

# THE TAIWAN GOVERNMENT-GENERAL AND PREWAR JAPANESE ECONOMIC EXPANSION IN SOUTH CHINA AND SOUTHEAST ASIA, 1900– 1936

Adam SCHNEIDER

## INTRODUCTION: EXPANSION, DEVELOPMENT, AND TRADE IN THE COLONIAL SETTING

The centrality of economic development in Japanese colonial policy and the relationship of development to imperial expansion have been the objects of historical inquiry for some time.<sup>1</sup> It is thus surprising that the efforts of Japan's oldest colonial administration to promote economic expansion beyond its colonial borders have remained unexamined. Over most of its fifty years, the Taiwan Government-General implemented a range of different policies to increase its influence over South China and Southeast Asia, a region that came to be known collectively as the *nanpō*. These included cultural measures, such as the promotion of schools, hospitals, and newspapers, political meddling, and in at least one case military intervention, although the Amoy Incident<sup>2</sup> of 1900 ended abortively

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<sup>1</sup> The themes of expansion and development are treated in several articles in the series of three volumes edited by Peter Duus, Ramon H. Myers, and Mark R. Peattie: *The Japanese Colonial Empire, 1895–1945* (Princeton, N. J.: Princeton University Press, 1984), *The Japanese Informal Empire in China, 1895–1937* (Princeton, N. J.: Princeton University Press, 1989), and *The Japanese Wartime Empire, 1931–1945* (Princeton, N. J.: Princeton University Press, 1996). These themes are also addressed in recent series of Japanese works, including Ōe Shinobu et al., eds., *Iwanami kōza—kindai Nihon to shokuminchi*, eight volumes (Tōkyō: Iwanami Shoten, 1992–93) and Ōishi Kaichirō, ed., *Nihon teikoku shugi shi*, three volumes (Tōkyō: Tōkyō Daigaku Shuppankai, 1985–94).

<sup>2</sup> The Amoy Incident involved an attempt by the governor-general of Taiwan, Kodama Gentarō, and his assistant Gotō Shinpei to take advantage of the confusion generated by the Boxer Uprising to occupy Amoy. A fire deliberately set at a Japanese temple in the coastal city in late August was used as a pretext for the occupation, and a small group of Japanese marines was actually sent in, but Tōkyō stopped the plan before the main force assembled in Taiwan departed. Kodama, exasperated, sought unsuccessfully for permission to resign. The incident was one factor contributing to the collapse of the Yamagata cabinet in October, but it also marked the end of the Taiwan Government-General's military adventurism in South China. See Marius B. Jansen, *The Japanese and Sun Yat-sen* (Cambridge, Mass.: Harvard University Press, 1954), 99–103.

with Tōkyō reigning in the Government-General. The most important and enduring measures adopted by the Government-General, however, were economic.

Until the mid-1930s, Taiwan's economy served mainly as an agricultural appendage whose exports eased the strains of industrialization in Japan. The Government-General's development policy toward Taiwan has been studied, and it has become a truism that the needs of the Japanese metropole determined the economic roles assigned to its colonies.<sup>3</sup> The Government-General's economic policy toward the *nanpō*, however, reflected its own sub-imperialist ambition as much as metropolitan needs. Expectations were high for both the development of Taiwan and external economic expansion, but the colonial government's achievements in the *nanpō* were overshadowed by the remarkable growth of the island's domestic economy.

Taiwan's domestic economic development can be viewed as the result of sustained increases in both the factor inputs and productivity of rice and sugar cultivation.<sup>4</sup> A few comparisons suggest the magnitude of the transformation that occurred between 1900 and the 1930s. Total output of sugar cane rose more than 2,000 percent, from about 500,000 to 12 million

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<sup>3</sup> Samuel Pao-San Ho, "Colonialism and Development: Korea, Taiwan, and Kwantung," in *The Japanese Colonial Empire, 1895–1945*, ed. Myers and Peattie, 347.

