III 2/1. See also letter dated 21 July 1922, from Shanghai to London, in JSS III 2/2.

Therefore the NKK asked for a 10% or 15% lower differential in the freight rates for the lower Yangtze pooling agreement. On 26 July 1922, in a letter to Butterfield & Swire, the NKK officially stated that they would make no agreements under the undifferentiated rates.³⁵ In early August, Jardine Matheson & Co. told the Butterfield & Swire Co. they were unwilling to continue the rate war. In their opinion, the public shareholders in the Indo-China Navigation Steamship Co. would feel unhappy to see the company lose money through the rate war.³⁶ But Warren Swire pressed for the refusal of the differential rates to the Japanese: he held the view that the Japanese could operate permanent businesses in China, and that they received subsidies and, therefore, did not need the differential.³⁷ In September, the three companies pressed jointly for the equal rates for the NKK.³⁸ Up until September, on the Lower Yangtze route, the rate war had improved the three company's businesses.³⁹ However, the NKK expanded their operation in South China and immediately reduced the shares of South China traffic carried in the Butterfield & Swire Co.'s vessels.⁴⁰ This action forced Warren Swire to concede by permitting three NKK steamers on the coastal trade and the Swatow calling.⁴¹

Compromise with the Japanese

Since the September of 1922, the three companies' percentage share of carrying on this route had fallen from 74.4% to 64.7% and the percentage of the NKK had risen from 20.9% to 27.7%. The Shanghai office of the Butterfield & Swire Co. concluded that the reason was that the NKK not only secured large amounts of raw cotton, which was under the management of Japanese merchants, but also secured the German and other foreign cargo, which sometimes required irregular shipping.

35 Letter No. 230, 3 August 1922, from London to Hong Kong, in JM: London to Hong Kong 1922.

36 Letter No. 319, 3 August 1922, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1922.

37 Letter from London to Shanghai, dated 21 September 1922, in JSS III 2/2.

38 Telegraph from Shanghai to London, dated 29 September 1922, in JSS III 2/2.

39 The letters from Shanghai to London since June 1922, in JSS III 2/2.

40 Telegraph from Shanghai to London, dated 17 October 1922, in JSS III 2/2.

41 Telegraph from London to Shanghai, dated 18 October 1922, in JSS III 2/2.

The labour, students and nationalists organized an “anti-imperialism” boycott in the big cities on the Yangtze from early 1923. All foreign shipping companies suffered from losses. Jardine Matheson & Co. pressed the Butterfield & Swire Co. again to agree to the differential rates, as the NKK insisted, but the three companies, under the dominance of the Butterfield & Swire Co., still kept to their opinion and informed the NKK again of this.⁴²

A meeting between the China Merchant’s Steam Navigation Co., the Butterfield & Swire Co. and the Indo-China Navigation Steamship Co. was responsible for bringing the NKK into the pooling agreement. In spite of the Butterfield & Swire Co.’s objection, the other two companies proposed to organise a two-party pooling agreement, as previously suggested, where the NKK would be one party and the three companies represented would be the other. In the pooling agreement, the Japanese would trade a limitation of coastal tonnage to three steamers in return for a 5% differential in coastal rates.

In June, the Butterfield & Swire Co. suggested raising the freight rate because the boycott seemed to disturb the Japanese business.⁴³ The Indo-China Navigation Steamship Co. followed this as their income was quite bad in 1922.⁴⁴ The informal rate agreement worked when the Indo-China Navigation Steamship Co. collaborated with the Butterfield & Swire Co. to raise the freight rates by 10% from 4 July and asked the Chinese local distributors and shipping companies to follow their example.⁴⁵ The Indo-China Navigation Steamship Co. was actually keen to contact the NKK again for the negotiation. Following the China Merchant’s Steamship Navigation Co’s warning, they feared that the Chinese public would misinterpret the British negotiations with Japan as a collaboration against the Chinese public and were also worried that rate wars might break out if the negotiations failed.⁴⁶ The China Merchant’s

42 Letter from Jardine Matheson & Co. to the Butterfield & Swire Co. dated 14 February 1923 & a letter from the three companies to NKK, dated 24 February 1923, in JSS III 2/3.

