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## Note

# British East Africa as an intersection of two empires

Competition and collaboration between the British and Japanese cotton and chemical industries in the interwar period

*Shin Tamamura*

## Introduction

The shift in the British cotton goods trade from the European to the East Asian market in the second half of the nineteenth century simultaneously created an international trading infrastructure in Asia. From a macroeconomic perspective, this was an incentive for developing Asian cotton industries, especially in Japan, India, and China, through integration with the global market. The rise of the cotton industry accelerated the trade of industrial chemical products.<sup>(1)</sup> The transaction of chemicals facilitated further industrial development (in the agriculture and glass industry, etc.).<sup>(2)</sup> These products were distributed through the trade infrastructure in East Asia. Thus, the economic network in which the British Empire was involved was formed in Asia.

In the interwar period, the transition and crossover of industrialization between the British

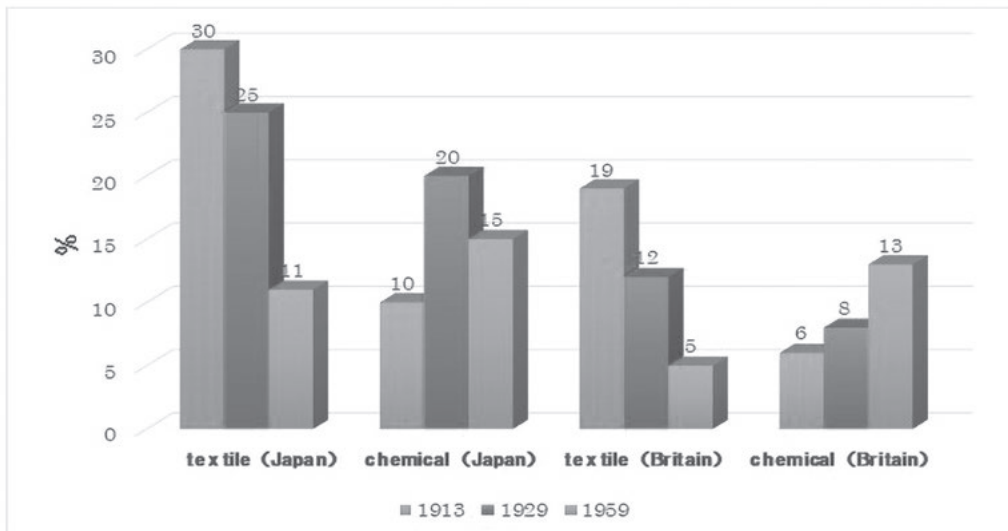


Fig. 1: Domestic industrial output/product (%).

Source: A. Maizels, F. Watabe (trans. & ed.), *Kogyo Hatten to Sekai Boeki [Industrial Development and World Trade]* (Shunjyū-sha Tokyo 1970), pp.34-35 (original in Japanese).

- (1) In the spinning and weaving industries, alkalis, such as bleaching powder, soda ash, and caustic soda etc., were consumed through the process of refining and beaching.
- (2) The increase of rice production and the improvement of its quality by using chemical fertilizer (ammonium sulfate) facilitated the trade of rice among Asian countries. Moreover soda ash and caustic soda were raw materials indispensable to the development of the glass and paper industries.

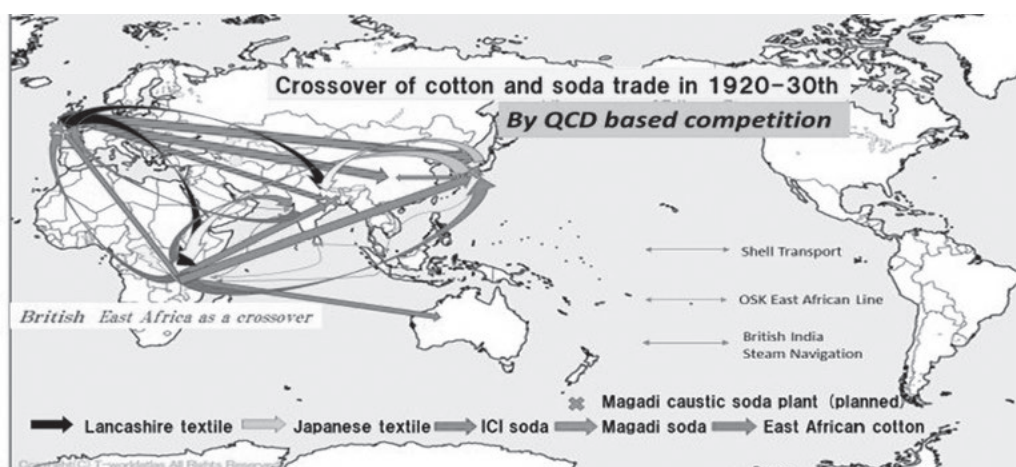


Fig. 2: Original: created by the author.

