

Japanese shipping and India since the late 19th century

Dr. Chih-lung Lin

Department of History, National Chung-Hsing University, Taiwan

LinCL39@gmail.com

Introduction

India has a maritime network connected with Asia, with evidence suggesting that India had a maritime link with Japan one thousand years ago (Radhakumud Mookerji, 1912, pp.173-174).¹ However, in Japan, the initial impression is that there were limited international shipping activities before 1868, with coastal shipping preserving the maritime capacity. After 1868 and during the Meiji Restoration, the military motive promoted overseas shipping, including both technological progress and institutional development. It is clear that the government supported the establishment of the shipping business, with military action in Taiwan proving this. In 1875, the Japanese government supported the establishment of Nippon Yusen Kaisha (NYK) to develop the international shipping business (Wray, 1984, pp.21-86).²

In India, it was different. Since the East India Company, the traditional shipping world was challenged by British steamboats. During the 19th century and after, the British controlled external shipping in India. In the late 19th century, India and Japan had different maritime transport sectors.

Japanese industrialisation and shipping in India

The cotton industry was the first modern industry established in Japan. As cotton-growing in Japan declined in the 1880s, due to the poor quality of the product and higher costs, in 1889, the government and the textile industry sent a joint mission to India that recommended the import of raw Indian cotton to supply mills in Japan. India supplied Japan with the raw material due to excellent production and a suitable geographic distance. Japan aimed to secure a stable source and was keen to establish a shipping link

1*The research provided in this paper is largely a revision of my previous papers: Lin, C. L.. "Japanese shipping in India and the British resistance, 1891-1918". 2010. *The International History Review* Vol.32(2); "British shipping in the Orieng, 1933-1939: Reasons for Its Failure to Compete". 2008. *International Journal of Maritime History* Vol.20(1). Radhakumud Mookerji, *Indian Shipping - a history of the Sea-Borne Trade and Maritime Activity of the Indians from the earliest times* (Bombay: Longmans, Green & Co.,1912), pp.173-174.

2 William D Wray, *Mitsubishi and the NYK, 1870-1914* (Cambridge: Harvard University Press, 1984), pp.21-86.

with India. This shipping business would support Japanese industrial growth.

Two years later, in 1891, R. D. Tata, an influential Indian businessman, whom the mission had met in India, followed up a return visit to Japan to discuss the potential shipment of raw cotton from Bombay to Kobe. At the time, the Bombay-Kobe route was dominated by the Shipping Conference, with the leading members being Peninsular and Oriental Steam Navigation Company (P&O), Britain's leading shipping company throughout Asia, Austrian Lloyd, and the Navigazione Generale Italiana. The Conference charged the freight rate of 17 Rs (Rupee) per ton.

In 1893, another member of the Tata family, J. N. Tata, visited Japan to try to challenge the Conference's hold over cotton shipments by charging a lower rate. He agreed with the Japanese proposal, NYK, the biggest Japanese shipping company at that time, that they should supply half of the necessary ships and the Tata family the other half. When NYK insisted that the textile merchants should back the challenge, they agreed to ship at least 50,000 tons of raw cotton annually at 17 Rs. per ton, in NYK and Tata ships, in return for a loyalty rebate of 4 Rs. The rate war that followed caused heavy losses for Tata, which withdrew from the service in February 1895, leaving NYK to take up the slack. It seems likely that the Indian business missed an opportunity to develop a long-distance shipping service because it could not survive short time losses.

During the rate war, for NYK, in addition to the losses, they had to bear more expenditure because Japan had been at war with China since August 1894 (the Sino-Japanese War). The wartime mobilisation diverted the shipping business, with NYK needing to secure reliable revenue. The war ended in Japanese victory in April 1895. The Japanese government received compensation and kept the subsidies awarded to NYK. The subsidies led to NYK insisting on the rate war, with support given by shippers (Takeshi, 1926, p.4).³

The Japanese continued the rate war with the British involved in the Indian shipping business. In November 1895, P&O asked the Foreign Office to intervene. Kato Takaaki, the Japanese ambassador, forwarded this information to NYK and Shoda Heigoro, with one of NYK's director taking up the issue on a visit to London. In May 1896, NYK reached a quota agreement with P&O, on behalf of the Conference, for the Bombay-Kobe route. The agreement assigned forty-eight sailings to P&O and NYK, and twelve each to Austrian Lloyd and Navigazione Generala Italiana. The freight rate remained at 17 Rs, with the loyalty rebate raised to 5 Rs and earnings pooled before being distributed on a points system, with 60 points

3 Shirani Takeshi, "Honpou Indou Kouro no Hattatsu ni shuo te" *Journal of the Indo-Japanese Association* no.37 (1926.5), p.4.

distributed to all members: thirty points were assigned to P&O, fourteen to NYK, and eight each to Austrian Lloyd and Navigazione Generala Italiana.