<sup>4</sup> There is a growing literature on the economic development of colonial Taiwan, but the best single book in English remains Samuel P. S. Ho, *Economic Development of Taiwan, 1860–1970* (New Haven: Yale University Press, 1978), which also contains a useful if now somewhat dated bibliography. There are relevant articles by Ho and others in Myers and Peattie, eds., *The Japanese Colonial Empire, 1895–1945*. The reader wishing a general introduction should also consult Tu Zhaoyan's *Nihon teikokukushugika no Taiwan* (Tōkyō: Tōkyō Daigaku Shuppankai, 1975), the most comprehensive monograph in Japanese. Zhang Zonghan's *Guangfu qian Taiwan zhi gongyehua* (Taipei: Lianjing Chuban Shiye, 1980) is another general survey, but it is somewhat slanted.

Highly detailed information about the colonial economy is available in three works compiled for the Ministry of Finance after the war: Ōkurashō Kanri Kyo-ku, "Nihonjin no kaigai katsudō ni kansuru rekishiteki chōsa tsūkan dai-jūni satsu Taiwan hen dai-ichi bunsatsu dai-ichi bu Taiwan keizai hansei shi gaikan," "Nihonjin no kaigai katsudō ni kansuru rekishiteki chōsa tsūkan dai-jūyon satsu Taiwan hen dai-san bunsatsu dai-go bu Taiwan no keizai (sono ichi)," and "Nihonjin no kaigai katsudō ni kansuru rekishiteki chōsa tsūkan dai-jūgo satsu Taiwan hen dai-san bunsatsu dai-go bu Taiwan no keizai (sono ni)." The Bank of Taiwan in its postwar, Chinese incarnation put out a number of detailed volumes on Taiwan's economic history, although some of them tend to be more descriptive than analytic. References to these are listed in the bibliography of Ho's book. The best collection of statistical series, along with a number of useful essays, is to be found in Mizoguchi Toshiyuki and Umemura Mataji, eds., *Kyū Nihon shokuminchi keizai tōkei* (Tōkyō: Tōyō Keizai Shinpōsha, 1988).

metric tons between 1901 and 1939.<sup>5</sup> This was driven by an increase in cultivated land area of almost 900 percent, from 16,500 to 145,000 hectares, and by efficiency gains in sugar production of almost 500 percent, from 1.8 to 8.8 tons/hectare, between 1902–3 and 1939–40.<sup>6</sup> Rice agriculture also expanded, if not quite as dramatically as sugar, from about 400,000 to 1.3 million metric tons between 1901 and 1939.<sup>7</sup> Indigenous rice yields in 1900 were about 6–7 *koku/kō* in 1900 versus 14–15 *koku/kō* for high-yield strains of rice in the 1930s.<sup>8</sup>

Descriptions of economic growth in terms of productivity gains and increases in factor inputs, however, obscure the purposeful and planned human action that was its source. Massive investment in the sugar industry by Japanese industrialists, the efforts of countless Taiwanese, mostly farmers, and, above all, aggressive intervention by the colonial state lay behind this success. Although the first major Japanese sugar firm in Taiwan was set up in 1900, it was not until after the Russo-Japanese War that Japanese industrialists began to invest wholeheartedly in Taiwanese sugar production.<sup>9</sup> Industry growth, driven by high profits, was rapid but volatile. Three rounds of consolidation—in the late Meiji era, after the First World War, and in the early 1940s—narrowed the field to four large Japanese companies, eliminating Western and Taiwanese competition in the process.<sup>10</sup> Private industrial investment in Taiwan before the mid-1930s remained predominantly in sugar, accounting for about 186 million yen out of 200 million yen of total paid-in capital in industry as late as

<sup>5</sup> Yhi-Min Ho, *Agricultural Development of Taiwan, 1903–1960* (Nashville: Vanderbilt University Press, 1966), 141.

<sup>6</sup> Nōrinshō Nōrin Suisan Gijutsu Kaigi Jimukyoku Nettai Nōgyō Kenkyū Kanri Shitsu, *Senzen senji ni okeru Taiwan nōgyō gijutsu no hattatsu—ine kansho* (1978), 24.

<sup>7</sup> Yhi-Min Ho, *Agricultural Development*, 135–36.

<sup>8</sup> Takahashi Kamekichi, *Gendai Taiwan keizai ron* (Tōkyō: Chikura Shobō, 1937), 183. One *kō* is equal to about 0.97 hectares.