Their dual economic structures co-existed on the same trading grounds. In this context, the cotton and soda industries played an essential role in the economic relationship between the two empires. Surprisingly, British East Africa, especially Kenya, had once been a significant crossover imperial trade network, related to cotton and soda. Although this was historically significant, it has rarely been mentioned. (Fig.2)

In East Africa, the capitalist economy replaced the old one in the colonial era, through “the introduction of Western technology, colonial capitalism and the integration of the colonial economy into the world economic system”<sup>(3)</sup>. The dominant agricultural system was the plantation commodities such as cotton. The British Cotton Growers’ Association was established in London in 1902. By 1904, the Association was reporting on the prospects for cotton growing in Uganda. By donating two cotton gins and 1,000 pounds of cotton seeds, it contributed to the spread of cotton farming throughout East Africa in the later colonial era. However the money obtained from the sale of primary commodities for export accounted for 50-70% up of all economic activity up to 1940, and was used to import supplies for domestic consumption.<sup>(4)</sup> Moreover, the link between revenues and borrowing-power on foreign loans prompted the colonial authorities to take a keen interest in promoting exports because the overseas trade was the most promising source of revenue and could be tapped efficiently by tariffs.<sup>(5)</sup> Furthermore, the existence of “the Congo Basin treaties” to secure free trade brought about the extra-empire trade with Asia (Japan in particular) in later years, as well as the intra-empire trade. The import of cheap products from India and Japan increased rapidly in East Africa after the Ottawa Agreements of 1932.<sup>(6)</sup>

(3) R. M. A. van Zwanenberg with Anne King, *An Economic History of Kenya and Uganda 1800-1970*, (The Bowering Press LTD 1975), pp. xvii-xxiv.

(4) *Ibid.*, pp. 187-189.

(5) P.J. Cain and A.G. Hopkins, *British Imperialism: Crisis and Deconstruction 1914-1990*, (Longman 1993), pp.204-206.

(6) *Ibid.*, p.226.

Conversely, the establishment of the Magadi Soda Co. in 1911 by M. Samuel & Co. ignited Kenya's local development and fostered extra-empire trade with East Asia (especially Japan) from 1919. This confronted the mother country's industry. This situation had continued until the termination of the "Congo Basin treaties" in November 1939. Thus, the 'duality'<sup>(7)</sup> of both the Japanese and British industries, combined with the British policies of "colonial development" and "industrial empire", and the Japanese policy of "export-led economic development" met at a crossover, British East Africa, in the interwar period.

## 1. Shipping and trade infrastructure

The direct route from Kenya (Mombasa port) to Japan was started by the Africa East Coast line of Osaka Shosen Kaisha (OSK) in March 1926, with the *Kanada-maru*, their first ship. On this route, Kobe was the home port, and the outbound passage sailed through Moji, Hong Kong, Singapore, Colombo, Mombasa, Zanzibar, Dar es Salaam, Beira and Delaware Gore bay. The return trip included Durban, Mombasa, Singapore, Moji, Kobe and Osaka.<sup>(8)</sup> Sennosuke Fujisawa (OSK), who stayed in Calcutta for the negotiations to join the conference of Japan-India route, worked to develop the original route to East Africa. As many Indians traveled to Africa, there was much information about Africa in Calcutta. Thus, Fujisawa considered that Japanese cotton cloth, cotton goods and miscellaneous goods were exported to East Africa by the hands of Indian merchants from Bombay even though this was at a higher rate. In return raw cotton, natural soda ash, sisal hemp and bark were promised as goods for Japan.<sup>(9)</sup> Additionally, based on the survey by Fujisawa, OSK dispatched an employee, Masao Tajima, to East Africa in 1925 and made him perform a field survey. Before this route was established for import and export with East Africa, the trade was carried out by connected routes or chartered vessels. As for the intersection of Japanese and British shipping lines between Mombasa and Japan, before 1925, cargos of raw cotton and cotton goods were transshipped in Bombay by the ships of the Far East line to the British India Steam Navigation Co. (BISN) which monopolized the Mombasa-Bombay regular line.<sup>(10)</sup> Before 1920, The Far East/India (Calcutta, Bombay) route was dominated by the conference of BISN, the Indo-China Steam Navigation Co. (ICSN) and Nippon Yusen Kabushiki Kaisha (NYK). However, OSK later broke into the route after 1920. This is a typical pattern in which Nippon Yusen first broke into an allied

(7) As a context of economic history before the World War II, a "double structure" of the industries often indicates the "the vertical transition" from old to new industry and the resulted mobilization of labor force, or the horizontal redistribution of unemployment within a country. I express 'duality' as the two dimensional (vertical and horizontal) transition of industrial structure and labor force at the same time. I think the term is essential to interpret the mutual relationship between the two empires when their industrial structures (The capital and production) and labor force were transferred at the cross-regional area (in both the Japanese and British imperial economic blocs) in the inter war period.

(8) OSMSKK (Osaka Shosen Mitsui Senpaku Kabushiki Kaisha), *Osaka Shosen Kabushiki Kaisha 80 Nenshi [An 80 Year History of OSK]*, (OSMSKK, Osaka 1966), p.378 (original in Japanese).

(9) OSMSKK, *Sogyo 100 Nenshi [A 100 Year History of OSK]*, (OSMSKK, Osaka 1985), pp.218-219 (original in Japanese).

(10) Masao Tajima, OSK (Osaka Shosen Kaisha), *Higashi Aburika Keizai Chosa Hokokusho [Report of Economic Conditions in East Africa]*, (OSK, Osaka 1925), pp.7-24 (original in Japanese).

line of foreign shipping companies, and then OSK joined under worse conditions than NYK (who protested), while outsiders followed OSK<sup>(11)</sup>. According to the affiliation with P&O, which headed the Europe and Far East conference, M. Samuel & Co.'s backup or go-between, the agent for OSK in London, is significant.<sup>(12)</sup> This resulted in low fares and a frequent navigation network, which were positive factors for Asian-African trade expansion. Conversely, the straight route from East Africa to Liverpool by the Clan-Ellerman-Harrison Line handled raw cotton to Lancashire<sup>(13)</sup> but Bombay route was the mainstream at the time.