At the same time, as William D. Wray shows, the Japanese government offered to subsidise NYK for twenty years to provide a service to India that benefited Japan's textile industry. In return, in March 1896, NYK opened a new route to Antwerp and Middlesbrough to export metal goods to Mitsui and the Japanese government. The choice of Middlesbrough rather than London was a trade-off for the agreement over the Bombay-Kobe route with P&O (Wray, 1984, pp.293-302).⁴ In May 1896, NYK joined the Bombay Shipping Conference.

Another British shipping company, Butterfield & Swire, had intended, out of fear of competition, to oppose NYK's application to join the Far East Shipping Conference until they learned that the Japanese government was subsidising the company. This meant that the Japanese could cut the freight rate, to compete with the Conference, and did not need to worry about the losses.

NYK was granted full membership of the eastbound Conference in February 1899, which enabled its ships to load at London, and full membership of the westbound in January 1902. Thereafter, NYK was offered more cargo than it had expected or could handle. When, in January 1903, the textile merchants in Japan asked it to pick up raw cotton at Bombay on the eastbound voyage from Britain, it refused on the grounds that the additional call would disrupt the schedule. The cost of refusal may have been high. Contemporary reports predicted huge losses for NYK's European service, with subsidies necessary for NYK to maintain the service.

The coastal shipping controversy in India and Japan

To Japan, one of the most economically important constituents of trade with India was the rice trade from Rangoon. When NYK began to operate a service to Rangoon in 1907, it almost immediately achieved a monopoly. Equally important was trade with Calcutta, which supplied 40% of Japan's imports from India.

When NYK applied for membership of the Calcutta Shipping Conference in August 1911, it was refused the right to load west of the Straits Settlements. After it began the service from Kobe to Calcutta in September 1911, the Calcutta Shipping Conference, in order to compete, cut the freight rate by half and offered rebates for six months. Nonetheless, NYK were able to attract business due to

⁴ William D Wray, *Mitsubishi and the NYK, 1870-1914* (Cambridge: Harvard University Press, 1984), pp.293-302.

demand in Osaka for Indian pig iron. After September 1911, NYK started sailing a monthly service between Kobe and Calcutta to supplement the service to Bombay.

Nonetheless, in 1913, a second Japanese shipping line, Osaka Shosen Kaisha (OSK), was admitted to the Far Eastern Conference after agreeing with a demand from P&O that it should not call at Shanghai en route between India and Japan. P&O did not want the Japanese shipping companies to obtain additional cargoes.

After 1815, no restrictions prevented foreign ships from carrying cargo between two ports in Great Britain. In Japan, until the Anglo-Japanese commercial treaty signed in 1894, British ships, as well as those of the other world powers (i.e. France, Germany and the United States), were allowed to carry cargo between Japanese ports. The treaty restricted this right to conveyance between Nagasaki, Kobe, Yokohama and Hakodate because both the Japanese government and Japanese business interests wished to demonstrate, by control of tariffs and local shipping, the recovery of Japan's sovereignty. By contrast, the British continued to allow the Japanese, though not entitled by treaty, to carry cargo between any two ports in Britain.

In February and March 1912, the Bengal Chamber of Commerce and representatives from the four British members of the Calcutta Shipping Conference (the Apar Line, the Asiatic Steam Navigation Company, the British India Steamship Navigation Co. (BI) and the Indo-China Steam Navigation Co. (ICSN), which was under the control of Jardine, Matheson & Co. (JMC)) met with the head of the Commerce and Industry Department of the Government of India, W. H. Clark. They claimed that they could not compete fairly with NYK because of the huge subsidies it received and protested against Japan's restrictions on coastal trade. Among the four companies, BI was most influential and enjoyed a monopoly in Indian waters from the 1860s, under the management of William Mackenzie and later Lord Inchcape.

Their warning was confirmed on 2nd April 1912, when the consulate at Kobe confirmed to BI's local agent that under Japanese law British shipping companies could no longer obtain certificates for coastal trade in Japan. Thus, while the 1911 renewal of the Anglo-Japanese Treaty of Commerce and Navigation excluded British shipping companies from Japan's coastal trade, neither the British government nor the Government of India prohibited Japanese companies from entering India's coastal trade. In June, Clark, having explained the disparity to the Government of India, asked the India Office to reopen the question of the prohibition on British vessels from engaging in Japan's coastal trade. However, he doubted whether the British government would impose new restrictions on

Britain's ally because of the Anglo-Japanese Alliance of 1902.

On 20th June 1912, however, J. D. Rees, MP from Nottingham East, raised the issue in the House of Commons. He asked Sir Francis Acland, the Parliamentary Undersecretary of State for Foreign Affairs, whether Japanese ships were restricted to the British-India coastal trade and whether the British government would take any action if the Japanese ships competed with British ships there. On 14th October, Rees raised the issue again. On 4th January 1913, two months after the four British members of the Calcutta Conference asked the Bengal Chamber of Commerce to maintain pressure on Clark, the Chamber appealed to the Government of India, even though some British firms acknowledged that NYK's service benefited them as the Japanese company took up the extra tonnage.