43 Telegraph, 18 June from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1923.

44 Letter No. 386, 21 June 1923, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1923.

45 See memo dated 20 June 1923, enclosed in JM: Shanghai to Hong Kong 1923. Letter, 22 June 1923 from Shanghai to London, in JSS III 2/3.

46 Telegraph, 24 July from Hong Kong to Shanghai, in JM: Shanghai to Hong Kong 1923. Telegraph, 25 July

Steamship Navigation Co, as a Chinese company, feared public opinion and they warned the British that their board would not sign any agreement with the Japanese when the boycott became stronger.

In the August of 1923, the news report in Japan stated that the NKK's business was poor owing to the boycott and to the fact that further subsidies had been refused.⁴⁷ This forced the NKK to reconsider joining the conference; British opinion turned strongly towards the view that they should insist that the Japanese must make terms that were satisfactory to the British.⁴⁸ Meanwhile, up until the summer, the Japanese gained little business.⁴⁹ However, the NKK recovered very soon; their proportion of freight carriage rose from 6.6% to 15.9% of the total freight carriage on the route in September. The local managers of the Butterfield & Swire Co. believed this was because the NKK secured many cargoes from foreign shippers.⁵⁰ As the boycott against Japan became weaker from November 1923, so the percentage of cargo carried from Hankow by the NKK had quickly increased. In December the China Merchant's Steam Navigation Co. also agreed to contact the NKK to discuss conference membership.

On 28 December, the three companies, including the Butterfield & Swire Co. agreed to the NKK joining the pooling agreement and agreed with the 5% differential in rates on the coast only, provided that the NKK would limit the tonnage to three steamers on the Shanghai, Swatow, Amoy, Hong Kong and Canton lines. They also demanded that the rate would increase by 15% from 1 January and a further 10% from 15 January.⁵¹

Fu Sia-en, a director of the China Merchant's Steam Navigation Co., was

from Hankow to Shanghai, in JM Shanghai: to Hong Kong 1923. Telegraph, 26 July from Hong Kong to Shanghai, in JM: Shanghai to Hong Kong 1923.

47 Letter No. 397, 16 August 1923, from Shanghai to Hong Kong and in JM: Shanghai to Hong Kong 1923. For the impact of the boycott upon the Japanese shipping in Yangtze see the relevant official documents enclosed in the FM 3-3-8-10-13.

48 Letter No. 397, 16 August 1923, from Shanghai to Hong Kong and in JM: Shanghai to Hong Kong 1923.

49 Letter No. 392, 26 July 1923, from Shanghai to Hong Kong and in JM: Shanghai to Hong Kong 1923.

50 Letter, from Shanghai to London, dated 2 November 1923, in JSS III 2/3.

51 Telegraphs, 27 & 28 December 1923, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1923. Minutes of meeting, dated 28 December 1923, in JSS III 2/4 1924.

authorised to contact the NKK about the agreement.⁵² However, it seems that he was slow to make progress.⁵³ The Butterfield & Swire Co. proposed to restore the rate cutting policy, to compete with the Japanese.⁵⁴ Due to its heavy losses, the Indo-China Navigation Steamship Co. always wished to pull the NKK into the conference. However, they wondered if the NKK really wished to join while they had advantages in some routes of up to a 10% rate lower rate than the conference rates.⁵⁵ In this situation, the Butterfield & Swire Co. remained optimistic when they learned that the NYK, the potential supporters of the NKK, had to pay dividends out of reserves while Japanese business was in depression.⁵⁶

On 22 July, the three companies decided to send an official inquiry to the NKK to discover whether the Japanese really would join the conference.⁵⁷ The NKK emphasised the company's preferred terms: in addition to the agreement on the Yangtze, the four companies should also arrange the equal rights to the Shanghai-Canton line and permission for the coast/river trade. In personal conversation, the President of the NKK, Mori stated definitely that the activities of the NKK were for both business and politics. The NKK could operate business without profit to advance Japanese political interests in China. In this situation, with the NKK's political support, Kent, Swire's reprehensive in Japan, reminded that the negotiations would not only be commercial negotiations, but also diplomatic.⁵⁸

In this situation, Warren Swire adopted a more amicable attitude; he agreed to negotiations on the NKK's terms and offered a 5% differential in rates.⁵⁹ Warren Swire held the view that Japanese shipping would take

52 Letter No. 43, 4 January 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924. The biographical sketch of Fu Sia-en (1872-1940) see *Biographical Literature* 47:4 (January 1985) pp.147-8.