A large proportion of cotton trade is done through Bombay by the hand of Indian merchants. This situation is the same as not only in Japan but also in Britain. For example the fare of cotton forwarding to Liverpool through Bombay is 5s./ton cheaper than that of direct to Liverpool.<sup>(14)</sup>

The intensification of the cotton trade in Bombay was resulted by the increasing imports of long-fiber cotton from East Africa caused by the development of the Indian milling industry in the interwar period. The competition and cooperation between the shipping agencies in the Mombasa-Bombay route reversed the shipping rate to Britain.

Soda was exported from Kenya to East Asia by chartered ships before the direct route was opened.<sup>(15)</sup> Prof. Nishikawa from Japan recorded the cost of shipping soda from Kenya to Japan at the time in his report.

The cargo ships dispatched by Sun Soda Co. (Suzuki Shoten) were of Kokusai-kisen, Teikoku-kisen and Suzuki Shoten related company. And also as they used the returning mail boats running on the lines throughout Europe and America effectively, the recent fare was very low, namely 30s. /ton.<sup>(16)</sup>

This low shipping cost was one of the important factors to maintain Magadi Soda's competitiveness against the British soda ash in the East Asian market. However, it is a question for the future research whether the chartered ships, which are estimated to be called at Mombasa port temporarily, carried export cargo from Japan. But after the establishment of a direct route by OSK in 1926, the ships clearly carried cargos of both there and back. The decline in fares from the competition contributed to import and export promotion.<sup>(17)</sup> However in the early days, the shipping business was sluggish.

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(11) OSMSKK 1985, *op. cit.*, pp.218-219.

(12) *Ibid.*, pp.144-146.

(13) Masao Tajima, OSK, *Ibid.*, p.118.

(14) Yoshinobu Arai, *Menka to Menka torihiki [Cotton and Cotton trading]*, (Maruzen Press 1929), p.218. (original in Japanese).

(15) Masao Tajima, OSK, *op. cit.*, p.117.

(16) Nishikawa Torakichi, "Supplementary note", in 'Magaji-ko oyobi Magaji Soda kaisha no Jigyō' [Lake Magadi and the business of the Magadi Soda Co. No.3], *Kogyō Kagaku Zasshi [Industrial Chemistry Magazine]* Vol.35, No.8, (Kogyō Kagaku Gakkai 1922), p.955 (original in Japanese).

(17) OSMSKK 1966, *op. cit.*, pp.378-379.

The load of cotton textile didn't increase as expected, and also earthenware, enamelware, glassware, and match, those which were on the way to develop a new market, didn't escape from the level of sample shipment. On the other hand, the shipment from the middle Ports, such as oil from Singapore, tea from Colombo and also wood and rice from Bangkok, or sugar and tea from Java transshipped in Singapore, was larger than from Japan which included wood from Hokkaido.<sup>(18)</sup>

Tajima's report indicated that the Asian consumer goods were imported in Kanya as the return to export soda ash and cotton. Furthermore, irregular tanker vessels from Shell Transport, which carried heavy oil, sailed from Sumatra and Borneo, supplying fuel for East African harbors, railroads, and the mining industry (the Magadi Soda Co.) to Mombasa. This was driven through the commercial network of the multinational enterprise, M Samuel & Co.<sup>(19)</sup> This was also one of the trade between the British East Africa and Asian at the time.

## 2. British East Africa and the Japanese cotton industry

The Japanese direct trade of East African raw cotton dates to 1917 by Nihon menka Co. Ltd.<sup>(20)</sup> and Toyo Menka Co. Ltd. followed in 1922. Eikichi Kitamura, the first dispatch staff of Nihon Menka Co., reported that it became clear that it was cheaper more than 100 yen/picul to the price in Bombay when I investigated in Uganda.<sup>(21)</sup> In 1926 (the year the direct line began), the Nihon menka Co. opened their Mombasa branch office and not only bought raw cotton but, also, sold Japanese cotton textiles.<sup>(22)</sup> Takemi Shirakawa, a correspondent of Osaka Asahi Shinbun (newspaper), reported that If I look in Indian's general shops, which can be seen everywhere in inland of East Africa, I can find goods made in Japan such as glassware, enamelware, and accessories of beads or bracelets there.<sup>(23)</sup>

The Japanese Government's documents<sup>(24)</sup> revealed that before the direct route was established, Japanese products would be distributed via Bombay or Aden, but the origin of

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(18) OSMSKK 1985, *op. cit.*, p.219.

(19) Masao Tajima, OSK, *op. cit.*, p.118.

(20) Nichimen Co. Ltd., *Nichimen hyakunen [A 100 Year History of Nichimen]*. (Nichimen Osaka 1994), p.69 (original in Japanese).

(21) Tomen (Toyo Menka Kabushiki Kaisha), *Tomen 40nen-shi [A 40th Year History of Tomen]*, (Tomen Osaka 1960), p.91 (original in Japanese).