In the meantime, in the British embassy, the charge d'affaires, Sir Horace Rumbold, had written to the Foreign Secretary, Sir Edward Grey, on 12th November, to suggest that the British government should raise the matter privately, rather than officially, with Japan's Foreign Minister, Earl Uchida Kosai. Grey took Rumbold's advice. On 10th January 1913, in a letter to the former Japanese ambassador to London, Earl Kato Takaaki, he acknowledged that the British government had conceded in 1911 that British ships should not carry cargo or passengers between Japanese ports. He also asked whether, as Japanese ships could compete in Indian coastal trade according to the Treaty of 1911, the Japanese government would be willing to amend the treaty to allow British vessels to compete for Japan's coastal trade. At a meeting with Rumbold on 1st February, Kato explained, unofficially, that the Japanese government could not do as Grey had asked.

Three months later, on 16th May, the Foreign Ministry notified Rumbold, officially, that the Diet would not agree to admit foreign vessels to the coastal trade. The Japanese government regarded competition in Indian waters as a commercial issue and not a political one, and was best left to the shipping companies to resolve. However, in return for Britain's abandonment of the attempt to revise the commercial treaty, Japan would urge NYK to negotiate. On 10th June 1913, a delegation headed by A. M. Monteath of Mackinnon Mackenzie & Co. (a company under the control of BI), left for Japan to negotiate with NYK. Monteath represented the chairman of BI, Lord Inchcape, and was accompanied by Inchcape's son, Kenneth Mackay. In asking the Foreign Office for support, Inchcape explained that the British firms would allow Japanese companies to take shares in the trade between India, China and Japan, but only if they agreed that their ships ceased competing for India's coastal trade. Grey forwarded the request to Greene, the British Ambassador, for his attention.

In his annual report for 1912, Greene suggested that, to persuade Japan to allow British ships to continue to engage in coastal trade in Japan, Britain should, in retaliation, restrict the access of foreign ships engaged in India's coastal trade. Monteath and Mackay arrived in Tokyo on 6th July. At their first meeting with Baron Kondo, the chairman, and Hayashi Tamio, a managing director of NYK, on the 10th they proposed a pool for international trade between Indian, Chinese and Japanese ports. For the time being, British companies should agree not to compete for Japan's coastal trade and, in return, Japanese companies should agree not to compete for trade between India, Straits Settlements and Hong Kong. At this time, R. Sutherland, on behalf of IC, joined negotiations. Inchcape also approved the proposal. When Sutherland and Monteath put the proposal to NYK on the 18th, NYK immediately turned down the proposal on the grounds that it gave British companies a monopoly in Indian coastal trade.

On 26th July, NYK proposed a pool for cargo between Calcutta and Hong Kong. It excluded passenger traffic from the pool because it wished to reach a separate agreement with BI. At a second meeting, on the 24th, Kondo stated that NYK demanded admission to the Calcutta-Rangoon, Rangoon-Straits Settlements-Hong Kong, Calcutta-Straits Settlements-Hong Kong and Calcutta-Rangoon-Hong Kong routes. He added that NYK was ready to introduce a service between Rangoon and Madras to compete with the British firms, and proposed boarding 1,700 passengers on a steamer on the Rangoon-Calcutta service.

To break the deadlock, Inchcape told Grey on the 30th that the British companies would compromise if the Japanese would withdraw from India's coastal trade. The British would allow the Japanese to trade on the India-Hong Kong and Straits Settlements-Hong Kong routes but not on the routes between the Straits Settlements and India, including Rangoon.

When the Foreign Office asked the India Office for its opinion on the feasibility of excluding foreign vessels from India's coastal trade, the Secretary of State for India, the Marquis of Crewe, warned the Viceroy, Lord Hardinge of Penshurst, that the Cabinet might object to the terms of the compromise, partly owing to the paramount need to maintain the Anglo-Japanese alliance, and partly owing to the benefits from the lower freight rates likely to follow from Japanese competition. Crewe was less worried about Japanese competition than about the likely results of a British monopoly. Although Greene warned Grey on 16th August that his intelligence from Japanese newspapers confirmed his view that the Japanese government was conducting an aggressive mercantile-marine policy, a month later the India Office told Inchcape that under the

Indian Coasting Trade Act of 1850, 'goods and passengers may be conveyed from one part of the territories under the government of the East India Company to another part thereof in other than British ships without any restriction other than is or shall be equally imposed on British ships, for securing payment of duties or customs or otherwise.' Therefore, the Act had opened India's coastal trade to foreigners, making it difficult to exclude the Japanese.