53 Letter No. 437, 31 January 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924.

54 Telegraph, 10 June 1924, from Shanghai to London, in JM: Shanghai to Hong Kong 1924.

55 Letter No. 356, 3 July 1924 from Shanghai to London, in JM: Shanghai to London 1924.

56 Letter from Kent to Shanghai dated 12 June 1924, in JSS III 2/4.

57 Letter No. 474, 23 July 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924. Minutes of meeting dated 22 July 1924, in JSS III 2/4.

58 Memo dated 25 July 1924, in JM: Shanghai to Hong Kong 1924.

59 Telegraph from Warren Swire in London to Hong Kong, dated 6 August 1924, in JSS III 2/4. Letter from the Butterfield & Swire Co. to Jardine Matheson & Co., dated 8 August 1924, in JM: Shanghai to Hong Kong 1924.

a share in China because of its geographical advantages and that the British should nominate a Japanese company as a national representative, who could help the British in the conference to drive the other Japanese away. Moreover, the Japanese government could assist their national representative and the conference in diplomacy, especially because British influence was weaker in China at that time. In his opinion, the NKK should follow the example set by the Indo-China Navigation Steamship Co.'s and of the China Merchant's Steamship Navigation Co.'s admission to the Conference many years before. Warren Swire wished to treat the NKK in a friendly manner and he expected that the Japanese would react in the same way.⁶⁰

In Hankow, the NKK agency proposed a temporary local tariff agreement for the rate increase. But the Butterfield & Swire Co.'s agency suggested postponing the action because the headquarters of the NKK had not promised they would follow the temporary agreement. They feared that the NKK would realise the weak condition of the finances of the British company and ask for larger shares.⁶¹ Jardine Matheson & Co. received instructions from London and argued that the temporary tariff agreement should be completed as soon as possible.⁶² After warning Jardine Matheson & Co., Warren Swire insisted that a written document by the NKK, to promise to keep the NYK and the OSK out of any river and coast-river trade in China, was necessary.⁶³

On 2 September, the NKK manager in Hankow signed a temporary pooling agreement for the time being.⁶⁴ In an interview on 10 September, Mori claimed that it was impossible to organise an early board meeting to discuss the pooling agreement, and that they needed the Japanese government's support. As for the tariff rate increase, Mori also

Letter No. 364, 13 August 1924, from Shanghai to London, in JM: London to Hong Kong 1924 and letter No. 355, 26 February 1925, from London to Hong Kong, in JM: London to Hong Kong 1925.

60 Private letter from London to Hong Kong dated 12 August 1924, in JSS XII 4/6.

61 Telegraph from Hankow to Shanghai 14 August 1924, in JM: London to Hong Kong 1924. Telegraph from Shanghai to Hankow, dated 13 August 1924, in JSS III 2/4.

62 Telegraphs from Jardine Matheson & Co. to Butterfield & Swire, dated 15 & 16 August 1924, in JM: London to Hong Kong 1924.

63 Letters between Shanghai and London, dated 15 August & 29 August 1924, in JSS III 2/4.

64 Telegraph from Shanghai to Yokohama, dated 2 September 1924, in JSS III 2/4.

complained that it would exceed the Japanese official limit. And the Minister of Communication seemed unlikely to approve the increase.⁶⁵ In addition to these national characteristics, the Butterfield & Swire Co. agent began to wonder whether the NKK was waiting to see the consequences of the civil war in China.