(22) Heiichihiro Konishi, tsutomu Hori, kazuyo Sumi eds., *Menka 100Nen [A 100years History of Cotton]*. (Nihon Menka Kyokai Osaka 1969), p.274 (original in Japanese).

(23) Ikai Shirakawa, *Jicchi tosa Higashi Aburika no Tabi [Correspondence from East Africa]*, (Asahi Shinbun Osaka 1928), in Katsuhiko Kitagawa, "People engaged with Africa 5", Toshi Okakura and Katsuhiko Kitagawa, *Nihon-Aburika Koryu-shi: Meiji-ki kara Dainiji Sekai-Taisen made (A History of interchange between Japan and Africa: From Meiji era to The WWII)*, (Dobunkan Press Tokyo 1993), pp.142-143 (original in Japanese).

(24) Tadanao Imai, the Consul at Cape Town, *Eiryō Higashi-Aburika jijyo [The commercial report of British East Africa]*, (The department of commerce, the Ministry of Foreign Affairs 1924), p.188 (original in Japanese).

trading intersections via India in the East Africa are unknown. However, a record reminding us of the beginning of the trade appears in of Naigaimen Kabushiki Kaisha's writing:

Our company once extended the business from the legacy, cotton goods, to general trading. \*\*\*\* At first, we succeeded the business of Nichin Boueki Goushi-Kaisha (Japan-India Trading Co.) in 1904. The company was originally planned by Rihei Kawamura and Denshichi Ito in 1894 to meet the need of shipping capacity to load Indian cotton, and also to promote export trade to India, \*\*\*\* mainly dealt with matches, glassware, soap and so on.<sup>(25)</sup>

As for the reality of cotton textile imports in East Africa at the time, this is evident in OSK record from 1925.

The only Japanese merchant who deals with the direct import of cotton textiles is Nihon Menka Co., \*\*\*\* they sell it through an Indian agent, Allibhai Rahemtutla. \*\*\*\* Remaining Japanese textiles are imported by Indian Merchants only.<sup>(26)</sup>

There are also the names of Japanese and Indian raw cotton trading companies in the record.<sup>(27)</sup> The relationship between Japanese and Indian merchants were in competition and cooperation. Furthermore, in the 1930s, a number of British firms adjusted to commercial realities by becoming agents for Manchester's new competitors.<sup>(28)</sup> The Japanese textiles were welcomed and evaluated in East Africa not only because of their cheapness but, also, their quality. Takemi Shirakawa, a correspondent of Osaka Asahi Shinbun (newspaper), reported the reality in Africa with his surprise.

The products made in Japan are quite popular in East Africa. Wear kanzu (one-piece) and Shukazu (loincloth), are made from Japanese sheeting they call "Japani".<sup>(29)</sup>

According to Toyosaburo Taniguchi,<sup>(30)</sup> the Toyobo Co. supplied part of these cotton goods.

We exported our textiles such as 'Soldier' (No.24 X No.23 count yarn) and 'Dragon C' (No.14 X No.15 count yarn). In Africa, for example, they just cut it and use it for clothes. As I used the raw materials which are far better than normal, the quality is very good, then

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(25) Naigaimen(Naigaimen Kabushiki-kaisha), *Naigaimen Kabushiki-Kaisha 50nen-shi [A 50 Year History of Tomen]*, (Naigaimen Osaka 1937), p.32 (original in Japanese).

(26) Masao Tajima, OSK, *op. cit.*, p.92.

(27) *Ibid.*, p.103.

(28) P.J. Cain and A.G. Hopkins, *British Imperialism: Crisis and Deconstruction 1914-1990*, (Longman 1993), p.226.

(29) Ikai Shirakawa, *op. cit.*, pp.142-143.

(30) Taniguchi Toyosaburo (谷口豊三郎), Director of board, 1931, President, 1947, Toyobo Co. Ltd. (original in Japanese).



the consumers find the value if they use it.<sup>(31)</sup>

Furthermore, some products of Japanese mills in China (Zaika-bo) were exported.

If it is impossible to import Japanese textiles cheaper than the others because of the exchange rate of yen, The Suigetsu brand, made in Shanghai, is imported as a substitution.<sup>(32)</sup>

After the regular shipping line was established, broad miscellaneous goods (cement, beer, bicycles and the parts, building materials, food, soap, glass ware, and agricultural machinery) exported to the East African market and overwhelmed the European products there.<sup>(33)</sup>

### 3. The intersection of the soda industry

#### (1) THE ORIGIN OF MAGADI SODA

Lake Magadi in the southwestern part of the current Republic of Kenya produces high-quality natural soda. Dr. Ficher, whom the Association of Earth Science Hamburg commissioned to explore the region, first introduced Magadi soda to the Western world by collecting minerals there in 1883, before the British colonization of East Africa in 1920.<sup>(34)</sup> However, the value of Magadi surfaced only after the establishment of the British East Africa protectorate in 1895 and the construction of the Uganda railway, which started at the same time and finished in 1901. Under these conditions, the development of soda resources on Lake Magadi near the railway became tenable.<sup>(35)</sup> However, a branch line was needed, so the Magadi Soda Co. was tied to the construction debt and the administration cost at its birth. So the fortune of the company always depended upon the Uganda railway.

