

# Japanese Civilization (Part 16)

– Intra-Asian Competition; With Special Reference to the Role of the USA –

By Kawakatsu Heita

THE main stream of the economic history of East Asia is “intra-Asian competition.” There lies the heart of the rivalry between China and Japan. It can be traced back as early as the 7<sup>th</sup> century, when the Japanese Prince Regent sent a message to the Chinese Emperor, addressing in equal terms “from the son of the Eastern Heaven to the son of the Western Heaven,” which displeased the Chinese Emperor who believed in his heaven alone.

Since then, the rivalry has witnessed various phases; the abortive Mongolian Chinese invasions of Japan in the 13<sup>th</sup> century, the activities of Japanese pirates along the coastal lines of China and Korea during the Middle Age, Japan’s attempt to invade Korea in 1592-98, the Sino-Japanese War in 1894-95, the Manchurian Incident in 1931, the Japan-China War in 1937-45 and the present economic competition in pursuing “the workshop of the world” to mention a few.

The intra-Asian competition in economic terms before Commodore

Matthew Perry’s arrival in Japan in 1853 can be divided into two phases: “the long 16<sup>th</sup> century” and “the seclusion period.” During “the long 16<sup>th</sup> century,” European history witnessed the time of expansion while East Asia (by which I mean the region of Japan, China, Korea and Taiwan) experienced intensive trading activities among themselves. In the following “seclusion period,” China, Japan and Korea exerted strict state control over foreign trade. This period began around the 1640s when the Ming Empire collapsed and Japan adopted “*sakoku*” (seclusion policy), and ended in the middle of the 19<sup>th</sup> century when China and Japan concluded commercial treaties with Western countries.

The following decades may be divided into three periods: prior to World War I when Japan emerged as the first industrial nation in Asia, the inter-war period which created the tension among the global economic blocks leading to World War II, and the post-war period when Japan became an economic giant.

LET us first look at “the long 16<sup>th</sup> century” in East Asia. Christopher Columbus discovered the route to the West Indies of the New World while Vasco da Gama found the route to the East Indies of the Old World; as a result the New and the Old Worlds were connected.

Columbus’s diary of his first voyage compiled by Bartolomé de Las Casas referred several times to Japan as his final destination, for he believed from Marco Polo’s famous *Travels* that Japan had abundant gold. Marco Polo, who had never been in Japan, got the information directly from the Emperor during his stay in China in the late 13<sup>th</sup> century. There was not much gold at that time in Japan, but as a historical coincidence, mines with abundant precious metals were discovered around the time of Columbus. Indeed, the first transaction between Japan and Europe involved European guns and Japanese gold in 1543 when three Portuguese reached an island called Tanegashima, located south of Kyushu.

Japan emerged in the 16<sup>th</sup> century as the major supplier of precious metals to the rest of Asia and to China in particular. America was also the main source of precious metals, particularly silver for Europe, and substantial quantities were carried by European merchants to the East Indies. The role that Japan played as a money supplier was very similar to that of South America, mainly Bolivia.

Japan exported these materials mainly in exchange for Chinese manufactured goods such as cotton textiles, silk fabrics and ceramics. This meant in a sense that Japan lagged behind in manufacturing technology compared with China.

## Intra-Asian Competition under a “Closed Economy”

While European countries began to expand fully overseas after the long 16<sup>th</sup> century, East Asian countries closed

Photo : Kuwahara Sayaka



The symbol of El Dorado, Kinkakuji temple in Kyoto

Photo : Gunma Prefectural Museum of History



The first official silk mill in Tomioka, Japan

their doors. One of the reasons is that Korea and Japan, emulating their powerful neighbor China, tried to create a Chinese-style self-sufficient economy.

This system was observed by Lord McCartney who visited China officially in 1793 to submit a request for commercial transactions between Britain and China to the Chinese Emperor Qianlong on his 88<sup>th</sup> birthday. The emperor replied that China had everything that she needed and wanted nothing from “barbarians.” This attitude was exactly the same in Japan when Perry sought a commercial treaty with Japan. The Japanese counterpart, Hayashi Daigaku-no-kami, replied that everything was available in Japan so there was nothing to be purchased from abroad.

It must be remembered that Japan was not self-sufficient in the 16<sup>th</sup> century, nor in the 17<sup>th</sup> century. Goods were only imported at Nagasaki from mainly Chinese and Dutch merchants. But by the beginning of the 19<sup>th</sup> century imports had fallen to virtually zero. Therefore, in the course of the 18<sup>th</sup> century, Japan succeeded in substituting all the imports from China.