The British companies also mobilised political resources for the diplomatic aspects of negotiations with the NKK. On 16 September, Mr. Sansom, Commercial Counsellor in the British Embassy in Tokyo, had a meeting with Mr. Ito, the president of the NYK, and Ito confirmed that the NKK was the only Japanese shipping company in China backed by the government. The NYK would support the NKK as well. He also confirmed the NKK was working for both business and politics in China.⁶⁶ Later, in the NYK, Ito was forced to resign due the controversy about the Company policies.⁶⁷ The Butterfield & Swire wondered if this would delay the Japanese decision making. They also expected the expansion of the Yamashita Kisen Kaisha (YKK), another Japanese shipping company, would weaken the position of the NKK.⁶⁸

A New Shipping Conference

In November, the NKK had informed that the various NKK directors from the NYK and the OSK were unable to achieve a consensus and that the internal conflict of the NYK, as well as the unstable political situation in China, caused the NKK's dilemma. Meanwhile, as a profitable company on the Yangtze, to join the permanent pool meant to limit

65 Telegraphs from Butterfield & Swire in Yokohama to Shanghai, dated 13 September 1924, enclosed in letter No. 491, 17 October 1924, from Shanghai to Hong Kong, in JM: London to Hong Kong 1924. Also available in JSS III/2 1924.

66 Telegraph from Yokohama to Shanghai, dated 8 September 1924, in JSS III 2/4. Letter from Butterfield & Swire in Yokohama to Shanghai dated 22 September 1924, in JM: London to Hong Kong 1924.

67 Letter from Butterfield & Swire in Yokohama to Shanghai, dated 13 September 1924 and in JM: London to Hong Kong 1924. Kendo died in 1921 and Ito became the President of NYK. Ito tried to reform the organisation and reduce the expenditure, which caused strong objections inside NYK. Finally, Ito resigned in September 1924. See *Nippon Yusen Hyakunen Shi* (Tokyo, 1988) p.254.

68 Letter from Shanghai to Yokohama dated 14 October 1924, in JSS III 2/4. The expansion of the YKK at this period see Nakagawa Keiichiro, *Ryotaisenkan no nihon kaiungyo* (Tokyo, 1980), pp.87-96.

tonnage in the NKK's view and they began to reconsider whether it was the best option. The three companies decided that they would raise the rates and give the Japanese a 10% differential in rates when the NKK were ready to join.⁶⁹

On 24 December, after calculating the working basis of the pool, the NKK claimed that they would agree to pool 50% of its earnings to the conference. Also, Mori claimed, the pool should be based on the earnings of 50% of the ships of the NKK, not 50% of the whole earnings of the NKK. However, the British companies were not satisfied with this offer. Mori argued that the NKK was under pressure from the Japanese government and merchants, who were supporting a more expansive policy. Mori also mentioned the China Merchant's Steam Navigation Co.; on this point both the British and the Japanese agreed that this company was inefficient and the reason for their admission to the pool was political, that is, as a concession to Chinese political opinion.⁷⁰ The function of the pool was to stabilise the freight rate: to secure stabilisation, some members that profited would put more earnings into the pool and the other members would be the receivers. However, it seems that the NKK were unhappy with this arrangement: they did not want to put all their earnings into the pool. They did not want a stable conference because they really wanted to expand their shares of business on the Yangtze route.

On 5 January 1925, the British companies decided to endeavour to get the NKK's agreement.⁷¹ But the NKK did not give a positive reply as they just agreed to help the conference to drive the other Japanese shipping companies, like the YKK, away from the Chinese coastal trade.⁷² Meanwhile, the three-company pooling agreement expired on 30 June 1925; Meanwhile the Butterfield & Swire Co. realised that they needed to renew the pool. Otherwise, the Indo-China Navigation Steamship Co.

69 Letter No. 497, 20 November 1924, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1924.

70 Telegraph from Shanghai to London, dated 30 December 1924, in JSS III 2/4. Letters from Butterfield & Swire in Yokohama to Shanghai, dated 24 December 1924, enclosed in letter No.506, 9 January 1925, in JM: Shanghai to Hong Kong 1925.