Lake Magadi was included in the application for land in the East Africa protectorate made by the East Africa Syndicate (EAS) in 1902, and the surveys for development by EAS were started. Afterwards, the official contract of the leased land of Lake Magadi was signed between the Government of East Africa Protectorate and EAS in August, 1904. It was agreed that 5% of the net profit made on the extraction and marketing of the soda from the lake would be paid to the government.<sup>(36)</sup> In March, 1905, the F.A. Syndicate (FAS), as the holding company of

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(31) Taniguchi Toyosaburo, 'Kuraku Tsuzure-ori -Boseki to Ayunde- [Sweet and bitter memory of my life in the textile industry], in Oosaka-fu Naniwa-jyuku (Naniwa-jyuku, Osaka Municipality) ed., *Naniwa-jyuku Soshō 3 [Naniwa-jyuku Series Vol. 3]*, (Osaka 1981) (original in Japanese).

(32) Tadao Imai, *op. cit.*, p.140.

(33) Nichimen (Nichimen Jitsugyō Kaisha), *Nichimen 70nenshi [A 70 Years History of Nichimen]*, (Osaka 1962), p.147 (original in Japanese).

(34) M. F. Hill, *Magadi: The Story of The Magadi Soda Company*, (The Kynoch Press 1964), pp.4-5.

(35) *Ibid.*, p.10.

(36) M. F. Hill, *op. cit.*, pp.11-18.



the soda extraction and marketing<sup>(37)</sup>, was established as a sub-syndicate of EAS (the first 25% stockholder). In March 1906 the East Africa Soda and Railway Company Ltd. was established as the business company. During early business, FAS's marketing in Europe was tied to their approach to Brunner, Mond & Co. (BM), though it failed. In April 1908, M. Samuel & Co. (who established the Shell Oil Co.) acquired 2,000 pounds in investment in exchange for setting of the exclusive distributorship of Magadi Soda in China, Japan, Manchurian, Taiwan, and Korea. With the tough negotiation, in September 1909, M. Samuel & Co. agreed with the Crown Agents for Colonies, on behalf of the Government. M. Samuel & Co. gained the right to lease land, to mine soda for 99 years, to construct a new railway line to the Lake, to set a communications network, and to build port facilities at Kilindini. In January 1911, the Magadi Soda Company Ltd. was established in London and the commercial rights were transferred to the new company.

In the early planning, it was assumed that natural soda ash was carried out from Lake Magadi by rail, and was then packaged into hemp sacks shipped from Bombay by BISN<sup>(38)</sup> in Mombasa (Kilindini) and sold as it was, or shipped to Merseyside (England), Calcutta or Japan as raw materials for caustic soda factories planned to be built.<sup>(39)</sup> Furthermore, to supply energy for the operation of those facilities, M. Samuel & Co.'s tanker fleet would carry their Borneo oil at the cheap rates. However, the construction of a branch line and the digging and purifying facilities advanced only slowly. The strain from nearby German East Africa, with the threat of World War I, accelerated the delay more. This situation caused a severe lack of funds and an inability to ship raw materials from Kenya. After the outbreak of World War I in February 1916, the caustic soda factory whose completion was imminent at Irlam on the Manchester Ship Canal, U.K. was sold to be converted into a nitric acid factory, on orders of the Ministry of Supply. BM, a business rival, was maneuvering behind such discussion. Finally the Magadi Soda Co.'s dream of constructing a factory in the U.K. was never realized.<sup>(40)</sup>

The volume of loaded soda at the Mombasa Port was: 1915-16, 77t; 1916-17, 2,163t; 1917-18, 12,007t; 1919-20, 10,554t. The shipping price of 1918 was 5 £ /ton. The production of soda rose through recovery from wartime condition in the shop floor after 1918. However, in February 1919, there was 1,500t of soda in the Mombasa Port warehouse that was not certain to ship. Also, it was expected that dead stock would increase to 60,000t. Only some stock was shipped to the caustic soda factory in Calcutta (Budge-Budge), and 96t in 1920 and in 1041t in 1919 was used there. In the severe financial situation, unexpected good fortune came from Japan, with mass offers for East Asia from Suzuki Shoten. In 1922, 46,000t were recorded as the highest volume to ship abroad, and 27,452t of those (approximately 60%) were exported to Japan. However,

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(37) EAS was originally formed as an exploring company and was not regarded as the best instrument for the development of Lake Magadi.

(38) M. F. Hill, *op. cit.*, p.71.

(39) *Ibid.*, pp.20-34.

(40) *Ibid.*, pp.34-71.

this was the beginning of the fierce competition with rival European companies, particularly BM. BM felt uneasy about the possibility that they lost a profitable market in the Far East in particular. Cutthroat dumping by the companies had been continued for two years in the East Asian (extra-empire) market.<sup>(41)</sup> This conflict between soda companies in a colony and the home country also meant the contradiction caused by the policy of 'the Industrial Empire'<sup>(42)</sup>, or by the double structure of industries in the British Empire.