<sup>9</sup> The nationalization of the railroads in Japan was an important factor in the development of the sugar industry in Taiwan because it put a great deal of capital in private hands that was subsequently used to finance sugar companies. See Steven J. Ericson, *The Sound of the Whistle—Railroads and the State in Meiji Japan* (Cambridge, Mass.: Harvard University Press, 1996), 372–73. On the early history of Taiwan's modern sugar industry, see Mori Hisao, "Taiwan sōtokufu no tōgyō hogo seisaku no tenkai," *Taiwan kingendai shi kenkyū* no. 1 (1978), 41–82.

<sup>10</sup> See chapter four of Tu, *Nihon teikokukushugika no Taiwan*, 271–367. The four largest firms were Dainippon Sugar (Dainippon Seitō), Meiji Sugar (Meiji Seitō), Ensui-kō Sugar (Ensui-kō Seitō), and Taiwan Sugar (Taiwan Seitō). All but the first were based in Taiwan. These four firms were among the largest manufacturing and mining companies in the empire, ranking in the top thirty in 1919 and the top forty in 1940; Nakagawa Keiichirō, Morikawa Hidemasa, and Yui Tsunehiko, eds., *Kindai Nihon keiei shi no kiso chishiki* (Tōkyō: Yūhikaku, 1974), 452, 454.

1935.<sup>11</sup> The success of the sugar industry in Taiwan also depended on the Taiwanese, of course. There were a few modern Taiwanese-owned firms, although the last one was bought out in 1941,<sup>12</sup> and Taiwanese worked in Japanese sugar companies, but Taiwanese cane growers made the largest contribution.<sup>13</sup> By cultivating more acreage of higher-yielding cane varieties, they raised their own standard of living<sup>14</sup> as well as sugar company profits. The development of high-yield *hōrai* rice in the early 1920s also allowed them to produce more rice and, by providing a profitable alternative to cane cultivation, gave them more leverage in negotiating cane prices with the sugar companies.

Both Japanese industrialists and Taiwanese farmers, however, were dependent on the colonial state. The sugar companies initially relied on a variety of direct and indirect subsidies,<sup>15</sup> and they enjoyed monopsony cane purchasing privileges in legally established regions around their plants throughout the colonial period. Not only was their access to raw materials protected, but tariffs shielded their market in Japan from international competition. Taiwanese cane farmers also shared indirectly in these benefits at the expense of the Japanese consumer. Furthermore, these farmers were directly indebted to the state for the combination of better fertilizer, high-yield crop strains, and advanced irrigation facilities that made it possible to increase agricultural output so dramatically.<sup>16</sup> The state also built the basic transport and communication infrastructure that linked supply in Taiwan with demand in Japan for cane and rice.

This linkage fostered the economic complementarity with Japan that came to dominate Taiwan's external trade. Although most of Taiwan's trade in the precolonial period went to China, from about the time of the

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<sup>11</sup> Taiwan Sōtokufu Kanbō Chōsaka, *Taiwan sōtokufu dai-sanjūkyū tōkei sho* (1937), 451–52, 506–7.

<sup>12</sup> Shinkō Sugar (Shinkō Seitō) was bought out by Taiwan Sugar in October 1941; Tu, *Nihon teikokukushugōka no Taiwan*, 334.

<sup>13</sup> The population of Taiwan in 1935 was approximately 5.3 million. Out of this figure, the farming population was about 2.8 million, while only 64,246 Taiwanese were factory employees, and fewer than 35,000 of these were involved with sugar production. Mizoguchi and Umemura, eds., *Kyū Nihon shokuminchi keizai tōkei*, 256–57; Taiwan Sōtokufu Kanbō Chōsaka, *Taiwan sōtokufu dai-sanjūkyū tōkei sho* (1937), 347, 442–43.

<sup>14</sup> For a survey of agricultural living conditions in Taiwan, see Chang Han-yu, "A Study of the Living Conditions of Farmers in Taiwan 1931–1950," *The Developing Economies* 7, no. 1 (March 1969): 35–62.

<sup>15</sup> A chart summarizing different Government-General support measures for the sugar industry is in Takahashi, *Gendai Taiwan keizai ron*, 230–31.

<sup>16</sup> The state was responsible for several large irrigation projects and the development of high yield rice strains. It also promoted the use of better fertilizer, much of which was imported from other parts of the empire. Takahashi, *Gendai Taiwan keizai ron*, 110–21; Ho, *Economic Development of Taiwan, 1860–1970*, 41–69.