Nonetheless, in October, Inchcape declared that the British companies would agree to allow Japanese vessels to compete on all of the routes to India but only if NYK withdrew from India's coastal trade. The negotiations broke off in October because Monteath had to go back to Calcutta on 11th October but were scheduled to reopen the following year. In his memo to the Foreign Office, Greene was pessimistic about the chances of agreement, owing to NYK's insistence on competing for India's coastal trade. However, NYK held a different opinion.

In their memo to the Japanese Foreign Ministry, NYK said that they thought that the British had misunderstood the process of the negotiations. NYK stated that they did not promise anything in the first meeting and that they felt that the British were responsible for making the negotiations take a long time. NYK also stated that they did not plan to use larger vessels in the future and that the British exaggerated the problem. Finally, NYK emphasised that their shipping service to India was critical of Japanese industrial development. Therefore, they could not leave Indian waters as the British requested. NYK also revealed that they were running the liner service between Calcutta and Kobe at a loss since it started in September 1911. The total deficit was 868,036.74 Yen, up to March 1914. Grey, who described NYK as 'unaccommodating', instructed Greene on 13th February 1914 to 'press the Japanese government to urge the NYK to modify their attitude'. Otherwise, the British government would consider repealing the law of 1850 that had opened India's coastal trade, in order to enable the Government of India to exclude Japanese vessels from Indian waters. When Greene, at a meeting with the Japanese Foreign Minister, Baron Makino Nobuaki, on 23rd February, passed along Grey's wishes, Makino asked whether Great Britain might close India's coastal trade to all other countries or only to Japan, and whether the closure would apply to all ships or only to those in receipt of subsidies. On 13th May, Greene, having consulted the Foreign Office, answered that the British government would refuse access to 'a foreign country that actually competes with its ships in the Indian coastal trade to the detriment of British shipping under one-sided and unfair conditions'. Whether the description applied to subsidised vessels, the British government had yet to decide.

In June, the Foreign Office suggested that the Japanese

government should try to persuade the Japanese shipping companies to compromise with their British counterparts at a meeting to be held in London in spring 1914. Soon afterwards, however, the British became more demanding. On 9th June, The Foreign Office suggested that, if the India Office agreed, Britain should 'not regard the opening of the Japanese coasting trade to foreign shipping as a sufficient equivalent for the abandonment of the proposed legislation empowering them to close the Indian coasting trade'. Before the India Office replied on the 17th, Inchcape had explained that the issue of access to Japan's coastal trade was irrelevant to the competition in Indian waters.

The India Office accordingly revised the Foreign Office's wording to state that 'the British government do not consider that the opening of the Japanese coasting trade to foreign shipping would by itself meet the complaints of the Indian government regarding the unfair competition of heavily subsidized Japanese vessels in the coasting trade, and that, failing a satisfactory agreement between the companies concerned on all the points at issue, the British government see no alternative but to allow the Indian government to proceed with the proposed legislation.'

The outbreak of the First World War in July postponed a decision. In August, Inchcape, now the head of the biggest British merchant fleet in Asia after the merger of BI with P&O in May, restated his principle to Kondo: NYK should withdraw from India's coastal trade and the Calcutta-Rangoon service, and should join a pool with the British companies trading between India and Japan. In reply, Kondo refused to withdraw from the Calcutta-Rangoon service, but offered, if Inchcape withdrew his objections, to withdraw from India's coastal trade. Once again Inchcape urged the Foreign Office to intervene, to ensure that Japanese ships should not take over P&O/BI's business while its own ships were tied up ferrying troops from India to Europe and the Middle East. However, the Foreign Office found it impossible to take any step under the current situation because the Japanese shipping competition in India was legal.

The penetration of Japanese shipping in India

The outbreak of war led to NYK's dramatic expansion. By the end of 1914, it had become the second biggest company after BI in Indian coastal trade. In February 1915, under threat from NYK's penetration of India's coastal trade, IC echoed Inchcape's request to the Foreign Office to intervene. The Foreign Office again refused in case Japan's help should be needed in fighting the war. C. H. Ross, the Vice-Chairman of the Hong Kong General Chamber of Commerce, and Sir Edward Beauchamp, the Vice-Chairman of Lloyd's of London, then suggested to Inchcape, who agreed, that

they should try to come to an agreement with NYK that guaranteed the British companies a percentage of the trade. At the same time, however, in a bid to forestall NYK's expansion, IC tried to provide enough tonnage to take up all of the trade on the Rangoon-Calcutta route.

On 30th June 1915, at a meeting with Inchcape, Sutherland repeated the need for a percentage agreement with NYK. Inchcape, who offered to act on their behalf, suggested that if the Japanese stopped calling at Rangoon in return for being allowed to trade between Calcutta and Straits Settlements, the British, while still calling at Hong Kong, should withdraw from the extension of the Calcutta-Hong Kong route to Japan. In the view of IC, the compromise would benefit P&O/BI. As a director of JMC, Henry Keswick wished to try to reduce its losses, but Sutherland agreed to Inchcape's compromise. Ross, however, argued that Sutherland and Inchcape had dealt with the wrong threat. IC should have been trying to find a way to drive the Japanese out of Calcutta, not Rangoon.