71 Memo dated 5 January 1925, enclosed in JM: Shanghai to Hong Kong 1925.

72 Memo dated 30 January 1925, enclosed in Letter No. 513, 12 February 1925, from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1925.

might ally itself with all the Chinese companies to oppose the Butterfield & Swire Co.⁷³

First of all, Taikoo secured their mutual trust with Jardine, Matheson & Co..⁷⁴ After interview Swire in Shanghai, Mori signed a general armistice agreement to cover the previous local tariff agreement.⁷⁵ Meanwhile, the renewal of the *three-company* pooling agreement faced problems; the Butterfield & Swire Co. asked for a three months withdrawal clause stating that if any company wished to leave the conference they needed to notify the others three months in advance. As a consequence, this shipping conference would be more unstable. In the meeting of 22 July, both British companies agreed that a three-party pool, where a *six-month* withdrawal clause applied, should be formed between the other three companies before the NKK joined. The *three-month* withdrawal clause would apply to the *four-party* pool after the NKK joined.⁷⁶ The three-month withdrawal clause meant the companies could leave the conference in a shorter time if they found profits difficult to maintain. It might be inferred from this that Warren Swire did not have confidence in the situation of the conference after the NKK was admitted.

However in August Warren Swire instructed the Shanghai office that “to put a three-party pool inside the four-party pool will make no difference”.⁷⁷ This might imply that Warren Swire had become anxious to pull the NKK into the conference. In November, in line with the Indo-China Navigation Steamship Co.’s suspicions, the China Merchants’ Steamship Navigation Co. claimed that they wished to renew the three-party pool first.⁷⁸ Warren Swire still insisted on the three-month withdrawal clause for the four-party pool.⁷⁹ This strategy might suggest that Swire preferred a more dynamic agreement, where the members

73 Letter from Shanghai to London dated 5 June 1925, in JSS III 2/5.

74 John Kidston Swire’s private business diary extracts 14 July 1925 (shipping generally).

75 Telegraph from Shanghai to London dated 22 July 1925, in JSS XII 4/6; minutes dated 1 September 1925, in IC.

76 Minutes of meeting dated 22 July 1925, in JSS III 2/5. The correspondence is in JM: Shanghai to Hong Kong 1925 and Letter no.604, 16 April 1926 from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1926.

77 Letter from London to Shanghai dated 21 August 1925, in JSS III 2/5.

78 Letter from Shanghai to London dated 27 November 1925, in JSS III 2/5.

79 Telegraph from Shanghai to London dated 27 November 1925, in JSS III 2/5.

could decide whether to stay in the conference or not, in a shorter time.

In the April of 1926, the board of Jardine Matheson & Co. stated that they preferred the six-month term.⁸⁰ This might indicate that they wished to establish a stable conference. However, Warren Swire insisted upon the three-month term as the Chinese supported Jardine Matheson & Co.⁸¹ On 2 July, in order to avoid deadlock, Warren Swire authorised the Shanghai branch to decide whether they should adopt the six-month revision.⁸² On 6 July, both British companies met, and the Butterfield & Swire Co. revised the terms: to the six-month withdrawal term they added another; any party in the conference, could take action to restore its proportions of the trade if they thought the trade was unfair, subject to two-weeks notice to the other parties in writing. The Butterfield & Swire Co. emphasised that this remedy was not to facilitate withdrawal from the conference. In their opinion, the two-weeks notice was for restoration of the proportion by rate cutting. However the representative of Jardine Matheson & Co pointed out that they should distinguish between two rate cutting policies: the first was the general rate cutting for restoring the positions of the companies, and the second was rate cutting when individual companies thought there was unfair trading in relation to a particular commodity.⁸³ Actually, the two-weeks notice mechanism had misused the nature of the shipping conference. The Conference would be unable to stabilise the freight market by this way.

Meanwhile, the China Merchants' Steamship Navigation Co. was keen to renew the agreement on the old terms. They claimed that the failure of an agreement would make them "lose face" because they had promised the Peking government already.⁸⁴ The Peking government might nationalise the China Merchants' Steamship Navigation Co. if it could not make a profit. The British companies might not be pleased to see that situation. The British companies always allowed the China Merchants' Steamship Navigation Co. to stay in the shipping conference as the latter could

80 Letter no.605, 23 April 1926 from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1926.

81 Letter no.609, 7 May 1926 from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1926.

82 Telegraph from London to Shanghai dated 2 July and 1926, in JSS XII 4/7.

83 Letter no.621, 6 July 1926 from Shanghai to Hong Kong and in JM: Shanghai to Hong Kong 1926.

84 Letter from the China Merchant's Steamship Navigation Co. to the Butterfield & Swire Co., dated 27 July 1926, enclosed in Letter no.627, 30 July 1926 from Shanghai to Hong Kong, in JM: Shanghai to Hong Kong 1926.

become an international organisation. Otherwise, a British shipping conference could become a symbol of “imperialism”.