Russo-Japanese War trade with Japan eclipsed its total trade with other countries. This trend accelerated with the agricultural development of Taiwan, until Taiwan's total import and export trade went overwhelmingly to Japan. In the early 1930s, for example, trade with Japan constituted nearly 80 percent of imports and 90 percent of exports.<sup>17</sup> Trade with other parts of the empire was insignificant, and trade with foreign countries, while not negligible, was small compared to trade with Japan. Even during the boom years of the First World War, export growth was mediated through Japan.

On the one hand, what is clear, even from such an abbreviated narrative of the economic development of Taiwan, is that both growth and an increasingly close trade relationship with Japan, based on the exchange of agricultural raw materials for capital and manufactured goods, were sought and achieved in large part through the economic policy of the colonial state. The external expansion that was also promoted by the state, on the other hand, was inherently a more elusive goal than the development of the island itself. Correspondingly, the policies used to pursue it were more varied and the degree of success achieved more difficult to measure. The general objective of economic policy toward the *nanpō* was to control the region by integrating it with Taiwan, but this meant different things at different times and to different administrations in Taihoku (Taipei). Stronger trade ties, influence over the financial environment in the *nanpō*, and control over key service enterprises, like shipping, warehousing, and banking, were all intermediate goals. Policy tools included subsidies and official and semi-official corporations. These were used in different combinations, although one can distinguish two main periods in external economic policy divided around the First World War.

In taking up the Government-General's economic program for the *nanpō*, the temptation is to compare it unfavorably to the very successful domestic economic policy. The more important question, however, has to do with the relationship between the two, and specifically how the economic complementarity between Japan and Taiwan constrained the Government-General's efforts to control and integrate the *nanpō*. Understanding this relationship also throws light on the subsequent period between the mid-1930s and the outbreak of the Pacific War, during which the Government-General adopted a new program of industrialization for the Taiwanese economy and, at the same time, moved more aggressively than ever before to carve out its own sub-imperial sphere.

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<sup>17</sup> Calculated from Mizoguchi and Umemura, eds., *Kyū Nihon shokuminchi keizai tōkei*, 246–47, 251.

## EARLY GOVERNMENT-GENERAL ECONOMIC MEASURES

The failed plot that resulted in the Amoy Incident of 1900 led the Government-General, under the leadership of Kodama Gentarō (1898–1906) and his civil affairs chief Gotō Shinpei (1898–1906), to abandon direct military action as a strategy for South China. Gotō, to whom Kodama delegated much responsibility, was an aggressive imperialist, but he was also a pragmatist. He continued to simultaneously try to free Taiwan from its traditional economic subordination to the continent and to extend Japanese influence into South China, but with corporate instruments rather than force.<sup>18</sup> These corporate proxies were largely extensions of the Government-General itself, involving individuals with close ties to the administration and frequently public funds as well. While this was a viable strategy in some sectors, it was not feasible in others, particularly those that required large amounts of capital. Gotō and subsequent leaders in the Government-General therefore adopted other approaches that allowed them to draw on capital resources in Japan. As Mark Peattie has noted, Japanese imperialism was characterized by a shortage rather than a surplus of capital.<sup>19</sup> In practice, these Government-General approaches could mean simply persuading an existing Japanese shipping company to establish routes connecting Taiwan with other regions, or more formally setting up an institution like the Bank of Taiwan (Taiwan Ginkō; BOT), which was subsidized by the central government.

One of the earliest firms to emerge as an offshoot of the Government-General was the Sango Company (Sango Kōshi).<sup>20</sup> The Sango Company was established as a private corporation in 1902, the thirty-fifth year of Meiji, from which it took the two numerals that made up its name. While posing as a joint Sino-Japanese enterprise, the company was really the brainchild of Gotō and was run by his protégé, Akuzawa Naoya, a Tōkyō Imperial University graduate who worked briefly for Mitsubishi before joining Gotō in the Government-General.<sup>21</sup> The Sango Company was divided up into three divisions for education, research, and operations, but the education division, which ran a school from 1904 to 1909 and research division were of secondary importance.<sup>22</sup> Although little is known about Akuzawa and the company, especially in its later years, in the decade be-

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<sup>18</sup> Kitaoka Shin'ichi, *Gotō Shinpei—gaikō to bijon* (Tōkyō: Chūō Kōronsha, 1988), 64–65.