Warned that if British tonnage on the routes decreased that the Japanese companies would be left with a monopoly, the Admiralty agreed in March 1916 to reduce the number of ships it commandeered from the Far East routes. P&O/BI derived the most benefit due to NYK's penetration in April of the route from the Far East to Liverpool. In July, however, the Admiralty reneged, leading to a shortage of ships in the Far East. An appeal in June to the advisory committee of the Ministry of Shipping proved disappointing. It left IC wondering whether Inchcape's political connections had intentionally given preference to P&O/BI.

The wartime mobilisation in Britain shipping slowed Japanese admission to the Calcutta shipping conference. In March 1918, the negotiations over NYK's admission to the Calcutta conference were concluded through Foreign Office intervention, which brought pressure to bear on the British companies rather than the Japanese, as Japanese shipping cooperation with the entente was desired. After Inchcape told Ross, on the 13th, that he wished to conclude the agreement as soon as possible, the Foreign Office asked what was happening. Ross replied that the negotiations were deadlocked over the admission of Japanese shipping to India's coastal trade. Inchcape, the same day, sent a copy of the proposed agreement to Ross and, on the 19th, stamped him into signing without referring the decision to Hong Kong. IC had only one vessel available for the Far East shipping trade. According to the three-year agreement, NYK would increase its sailings to thirty-eight annually, with the British companies' sailings remaining at fifty-two, all they could supply owing to their shortage of tonnage during the war. Thus, the outbreak of the war eventually forced the British companies to

admit NYK into the Calcutta conference in the hope, with its help, of holding its Japanese competitors at bay.

After the Armistice, when the second largest Japanese shipping company, OSK, made plans to penetrate the route to Calcutta, NYK helped the British companies to resist. Meanwhile, IC decided to reduce its costs by building a medium-sized ship for the route. In the summer of 1921, when OSK applied to join the Calcutta shipping conference, Inchcape and NYK objected, with IC willing to negotiate terms of admission. Inchcape argued that OSK would be unable to compete given the cut in freight rates: NYK argued that OSK had agreed in March 1918 not to enter Indian trade in competition with NYK, and should be held to the agreement. Some BI staff based in India tried to persuade Inchcape to change his mind. They were of the view that OSK's finances were stronger than Inchcape supposed. Nor would OSK compete because its ships called at different ports from the other companies.

On 9th September, when the first OSK ship bound for Calcutta left Kobe with a little support from local distributors, NYK and the other members of the conference cut their rates on the route. In December, the conference formally rejected OSK's application to join.

In January 1922, NYK warned the British companies that, as OSK had now obtained the backing of some of the merchants in Calcutta, it could sustain the route despite the conference's opposition. To limit competition, NYK proposed an adjustment to the pooling system that allowed OSK twelve sailings a year between Kobe and Calcutta. In January 1922, BI agreed to admit OSK on these terms. However, at a meeting with NYK on 12th June, BI insisted that OSK should withdraw from the Java-Calcutta and Cuba-Calcutta routes. One NYK manager, Ohtani Noboru, replied that OSK would not agree to withdraw from the Java-Calcutta route, but might agree to reduce the number of its sailings on this route. Inchcape, unmoved, rejected OSK's application on the grounds that he had heard that OSK and NYK were about to amalgamate. BI, rather than reject OSK's application, meant merely to impose stricter conditions.

On 27th July, the same day BI told JMC that they would reject OSK's application, they explained to NYK the conditions on which they would recommend their acceptance: 'for the recommendation by BI, OSK has to withdraw from the Java, India, Calcutta, Burma and Cuba trades, and refrain from interfering with any other trade of BI and its associates. OSK should agree to NYK's suggestion and NYK should arrange these proposed extra sailings to be taken over by OSK. In reply, JMC asked why, as the rumours of OSK's amalgamation with NYK were untrue, BI had not let them know that it was drawing back.

In early September, OSK agreed to the terms for admission with BI. Since November, OSK and NYK helped the conference to resist competition from another Japanese company, Yamashita Kisen Kogyo Kabushiki Kaisha (YKK). The Japanese government arbitrated conflict between Japanese shipping companies, forcing them to compromise despite their apparently intense rivalry. The British government did not oblige the British shipping companies to work together in the Far East, even during the First World War.

Thus, after the war, when Inchcape expected NYK to help him prevent OSK's penetration of India's coastal trade, NYK helped to lever OSK into the Calcutta conference. Whereas both Britain's free trade policy and the Anglo-Japanese alliance helped the Japanese companies, they were of little benefit to British companies. Japanese protectionism prevented British shipping companies from increasing their penetration of Japan's coastal trade at the same time as Japanese companies were successfully penetrating the Indian Empire's.