## (2) THE CONNECTION BETWEEN MAGADI SODA AND JAPAN

The existence of the natural soda of Lake Magadi was known in the "Boeki Tsuho" (Trading report) Vol.46 (March, 1911), issued by the Osaka Chamber of Commerce. It reported that soda lamination was discovered at the lake. A company (Magadi Soda Co.) for the collection and transportation of soda was established. It was the first article about East Africa by the Osaka Chamber of Commerce.<sup>(43)</sup> Furthermore, a science journal in 1917 stated that "One of the mineral resources in British East Africa is a rich crystal soda \*\*\*\* and it belongs to an association which is not fully established, so they have not started to work" (The Department of Commerce, the Ministry of Foreign Affairs).<sup>(44)</sup>

Supporting the later connection of Magadi and Japan, the demand for chemical goods was increasing in Japan at the time. A policy based on the Japanese government's anticipation of the developing soda industry in Japan can be found in the congratulatory speech by Ren Nakanokoji, Minister of Agriculture and Commerce (1916-18), at the 30<sup>th</sup> anniversary of Dainihon Jinzo Hiryo Kabushiki Kaisha (Dainihon Chemical Fertilizer Co.) in Tokyo in April 1917.

In recent years the production of the chemical fertilizer in our country shows remarkable progress. \*\*\*\* However, more than the half of the domestic demand of it is fulfilled from overseas. \*\*\*\* In my belief it is the fate that larger the demand for chemical fertilizer in our country becomes, the more prosperous the business of the chemical fertilizer production is. As it should be.<sup>(45)</sup>

When World War I began, the supply of soda ash from Europe was ceased, and Japanese industries fell into crisis. Naokichi Kaneko, the general manager of Suzuki Shoten, was asked to

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(41) *Ibid.*, pp.72-93.

(42) R. F. Holland, 'The Federation of British Industries and the International Economy', *The Economic History Review*, XXXIV, 1981, pp.287-288.

(43) Katsuhiko Kitagawa, "dai 4sho: Nihon to higashi Ahurika no Keizai kannkei [the 4<sup>th</sup> chapter: the economic relation between Japan and Africa]", in Toshi Okakura and Katsuhiko Kitagawa, *Nihon-Ahurika Koryu-shi: Meiji-ki kara Dainiji Sekai-Taisen made [A History of interchange between Japan and Africa: From Meiji era to The WWII]*, (Dobunkan Press. Tokyo 1993), p.110 (original in Japanese).

(44) The department of commerce, the Ministry of Foreign Affairs, 'Eiryō higashi Ahurika Fukin jijyo' (Recent condition in British East Africa), *Chigaku Zasshi Dai [The Journal of Earth Science]*, Vol.39, p.63 (original in Japanese).

(45) Dai Nihon Jinzo Hiryo Kabushiki Kaisha (Dainihon Chemical Fertilizer Co.), *[A 50 Year History]* (Tokyo 1936), pp.82-84 (original in Japanese).

solve the situation by Ren Nakakoji. Kaneko gave Nobufusa Isobe, his subordinate, a mission to negotiate with the representative of BM<sup>(46)</sup> visiting Japan. Isobe reached a temporary agreement for establishing a joint factory in Manchuria. Isobe went to BM's head office in London to settle the final contract at a board meeting, but was rejected.

Disappointed, Isobe was told by Seiichi Takahata, the manager of the London branch, that the Magadi Soda Co. was established by the affiliation of M. Samuel & Co., the business partner of Suzuki Shoten, and held a significant amount of natural soda in East Africa, and that it would be better to take sole distributorship of the Magadi Soda Co. When Suzuki Shoten applied, the Magadi Soda Co. was delighted and agreed that they would sell 100,000 tons of soda a year for 12 years at cost price and Suzuki Shoten would establish a specialized sales company; then with an independent calculation, the profit would be given to the Magadi Soda Co. Thereafter Isobe returned to Japan.<sup>(47)</sup> At the time M. Samuel & Co. was not only a stockholder of the Magadi soda Co., but also the hub of a network of trading companies in London. Thus, it was natural that their branch staffs of trading companies came to Samuel's office and exchanged information. They often participated as partners in the business ventures that M. Samuel & Co. planned and became agents of the business.<sup>(48)</sup> Additionally, M. Samuel & Co. were the agents of OSK in London, too.<sup>(49)</sup>

The first export to Japan was granule soda (1,812t) loaded on February 5, 1919 to S. Samuel & Co.<sup>(50)</sup> of Yokohama.<sup>(51)</sup> The Magadi Soda Co.'s records indicate that the soda shipped to Dainihon Jinzo (Japan chemical fertilizer Co.) in the 1920s was used as raw materials for caustic soda.<sup>(52)</sup> The Japanese records state, "we produced caustic soda using Magadi soda in our Oji factory in about 1922 when British Brunner, Mond Co. and the African Magadi Soda Co. made a dumping sale of soda ash."<sup>(53)</sup> These facts indicate that Magadi's initial planning of caustic soda production in Japan was realized through alternative production. Furthermore, Dainihon's factory supplied a by-product, hydrogen, to Suzuki's oil mill next door.<sup>(54)</sup> This indicates that Suzuki Shoten was deeply linked in the international commercial network of Samuel brothers while the Japanese chemical industry was modernizing. Thus, it can be claimed that, in Japan, the transition to 'duality' of the global industry is found through extra-empire trade between Britain and Japan. The following export of soda ash in January 11, 1920 shipped directly to Suzuki

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(46) The representative of Brunner Mond Co. was J. G. Nicholson, who was an outstanding salesman especially in export business, and became a director of the board in 1919; He also visited Japan in 1919 related to the establishments of BM Japan Co. and BM China Co.