<sup>19</sup> Mark R. Peattie, "Introduction" in *The Japanese Colonial Empire, 1895–1945*, ed. Myers and Peattie, 12.

<sup>20</sup> Tsurumi Yūsuke, *Gotō Shinpei dai-nikan* (Tōkyō: Keisō Shobō, 1965), 491.

<sup>21</sup> Nakamura Takashi, "Taiwan sōtokufu no Kanan tetsudō kōsaku—Chō-Sen tetsudō o megutte," *Nanpō Bunka* 14 (November 1987): 73.

fore the First World War the operations division had several major projects in South China and was an important instrument of Government-General economic policy.

The company's two largest enterprises were a camphor business in Fujian and the Chaozhou-Shantou railroad. Japanese involvement in the railroad was disguised through the use of Taiwanese and Chinese intermediaries, who funneled Government-General money into the project.<sup>23</sup> The line of about thirty miles was completed in 1906, a little more than two years after construction began, and Akuzawa arranged for the Chinese front company to contract the management of the railroad to his Sango Company. Sango then brought in Japanese and Taiwanese staff from the railway section of the Government-General to actually run the operation. Although it faced competition from water transport in the first few years, the railroad gradually became more successful. There was considerable friction between the railroad and local Chinese, however. The forced sale of land to the company resulted in an attack on the railroad during the construction phase that claimed the lives of several Japanese. Later, the railroad became the target of anti-foreign protests, and in 1909 an incident occurred between the Chinese workers and Japanese management that ultimately led to nominal Japanese withdrawal from the railroad. Akuzawa retained control, however, through a new secret management contract. Thereafter, he cut back on the use of Japanese staff, relying on Taiwanese and Chinese to reduce the potential for future conflict. Another result of this incident was that the Government-General withdrew from the project and stopped its annual subsidies to Sango. Sakuma Samata, a career military man from Chōshū already in his sixties, had replaced Kodama as governor-general in 1906, but he lacked the imagination of his predecessor, had a corrupt civil affairs chief, and preferred to concentrate his efforts on the subjugation of the aborigines in Taiwan.<sup>24</sup> Thus after Gotō's departure to head the new South Manchurian Railway Company, there was less support within the Government-General for Sango. The company continued to operate the railway profitably into the 1920s, but was forced to relinquish control in 1922. Management of the railroad deteriorated rapidly after that, and it had to be reorganized in 1929.

The Sango Company's camphor project evolved out of Gotō's desire to strengthen the position of the camphor monopoly in Taiwan by extending

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<sup>22</sup> Nakamura Takashi, "Taiwan to 'Nan-Shi Nan'yō'" in *Nihon no nanpō kan'yo to Taiwan*, ed. Nakamura Takashi (Tenri: Tenrikyō Dōyūsha, 1988), 10–11.

<sup>23</sup> On the railroad project, see Tsurumi, *Gotō Shinpei*, 493–95, 500–504, and Nakamura, "Taiwan sōtokufu no Kanan tetsudō kōsaku," 73–103.

<sup>24</sup> Huang Zhaotang, *Taiwan sōtokufu* (Tōkyō: Kyōikusha, 1981), 89–98.

its business into South China.<sup>25</sup> Camphor was traditionally one of Taiwan's major products, along with rice, sugar, and tea, but it declined in importance during the colonial era, particularly after the First World War, when synthetic substitutes became available.<sup>26</sup> At the turn of the century there was little hint of this, though, and Akuzawa, acting on the instructions of the Government-General, began negotiating with the Chinese at the local and central level in 1901 and eventually succeeded in obtaining an exclusive camphor concession for Fujian in 1902.<sup>27</sup> Sango set up manufacturing and distribution operations based in Fuzhou and Shanghai, with a network of other purchasing outposts. Although the business went well for the first few years, increasing pressure from the Chinese to recover foreign concessions eventually forced the company out in 1909.