The Shipping Rivalry in India

The First World War changed the relationship between Britain and India. As raw materials and other supplies from the subcontinent became critical to the war effort, Indians united to demand greater autonomy. As a result, on 20th August 1917 E.S. Montague, the Secretary of State, announced that India would gradually be granted independence. The war also promoted Indian industrial production and led to a greater degree of import substitution; the British share of India's total imports fell, and the country's domestic production replaced British manufacturers.

Among other things, this forced the British government to adopt measures to protect the Lancashire textile industry in the early 1930s. Indian nationalists responded by founding the Reserve Bank of India to manage monetary policy. India also began to reduce its military contributions and nationalists tried to weaken the role of British shipping lines.

Since the 1830s, the British government had offered various programmes of assistance to liner shipping, including postal subsidies, contracts to carry government cargoes and Admiralty subventions. With the onset of the Great Depression, British shipowners lobbied for even more help. In their eyes, foreign lines were able to compete mainly due to the generous subsidies they received from their governments. Later, shipowners successfully persuaded the Board of Trade to adopt their proposal to subsidise tramp shipping. At the same time, P&O argued that the government

should adopt more effective policies to support liner companies.

As the postwar slump began, NYK and OSK decided upon rationalisation to stabilise freight rates. Further rationalisation was imposed in 1930. As a result, Japanese liner companies could continue to expand during the downturn. Rationalisation enabled Japanese shipping to become more competitive. For example, Japanese lines controlled the trade in raw cotton from Bombay to Shanghai, forming the "Association of Indian Cotton Importers" in December 1925 to secure their position through a system of rebates. This tactic was sufficiently successful that P&O claimed that it was excluded from this trade.

The worldwide economic depression after 1930 changed international trade. In the case of Indian-Japanese trade, the tariff policy made the trade difficult. Important British exports, such as textiles and coal, were depressed throughout the decade, with the problem of oversupply of shipping tonnage left unresolved during the interwar period.

In 1933, the British shipping companies tried unsuccessfully to persuade the Japanese to agree to rationalise their sailings. By 1934-1935, P&O often sailed with empty holds. As a result, operating costs rose. After 1933, as Japanese foreign trade began to expand again, Mitsui Bussan (MB) and Yamashita Kisen (YK) began liner services to India and the Middle East for the carriage of raw cotton. To secure cargoes, both offered lower freight rates. Yamashita Kisen began to call at Bombay in 1933 and extended its service to Persian waters in 1934, while Mitsui Bussan called at Madras and extended its service to Persian waters in 1936.

This business strategy challenged BI's monopoly on cargoes from the Straits Settlements to Madras. The Shipping Conference felt the threat from Japanese shipping companies within and without the conference. P&O briefly offered an unsuccessful joint venture service with the Japanese.

In India, Scindia, a new company, proposed in 1921 that the Fiscal Commission reserve Indian coastal trade for domestic shipowners. This led Lord Inchcape to try unsuccessfully to buy Scindia. However, in March 1923, BI prevented Scindia's expansion through a ten-year agreement. The next year the Indian Mercantile Marine Committee recommended the reservation of the coastal trade to domestic ships, a principle that was finally accepted by the Indian Legislature in 1928. The Viceroy failed to arrange a compromise between British and Indian shipping interests at a conference in New Delhi in 1930, but BI, Scindia and Asiatic did reach a tripartite agreement in 1933 that enabled Scindia to operate a limited service between India, Burma and Ceylon. Until 1933, Scindia could not

increase its carrying capacity to more than 64,000 tons and was unable to operate a passenger service. In the 1933 agreement, its maximum tonnage was fixed at 100,000 tons (Khanolkar, 1969, pp.381-382; Master, 1981, II, pp.2-7).⁵

The British government in India also tried to use diplomacy to stall Japanese competition. In 1934 Sawada, the Japanese representative in the trade talks with India, promised to address this issue. This was important because Sir Joseph Bhore, a member of the Commerce Department in the Indian government, thought that British and Indian shipping lines had suffered losses due to Japanese competition in the coastal trade.

British shipping interests in India were greatly disadvantaged in January 1935 when Bhore decided that the small Indian companies on the west coast could secure 85% of the trade in that area. Negotiations and Cooperation in July 1935 by British shipping companies at the Shipping Conference again proposed a rationalisation of sailings. Under this proposal, P&O, ICSN and NYK could get 27% each on the Japan-Bombay route, while OSK would get the remaining 19%. The Japanese fought this, claiming that they had carried much more cargo than the proportion specified in the proposal. The British shipping companies then conceded a 25% share for each of the four companies. NYK and OSK countered that they wanted 32.5% and 28.5%, respectively. The British lines refused to accept the remaining 39% share, leaving negotiations deadlocked.