In 1926, the civil war spread when the Nationalist government’s troops fought with the warlords in the Yangtze area. The Chinese shipping companies faced heavy losses and stopped operating and all foreign companies were worried that the political situation would delay their businesses. Meanwhile, the negotiations for the renewal of the pooling agreement went into deadlock because all the parties had different views about the agreement. With the Nationalist Party’s Northern Expedition from Canton, the British found the political and economic situation was such as they had never previously experienced. The warlord era had ended and the British government adopted a new policy toward China to work with the Nationalist Party, and British business became more competitive with the Chinese and the Japanese.

Conclusions

In the case of the rivalry with the NKK after 1919, from the British side, the pooling agreement was desired due to the severe competition from the NKK. It might also be questioned from the evidences available whether the British government was able to offer assistance in this matter. Meanwhile, the China Merchants’ Steam Navigation Co., a weak company, was anxious to get the revenues from the pooling for survival. The China Navigation S. N. Co. wished to negotiate with the NKK when they were in a better business operation but the Indo-China Navigation Steamship Co., as well as the Chinese company, desired to make an agreement quickly due to their poorer financial situation.

As the Table Two revealed, by the percentage of tonnage, the NKK expanded quickly during the First World War (35.3%), but declined comparatively in 1924 (27%). It proved that the continuous growth of the NKK, shown in the Table Three, came from the official subsidies. Especially the first five years’ subsidies covered the losses and made the NKK survive. The NKK possessed a stronger capacity, in comparison to the other companies, due to political support, which constituted their strong position in the negotiation and their ability to expand. Obviously, the NKK was not

interested in the pooling agreement because they possessed a much greater advantage and they did not worry about the effects of market fluctuation as they received the subsidies. By the political side, neither the British nor the Chinese could compete with the Japanese support.

There are some more reasons to cause the losses of the shipping companies at that time: In addition to the boycott in 1923, the slump in the shipping market in China might follow the Ruhr crisis in the Continent. The business of NKK improved since September 1923 might benefit from the high demand for import after the Great Kanto Earthquake.⁸⁵ The Japanese compromise in the summer of 1925 might be caused by another “anti-imperialism” boycott in China, where the Japanese companies were the main targets initially, but benefited more since the boycott ceased after the autumn of 1925.⁸⁶ It seems that the spirit of international co-operation, for example: the working of shipping conference on Yangtse, was beyond the Japanese concerns as they always wanted to dominate the Far East.

Table Three: NKK’s performance

Year	Big vessels	Total tonnages of big vessels	Net tonnages of big vessels	Assets (Yen)	Subsidies received (Yen)	Subsidies returned (Yen)
1907	14 (34)	29,353.25 (29,873.20)	18,407.24 (18,689.97)	8,100,000	----	----
1908	14 (35)	29,353.25 (29,912.42)	18,407.24 (18,711.15)	8,437,460	791,943	----
1909	13 (34)	28,396.19 (28,955.36)	17,688.94 (17,992.85)	8,401,665	796,588	----
1910	13 (35)	28,396.19 (29,004.61)	17,688.94 (18,019.23)	8,485,732	799,266	----
1911	12 (34)	27,422.08 (28,030.50)	16,923.36 (17,253.65)	8,617,823	799,159	----
1912	12 (34)	27,397.75 (28,006.17)	16,908.27 (17,238.56)	8,723,970	799,525	48,000
1913	12 (29)	27,397.75 (27,912.34)	16,908.27 (17,190.41)	9,288,036	756,228	96,000
1914	12	27,397.75	16,908.27	9,695,811	758,480	120,000

⁸⁵ C. F. Remer, *A Study of Chinese Boycotts* (Baltimore: The John Hopkins Press, 1933), Ch.8.