(47) Yuji Shiraishi, *Kaneko Naokichi Den [Biography of Kaneko Naokichi]*, (Tokyo 1950), pp.219-223 (original in Japanese).

(48) Shinichi Yonekawa, *Royal Dutch-Shell*, (Toyo Kezai Shinpo 1973), pp.8-11 (original in Japanese).

(49) OSMSKK 1985, *op. cit.*, p.146.

(50) S. Samuel & Co. is a brother company of M. Samuel & Co. in the Far East.

(51) Nishikawa Torakichi, 'magaji-ko oyobi magaji Soda kaisha no Jigyo sonosan (The Lake Magadi and the business of Magadi Soda Co. No.3)', *Kogyo Kagaku Zasshi [Industrial Chemistry Magazine]* Vol. 35, No.8, 1922, p.965 (original in Japanese).

(52) M. F. Hill, *op. cit.*, p.103.

(53) Tsutomu Shoji, *Nihon soda kogyo-shi [A History of Japan soda industry]*, (Soda Sarashiko Dogyokai Tokyo 1931), p.173 (original in Japanese).

(54) M. F. Hill, *op. cit.*, p.103.

Shoten in Kobe. After 1921 it was to Sun Soda Co., whose head office was newly established in Kobe, also partially to their Shanghai branch.

This first unloading of Magadi Soda in Kobe in 1920 affected the Ministry of Agriculture and Commerce which was concerned about the influence on the Japanese industry. They sent Prof. Torakichi Nishikawa, Kyushu University and Kyukichi Watanabe, a staff engineer of the Ministry to investigate Lake Magadi in 1921.<sup>(55)</sup> In addition to Nishikawa and Watanabe, Ayaki Matsutaro, an engineer of the Asahi Glass Co., and Mizoguchi Zanpei, an employee of Suzuki Shoten, investigated Magadi Soda Co.'s factory in Kenya, as well as her headquarters in London.<sup>(56)</sup> The Asahi Glass Co. was one of the major users of soda ash and simultaneously produced alkali products. Ayaki described the commercial value of Magadi Soda in the conclusion of their report:

If we test the quality of Magadi Soda, we will recognize it is no lesser than Brunner Mond's Crescent brand. \*\*\*\* BM's long lasting dream of the monopoly with the Crescent brand in the supply of soda ash in this country, is now contested by the tough competitor importing Magadi Soda and it should be a big fortune to the Japanese customer. So I declare the happiness of the East African product which is blessed by God forever.<sup>(57)</sup>

Here, the Japanese chemical industry found a hope which broke BM's monopoly of the market. Natural soda in a colony of the British Empire developed by a British multinational company was exported by the ships of the Anglo-Japanese alliance formed a new relationship between competition and cooperation in the Asian market. As a result, in the middle of the 1930s, Magadi Soda replaced the British export of chemical products which made a monopoly until the end of the 1920s. This was an important epoch that the 'duality' of soda industry which extends over the economic sphere of the British Empire and that of the Japanese Empire emerged.

In early 1923, despite of getting new sales for the East Asian market and expanding production from 1920, the Magadi Soda Co. reached a financial deadlock. BM aimed to reduce competition by takeover and to potentially liquidate the Magadi Soda Co. However, something unexpected story had occurred. Mr. J. H. Thomas, Secretary of State for Colonies, intervened in the takeover by BM. He was concerned with 1) the vertical monopoly of the Brunner Mond Corporation in Far East and 2) the decline of development in the Magadi district. Additionally, there were requests from the Colonial Office about transferring the land rights of the Magadi district to the renewed Magadi Soda Co.. As a result, it was established on December 29, 1924, with the proviso that the Governor-General of Kenya could recommend one board member, and that those who needed the recognition by the Colonial Office, and the receiver (the investors

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(55) Shozo Nakahara, *Soda Kogyo gairon [The Introduction of Soda Industry]*, (Koseikai Syuppanbu 1927), pp.105-109 (original in Japanese).

(56) Nishikawa Torakichi, op. cit., pp.964-965.

(57) Ibid., pp.965-967.

association) could elect one board member, with the remainder being from the Brunner, Mond Co..<sup>(58)</sup> This resolution aimed to protect the Government of Kenya and investors' profit from BM's intentional reduction of production or liquidation of the company.

The caustic soda factory in Budge-Budge was sold to the Andrew Yule & Co., an ex-sales agent of Magadi Soda as a part of cost reduction in May 1924. After 1925, BM's local subsidiaries became sole agents in Japan and China, and sold Magadi Soda. However, the transfer of the old contract with Suzuki Shoten reached difficulties, and finally, Suzuki Shoten became BM's agent in Japan. Business relations continued until 1933 when the old contract expired.

In 1925, 46,610t of Soda ash was produced, and 47,405t (including stock) was mainly exported to Japan, China, and South Africa. In 1928, operational efficiency became approximately 90%, and the volume of shipment grew up to 56,421t, including 46,150t (82%) to Japan and 16,320t newly to an Australian glass bottle maker. The growth in the production relaxed the financial situation for a while, but in mid-and-long term management prospects from 1929-1945, the following two concerns were raised:

- (1) the company's commitment to the government to produce at least 100,000t per annum by 1932
- (2) the necessity of redeeming £ 500,000 of debentures over the 17 years (1929- 1945).