In November 1936, MB began to call at Bombay as well, thus worsening the competitive situation. By 1936, Japanese lines had obtained 73% of the cargo on the Japan-India route. P&O and ICSN believed that the Indian government had a strong bargaining position in trade negotiations with Japan because Japanese exports to India exceeded Indian exports to Japan; they therefore requested the government to intervene in defence of British shipping interests. P&O and ICSN argued that British shipping companies should get at least half of the cargo and that the Indian coastal trade should be reserved for British vessels in retaliation for Japan's protection of its own coastal trade.

The Indian government, however, declined to assist because domestic shipping companies were barred from participation in overseas trade. The British companies then turned to the India Office for assistance. Lord Zetland, the Secretary of State for India, informed them that because India wanted to sell more raw cotton

5 Gangidhar D. Khanolkar, *Walchand Hirachand: Man, His Times and Achievements* (Bombay, 1969), 181-182; and M.A. Master, *So I Rest on My Oars: Collection of Writings and Speeches, 1947-1970* (2 vols., Bombay, 1981), II, 2-7.

and yarn to Japan, the Indian government had little bargaining power.

On the subcontinent, the Indian Merchant's Chambers in Calcutta and Bombay claimed that the use of Indian bargaining power in favour of British shipping lines might harm Indian economic interests, especially the growing Indian shipping industry. They thus urged the government of India to take measures to protect Indian shipping companies. In April, a bill to control Indian coastal trade was introduced to the Council of State.

Later, the Japanese consul at Simla learned that the Indian government might pass the act if political negotiations to protect Indian shipping failed; indeed, he feared that moves might be taken to exclude Japanese and even British shipping involved in the Indian coastal trade. The Indian government declared that this policy was independent of the Anglo-Japanese shipping conference dispute over Indian routes.

Nonetheless, the governments of India, the UK and Japan all realised that the Indian Coasting Trade Act of 1850 entitled them to participate in Indian coastal trade. Unless this old act was repealed, the new act would be impossible to enforce.

The British Ambassador in Tokyo was instructed to request the Japanese government to restrain domestic shipping involved in Japanese-Indian trade. Japanese diplomats in India reminded the home government of NYK's penetration into the Bombay trade through the Tata Co. in the 1890s and claimed that Japanese shipping broke P&O's monopoly to the benefit of the Indians.

In February 1937, the Board of Trade decided that the issue of Indian coastal trade should be the responsibility of the Indian government. In the Conference in March, the Indian government requested the Japanese Consul in New Delhi to urge his government to restrain Japanese shipping involved in the Indian coastal trade and push Japanese lines to meet the demands of British companies. The British Ambassador also wrote to the Ministry of Foreign Affairs in support of these requests. The Japanese government claimed, however, that it would not force its shipping companies to make any concessions during the negotiations. According to the official reply, the Japanese lines claimed that negotiations were stalled because the British were unresponsive to their reasonable proposals.

The official negotiations on Japanese penetration of Indian coastal trade also broke up on 21st May 1937. In that forum, the Japanese representative argued that the Indian proposal to exclude Japanese vessels from the coastal trade was anti-competitive. The Indian representative countered that this would be necessary because the

National Congress had given its support to this policy to protect Indian shipping.

By 1937, Japanese shipping carried 80% of cargoes from Bombay to Japan and 89% from Japan to Bombay. BI was probably aware that Japanese tonnage was insufficient to carry all the raw material exports to Japan, particularly pig iron from. Accordingly, in July 1937, it launched a liner service from Madras to Kobe to compete with MB and NYK.

As the Japanese military expanded its activities in China after July 1937, and the government increased its requisition of merchant vessels, the tonnage available to carry imports to Japan became insufficient. As a result, Japanese lines ceased their infiltration of the Indian trade. In response, the Indian government postponed implementing the policy to reserve its coastal trade to Indian shipping. The proposed meeting between British and Japanese shipowners in London did not take place after Japanese representatives were recalled in September from their commercial mission to the UK. Later, the proposed negotiations between the shipping interests were cancelled because British shipowners did not want to travel to Tokyo, where the Japanese insisted that the meeting be held, due to the military situation in East Asia. At the same time, the undeclared war between China and Japan had spread, making shipping in East Asia more difficult. In September 1939, P&O cancelled its sailings between Bombay and Japan.

Contemporary British responses: officials and academics

The British Government published the Imperial Shipping Committee report *British Shipping in the Orient* in 1939.⁶ In para. 58-65, some paragraphs are devoted to the "Indian Coasting Trade". In addition to describing the 1933 agreement, according to the report, the Committee emphasised that the "coasting trade of India is extensive". From a British perspective, the coastal trade should be reserved for Britain and India. The British expected some Japanese official actions to prevent Japanese shipping from entering the coastal trade but nothing effective occurred. The paragraph above summarises the events in the 1930s, when British public opinion paid increasing attention to this issue.