Japan experienced a production revolution in the 18<sup>th</sup> century. This can be compared to the production revolution in 18<sup>th</sup> century Britain which has been called the “Industrial Revolution.” The Industrial Revolution is characterized as a capital-intensive and labor-saving type of revolution. What happened in Japan was the opposite, i.e., a capital-saving and labor-intensive type of revolution which we call “an industrious revolution.” Land was scarce but labor was abundant as the population increased from 11 million to 30 million in the 17<sup>th</sup> century. Japan chose a labor-intensive and capital-saving production revolution resulting in the highest land productivity in the world. This is the kind of economy that Perry encountered in Japan.

It must be stressed that “the free trade system” introduced by the Western powers to East Asia made it possible for Japan and China to engage in direct transactions among themselves.

What has been overlooked was this intra-Asian trade. It grew faster than the trade between Asia and the West. The expanding intra-Asian trade created the

new division of labor among them, and mutual trade accompanied the competition. In the course of the open competition, Japan emerged as the first industrial nation in Asia.

### Intra-Asian Competition and America

As far as the trade between Japanese and Chinese was concerned, the major import was British cotton goods. This has often misled historians to make the hasty remark that the manufactured goods of “the workshop of the world” destroyed the local handicraft industry. But, as a matter of fact, because of the different quality of British cotton goods with a thin and silky touch and Japanese and Chinese cottons with a thick and heavy texture, they did not compete with each other. British fine cotton goods were used as a cheaper substitute for expensive native silk goods, and became popular. The domestic cotton industry in East Asia did not suffer from the inflow of British cotton.

Most of the Western goods were new

to East Asian peoples, and there was little damaging effect upon their economic life. This shows a stark contrast to what happened to South and Southeast Asia where local industries were crushed by the inflow of Western manufactured goods.

However, there was a competition in East Asia, a competition among their own goods within the Asian economic zones and also for their skills export market.

For example, as a result of open competition in cotton products in East Asia, cheaper raw cotton flowed into Japan from China and completely wiped out Japanese raw cotton production by 1900. On the other hand, using cheaper raw materials, Japan could undersell the cotton yarn and textiles in China, and Japanese cotton manufactures dominated the market of Korea and China.

In “the long 16<sup>th</sup> century,” cotton goods were the most important export item of Korea and China to Japan. The situation was reversed. During the seclusion period, Japan succeeded in superseding the neighboring countries in manufacturing skill. The intra-Asian competition had been under the surface, but the free trade system brought the competition to the surface. What happened in East Asia after the opening of ports was harsh intra-Asian competition under the free trade system.

America provided the major market for Japanese goods. The share of the American market for Japanese total exports reached 43% in 1887, and remained as high as 45% in 1925. Silk was the main export item of Japan, initially to Britain, and after 1880 to the United States; more than 80% of silk exports went to the United States alone just before World War I, and rose to more than 90% after that.

Japanese and Chinese silk competed for the same American markets and in the early 1900s Japanese exports exceeded those from China.

Silk was the main export from China to Japan in the 17<sup>th</sup> century. The 18<sup>th</sup> century industrious revolution in Japan made it possible to produce silk more competitively within Japan. By the time the free trade system was introduced by

the West, Japanese silk had enough quality to compete successfully with Chinese silk on the world markets. Chinese silk, once traditionally the most prestigious product, was overtaken by Japanese silk.

By having a trade surplus attributed to silk exports, Japan could afford to import technology from Britain and assimilate it at home. The British capital-intensive industrial technology was now added to the Japanese industrious labor-intensive technique. As a result, Japan emerged as one of the strongest economies in Asia and a potential power in the world, though her power was only felt in East Asia, until the Great Depression.

### ■ Inter-War Period

World War I transformed Japan from an Asian power to a potential world power. During that time, the exports of European goods decreased. Japanese goods filled the gap in the Asian market, particularly in South and Southeast Asia where European goods had dominated.

Cotton manufactured goods, among others, were the most important items from Europe. As mentioned earlier, the British goods did not have the same quality as the heavy ones made in Japan and East Asia.

After the Meiji Restoration of 1867, the Japanese began to wear European-style clothing, cotton shirts and woolen suits for work and kimono at home. They needed American long-stapled raw cotton to produce fine yarn and cotton shirts.

The total share of imports from the United States rose after World War I from less than 10% before 1900 to 36% in 1917 and remained around that level during the inter-war period. Japanese imports of U.S. raw cotton increased and superseded the imports of Asian short-stapled cotton in 1932. By using American long-stapled raw cotton, Japanese cotton goods became very similar to European products. Japan began to undersell the cotton goods in South and Southeast Asia after World War I. This gradually created severe economic tensions with the European powers in the region.