In 1929, the Great Depression occurred. Production and shipment volumes were sluggish with 61,302t-54,983t (1929), and 43,172t-44,479t (1930). The Imperial Chemical Industries (ICI merged BM in 1926) considered abandoning of the Magadi Soda Co. in two ways:

- (1) to relinquish control entirely and invite the shareholders to provide their board, management, and sales organization.
- (2) to close down the Magadi Soda Co. by obtaining the consent of government for such a course while protecting the interest of the debenture and shareholders.

If ICI quitted selling Magadi Soda and only sold their British soda, their profit would rise. Conversely, ICI would invite severe criticism and that compensation money to the government would be required. In the case of the Magdi Soda Co.'s falling into the hand of a rival, particularly a Japanese company, a severe damage to the export of product would be expected. So the investors inclined to adopt the second plan, but finally wished to continue the Magadi Soda Co.. This resolution met the present contribution to the economy of Kenya by paying railway fees, tax, and tariff.

Even though a 10% cut in salary for all the employees occurred after the company president McGowan's appeal, the accumulated debts continued to increase from 1930 to 1937. The main

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(58) M. F. Hill, *op. cit.*, pp.83-87.

reason was the decline in exports to Japan, which was the biggest market at the time. For example, the exports declined from 31,059t (71%: 1931) to 23,602t (61%: 1935).<sup>(59)</sup> Behind BM's sales decline, its shares dropped due to the synergy of expanding Japanese production capacity and the currency devaluation effect. Moreover, the price war between Brunner, Mond Co., and the Magadi Soda Co. potentially reduced BM's monopoly profit.

The Asahi Glass Co., Ltd. started the domestic production of soda ash by synthetic ammonium method in 1917 as a pioneer. Toshiya Iwasaki, the company president at the time, made a decisive capital investment. His determination was found in "A proposal for the Soda-ash business" in August 1922.

It becomes difficult to import foreign materials after the outbreak of the First World War.

\*\*\*\*the Asahi Glass Co., Ltd. is one of the big consumers using soda ash to produce window glass, as for the glass industry consumes approximately 35% of the total use, so my pain is enough and same as others, \*\*\*\* Now we suffer from the price war between Brunner, Mond Co. and San Soda Co.. \*\*\*\* the current price of soda ash in this country comes from their dumping, so it is expected with confidence that the price of soda ash return to a profitable level with covering production cost in the future.<sup>(60)</sup>

This confident opinion in August 1922 was based on a detailed survey concerning the Magadi Soda Co. by Prof. Dr. Nishikawa and others. Mr. Iwasaki anticipated the final success of the Japanese ammonia soda business. In the background, the Japanese glass and paper mill industries consumed massive soda ash due to the industrial development. Also caustic soda, composed with soda ash, was a major raw material of the rayon. Moreover the cotton industry consumed massive alkalis, even though it is difficult to find in the statistics because those were not the direct materials for cotton goods. The Japanese total consumption of soda ash for cotton goods with purifying and bleaching was approximately 198,000t in 1932.<sup>(61)</sup> This was about 11.5% of the total domestic consumption. Moreover, 55,000t (31.8%) of soda ash was used to produce caustic soda and also 10% of the total production of caustic soda (96,500t) was consumed with bleaching.<sup>(62)</sup> Those figures indicate that the development of the cotton industry promoted the consumption of alkalis through the imports and the domestic production at the time.

ICI's began to retreat from the Asian market in the 1930s, on the contrary, there was a Japanese product whose share in East Africa reached 45 % in 1936.<sup>(63)</sup> That was glassware, of which main material was soda ash. Soda made in Lake Magadi was exported to Japan, and was

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(59) *Ibid.*, pp.95-123.

(60) Toshiya Iwasaki, "A proposal for the Soda-ash business: dated August 1922", in Tsutomu Shoji, *op. cit.*, pp.221-225.

(61) Tsutomu Shoji, *Nihon soda kogyo-shi [A History of Japan soda industry]*, (Soda Sarashiko Dogyokai 1938) (Association of Soda and Bleaching powder) pp.390-393.

(62) *Ibid.*, p.341.

(63) Nicola Swainson, *The Development of Corporate Capitalism in Kenya 1918-77*, (University of California Press 1980), pp.43-45.

processed into glass, then returned to Kenya. Also, the relationship of Uganda cotton and the Japanese cotton cloth was similar. The rise and fall of the extra-empire trade between Britain and Japan from the second half of the 1920s to the end of the 1930s which was characterized by Kenya's import of cotton goods and miscellaneous goods and her export of raw cotton and soda ash, was an intersection created by the 'duality' of the industrial structures of both the empires.

## Conclusion

During the interwar period, the transition and intersection of industrialization between the two empires, Britain and Japan, was remarkable.

At the beginning of the twentieth century, British East Africa was a colonial economy and had a financial burden of maintaining the Uganda railway. The discovery of Magadi Soda ignited local development associated with global entrepreneurs and merchants. However, fortunes were always dependent on the Uganda railway.

The existence of a global trading network at the time facilitated the development of both the cotton and chemical industries based on the rationality of QCD (Quality, Cost, and Delivery) in Asia and British East Africa simultaneously.

Finally, the economical complementarity of competition and cooperation was formed among Asia, Britain, and the East African colonies, thanks to the Congo Basin treaties. It was also an intersection of extra-empire trade between Britain and Japan. These relations lasted until 1939, the outbreak of WW II.