Professor G C Allen (1900-1982), professor at University College of London since 1947, saw his teaching experiences in Nagoya from 1922 to 1925 make him a specialist on the Japanese economy, with his books on this topic still useful in historical surveys of Japan's economy. His unpublished papers are held in the Special Collections

⁶ Thirty-Eighth Report of the Imperial Shipping Committee, *British Shipping in the Orient* (London: HMSO, 1939)

of the University College of London. One draft paper was titled “The cooperation of shipping with other commercial and financial interests in Japan”, presumably written when he was the witness in the Committee, further reflect his academic insight on this issue. Professor Allen confirmed contemporary opinion that Japanese shipping mainly developed because companies received subsidies to establish their businesses, although not all of Japanese shipping companies relied on these subsidies all the time. Later, some find their way to making profit. Thereafter, the shipping industry in Japan supported the international trade, with the subsidies.

Moreover, Professor Allen undertook investigations, highlighting that more big companies purchased their own ships for overseas trade. In addition to the “integration of interests” by the Government, industry and shipping businesses, a “concentration of ownership” was occurring. At that time, it was argued that Japanese ships gave rebates to merchants with long term contracts by reducing freight rates. According Allen, we can conclude that some Japanese shipping companies gave rebates to particular companies because they shared the same ownership as the cargo owners.

In the case of Bombay cotton to Japan, NYK allowed “ten percent of rebates on the freight charged on the cotton shipped from Bombay to Osaka”, “by agreement with the Japan Cotton Spinners Association, among whose members there are firms belonging to Mitsubishi.”⁷ These views help get one step closer to understanding the dynamic shipping activities during that period. The UK had become a difference case because the British shipowners there possessed few manufacturing connections. In India, some big companies, like Tata, might be similar to what happened in Japan, with more research needing to be conducted.

Conclusion

British shipping dominated Indian overseas trade since the 19th century. At that time, the law and institution in Britain was based on free trade, a belief that the British adopted in the early 19th century. In the late 19th century, Japanese shipping used rebates, as well as official subsidies, to compete with the British on the Indian route.

Since Tata and other Indian merchants cooperated with the Japanese, an increasing number of Indian goods were carried by the Japanese. The Japanese export boom that followed the initial industrialisation of the 1890s brought benefits to NYK, had the potential to buffer competition on the Indian route and convinced the shipping conference, as well as the British-controlled government of India, to allow NYK to join.

7 Papers of George Cyril Allen, MSS ADS 247 1/3(a).

The hope of the British of expecting NYK to work together, whilst keeping the other Japanese companies out, did not succeed. More importantly, the Indian Coasting Trade Act did not guarantee the British a shipping monopoly and prevented UK lines from using it to secure their interests. Unlike the Japanese, the British failed to implement an effective national policy. Japanese shipping penetrated the Indian market and the British found that they were unable to stop because of legal reasons, laws actually created by the British.

During the First World War, the British promised an independent India. The fact is that the Indian's possessed more autonomy. The British tried to prevent the development of the Indian shipping industry, in addition to stopping Japanese shipping through diplomatic channels. However, Indian politicians did not wish to protect British shipping, whilst Japanese shipping could expand in Indian waters due to lower freight rates and clear subsidies.

As the Liverpool Steamship Owners' Association stated, Japanese competition was not only a shipping issue but also a problem of exporting and manufacturing due to the lower production costs and lower cost structure in Japan. Even if the British government granted some subsidies to domestic companies, the problem would be difficult to solve. With the rise of Indian nationalism after the First World War, the British found themselves in a difficult situation to protect its business interests in India. Finally, the coming of Pacific War stopped all normal business and peace negotiations became impossible.

Bibliography

Allen, G. C. n.d.. "The cooperation of shipping with other commercial and financial interests in Japan", the Papers and Correspondence of George Cyril Allen, the Special Collections, University College of London Library.

Khanolkar, Gangidhar D.. 1969. *Walchand Hirachand: Man, His Times and Achievements*. Bombay.

Lin, C. L.. 2010. "Japanese shipping in India and the British resistance, 1891-1918" *The International History Review* vol.32(2).

Lin, C. L.. 2008. "British Shipping in the Orient, 1933-1939: Reasons for Its Failure to Compete" *International Journal of Maritime History*, vol.20(1).

Master, M.A.. 1981. *So I Rest on My Oars: Collection of Writings and Speeches, 1947-1970*. Bombay.

Mookerji , Radhakumud. 1912. *Indian Shipping – a history of the Sea-Borne Trade and Maritime Activity of the Indians from the earliest times*. Bombay: Longmans, Green & Co.

Wray, William D.. 1984. *Mitsubishi and the NYK, 1870-1914*. Cambridge: Harvard University Press.

Takeshi, Shirani. 1926. “Honpou Indou Kouro no Hattatsu ni shuo te” *Journal of the Indo-Japanese Association*. no.37.