On the other hand, because of the Great Depression of 1929, the United States, which was the most important market for Japanese silk, could not afford the products, and exports shrank dramatically. The value of silk exports to the United States was ¥755 million in 1929 but this had dropped to ¥240 million in 1934. This was a serious blow to the Japanese silk industry. In addition to this, the artificial silk (rayon) industry was developed in the United States in the 1930s. Under this adverse environment, people lost jobs in rural areas where the silk industry was located, and a substantial number of them became soldiers with a hostile feeling against America.

Losing a vital export market to the United States, the Japanese economy sought new markets, and South and Southeast Asia emerged as a new outlet for Japanese goods. Cotton goods took the place of silk. During the inter-war period the export market for Japanese cotton goods was not China any more where traditional types of cotton were used, but Southeast and South Asia. As those areas were under British and Dutch rule, the increasing appearance of Japanese goods created friction.

Before the Great Depression, the United States provided the vital market for Japanese silk which constituted the biggest share of Japan's exports. After the depression, the United States became the greatest supplier of raw cotton to Japan. In 1932, American raw cotton constituted 72% of Japanese product imports. Using American raw materials, Japan produced similar products to the British goods. Before World War I, almost all the yarn had been thick and coarse, with a yarn count\* below 20. But after the war its quality was improved and in 1933, 76% of the exported cotton was fine yarn, with a yarn count above 20. Japanese cotton manufacturers made an inroad into the British and the Dutch colonies in the 1930s and undersold European goods.

In British India, Japanese cotton textiles had a 16% share of the total, while British textiles had a 78% share in 1928. In 1933, the Japanese share rose to 47%

\*Note: “Yarn count” is the standard to determine yarn thickness. The thinner the yarn, the higher the number.

Photo : GAS MUSEUM



A British trading house in Yokohama, late 19<sup>th</sup> century

while the British share dropped to 49%. During the same year, in the Dutch East Indies, the Japanese share of the textile markets rose from 41% to 84%. Japan superseded Great Britain and became the greatest supplier of cotton textiles in the world in that year.

There is no doubt that the relationship between Japan and Britain and the Netherlands naturally became hostile. In 1933, British India imposed a high tariff on Japanese goods, and in the following year, the Dutch East Indies also introduced an embargo against Japanese cotton textiles. This was undoubtedly one of the factors behind the war.

After World War II, Japan achieved a rapid economic recovery through exports. America remained a growing market for Japanese exports. The main goods exported from Japan have changed over time from textiles to iron and steel, automobiles, cameras, VCRs and semiconductors. Japan's economic performance became a model for the newly emerged "four little dragons" (Taiwan, Korea, Hong Kong and Singapore) which also developed through exports to the United States. They were followed by the ASEAN countries such as Thailand, Malaysia and Indonesia, which also followed suit in

exporting to the United States, and since the end of the last century China has been doing the same.

After the Plaza Accord of 1985 boosted the strength of the Japanese yen, Japan acquired increased purchasing power, and absorbed goods from the NIEs and ASEAN countries. In other words, Japan plays the role that America once did.

### Conclusion

To sum up, in the 16<sup>th</sup> century, Japan was backward as she exported bullion to purchase manufactured goods from China. During the seclusion period, intra-Asian trade was under state control, so that intra-Asian competition was under the surface. Korea paid tribute to China, by so doing the Chinese goods flowed into Korea, while Japan refused to do so and carried out "an industrious revolution." As a result, Japan became independent both politically and economically from Chinese hegemony.

After the end of seclusion, intra-Asian competition became full-fledged. In this competition, Japan won and became the first industrial nation in Asia. During the inter-war period, America changed from being the main importer of silk to

the main exporter of raw cotton for Japan. As a result, Japanese cotton goods were exported to Southeast Asia (the Dutch East Indies) and South Asia (British India). Japanese goods penetrated these markets at the cost of the vested interests of the Dutch and the British, resulting in economic disputes and inevitable war.

The dynamism of intra-Asian competition started from Japanese and Chinese rivalry, i.e., the western edge of the Pacific Rim, expanded eastward to America after Commodore Perry, i.e., the eastern edge of the Pacific Rim, then moving down back to the southern islands of ASEAN, and now China vigorously begins to catch up with Japan. A new cycle of the dynamism of the intra-Asian competition seems to begin. **JS**

(Continued in Part 17)

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