⁸⁶ C. F. Remer, *A Study of Chinese Boycotts* (1933), Ch.9.

	(29)	(27,908.02)	(17,188.08)			
1915	12 (29)	27,116.96 (27,627.23)	16,675.91 (16,955.72)	10,266,959	758,625	96,000
1916	14 (23)	31,587.12 (31,877.73)	19,123.15 (19,278.82)	10,707,998	537,751	72,000
1917	14 (23)	31,426.61 (31,707.73)	18,933.94 (19,073.72)	12,081,088	536,189	192,000
1918	15 (24)	34,511.17 (34,764.66)	21,568.75 (21,661.03)	13,063,498	536,762	96,000
1919	16 (25)	36,084.20 (36,337.69)	22,475.28 (22,567.56)	16,705,220	435,309	96,000
1920	15 (25)	34,530.69 (34,788.18)	21,583.24 (21,675.52)	17,549,974	434,111	96,000
1921	17 (29)	39,591.43 (40,002.03)	24,593.28 (24,740.07)	16,779,165	489,313	16,000
1922	19 (31)	43,122.39 (43,532.99)	26,863.36 (27,010.15)	16,473,440	567,425	----
1923	20 (35)	44,160.37 (44,739.55)	27,459.18 (27,664.12)	16,389,092	679,506	----
1924	22 (39)	45,556.41 (46,401.40)	28,234.80 (28,544.10)	15,677,591	741,681	----
1925	21 (38)	43,930.41 (44,978.10)	27,100.49 (27,490.08)	16,861,198	780,322	32,000
1926	21 (39)	44,115.41 (45,211.00)	27,249.53 (27,659.27)	17,375,812	664,359	----
1927	20 (38)	44,190.46 (45,440.16)	27,418.30 (27,880.65)	17,997,567	728,318	----
1928	23 (42)	47,163.61 (48,517.74)	29,267.89 (29,761.41)	19,438,859	636,896	----

Year	Income(Yen)	Expenditure (Yen)	Profit (Yen)	Profit ratio	Profit without subsidies	Profit ratio without subsidies
1907	----	----	----	----	----	----
1908	2,701,463	2,561,767	139,696	1.66%	-652,247	----
1909	2,570,656	2,367,734	202,922	2.42%	-593,666	----
1910	2,747,783	2,256,840	490,943	5.79%	-308,323	----
1911	2,824,652	2,261,174	563,478	6.54%	-235,681	----
1912	2,996,299	2,410,250	586,049	6.72%	-165,476	----
1913	4,227,237	3,345,001	882,236	9.50%	222,008	2.39%
1914	4,019,628	3,063,045	956,583	9.87%	318,103	3.28%
1915	3,606,935	2,780,863	826,072	8.05%	163,447	1.59%
1916	3,609,965	2,640,765	969,200	9.05%	503,449	4.70%
1917	5,982,931	4,128,122	1,854,809	15.35%	1,510,620	12.50%
1918	7,308,660	5,396,349	1,912,311	14.64%	1,471,549	11.26%
1919	10,221,931	7,751,020	2,470,911	14.79%	2,131,602	12.76%
1920	10,294,838	7,959,097	2,335,741	13.31%	1,997,630	11.38%
1921	6,456,113	5,676,963	779,150	4.64%	305,837	1.82%
1922	5,940,014	5,173,705	766,309	4.65%	211,725	1.29%

1923	6,567,869	5,799,238	768,631	4.69%	89,125	0.5%
1924	5,648,641	5,113,126	535,515	3.42%	-206,168	----
1925	10,176,525	8,063,307	2,113,218	12.53%	1,364,896	8.12%
1926	8,337,421	6,959,271	1,378,150	7.93%	713,791	4.11%
1927	9,723,990	8,015,947	1,708,043	9.49%	979,725	5.44%
1928	10,594,096	8,490,512	2,103,584	10.82%	1,466,688	7.55%

Source: *Nishiin Kisen Kabushiki Gaisha Sanjou nen shi oyubi tsuiho* (1941), pp.

230-231 , 258-259 , 296-297 , 380-381 , 386-387