While both the railroad and the camphor project were in South China, the Sango Company also began to move into Southeast Asia. For example, as the camphor project began to run into trouble, the Sango Company moved into gum plantations in Malaya; in fact, as the first major Japanese gum venture, it was later referred to as the "founder" (*kaiso*) of the Japanese gum enterprise in Malaya.<sup>28</sup> This position allowed it to take full advantage of high prices during the First World War, unlike newcomers who had to wait several years before their gum trees became productive. By the end of the war it was considered the leading Japanese gum firm in Malaya.<sup>29</sup> There is little information about the gum enterprise thereafter, but it was still the leading Japanese plantation by area in Malaya in a 1936 survey.<sup>30</sup>

A second firm that served the Government-General in economic relations with China was the Nankoku Company (Nankoku Kōshi), which brought workers from mainland China to Taiwan.<sup>31</sup> Precolonial Taiwan attracted seasonal migrant labor from South China, especially to support the tea industry, which boomed during the second half of the nineteenth

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<sup>25</sup> Camphor became a public monopoly in Taiwan in 1899.

<sup>26</sup> During the 1920s and 1930s camphor accounted for only about 2 percent of exports by value, less than either bananas or tea and about the same level as alcohol; Ōkurashō Kanri Kyoku, "Nihonjin no kaigai katsudō ni kansuru rekishiteki chōsa tsūkan dai-jūyon satsu Taiwan hen dai-san bunsatsu dai-go bu Taiwan no keizai (sono ichi)," 10.

<sup>27</sup> On the camphor project, see Tsurumi, *Gotō Shinpei*, 492–93, 497–500, and Nakamura, "Taiwan to 'Nan-Shi Nan'yō,'" 11.

<sup>28</sup> Taiwan Sōtokufu, "Minami Shina oyobi Nan'yō chōsa dai-jūroku: Nan'yō ni okeru hōjin no kigyō" (1918), 56.

<sup>29</sup> Yano Tōru, *'Nanshin' no keifu* (Tōkyō: Chūō Kōronsha, 1975), 105.

<sup>30</sup> Taiwan Sōtokufu, *Nan'yō kakuchi hōjin kigyō yōran* (Taihoku, 1937), 36.

<sup>31</sup> (Taihoku: Taiwan Sōtokufu Taihoku Kōtō Shōgyō Gakkō Nan-Shi Nan'yō Keizai Kenkyūkai, 1937), and the documents in Nakamura Takashi, "Nankoku kōshi ni tsuite," *Nanpō Bunka* 7 (December 1980): 159–177.

<sup>31</sup> On the Nankoku Company, see Matsuo Hiroshi, *Taiwan to Shinajin rōdōsha*

century. Around the time that Taiwan was ceded to Japan, several thousand workers were coming annually, typically arriving in the spring and returning to the mainland in the fall. Concerned with the ongoing guerrilla resistance to Japanese rule, the Government-General initially restricted immigration, but after control had been established, it reversed itself to allow an adequate supply of labor for the major infrastructure projects started at the turn of the century. An 1899 regulation established a licensing system for labor importers, but in 1905 this was replaced with an arrangement whereby one Gotō Mōtarō and his firm (Taika Shokumin Gōshi Kaisha) were granted an exclusive concession to import workers. In 1915, this firm was reorganized into the Nankoku Company.

Nankoku recruited labor through Chinese compradors at offices in Fuzhou, Shantou, and Amoy and used deposits and guarantors to filter out unwelcome elements.<sup>32</sup> There was a fairly steady surplus of immigrants over those returning to mainland China, so that between 1905 and 1935 the number of Chinese workers resident in Taiwan grew tenfold from about 4,000 to about 40,000.<sup>33</sup> Nankoku retained its exclusive concession until 1937, when labor imports were stopped because of the China Incident. As in 1899, labor demand eventually won out over security concerns, and in 1940 labor imports were restarted. At this point, however, Nankoku Company saw its operations completely absorbed by the Taiwan Development Company (Taiwan Takushoku Kabushiki Kaisha), which was the main instrument of overseas economic expansion from Taiwan after its formation in 1936.

In addition to fostering new companies to serve specific policy objectives, the Government-General also harnessed established Japanese shipping firms to its economic goals. Grants for the operation of regular shipping routes connecting Taiwan to South China and Southeast Asia constituted a major component of total Government-General spending on subsidies and were important in persuading private firms to open and maintain routes. After arranging with Ōsaka Commercial Shipping Company (Ōsaka Shōsen Kaisha; OSK) and the Japan Mail Steamship Company (Nihon Yūsen Kaisha; NYK) to operate Ōsaka–Jilong and Kobe–Jilong services, the Government-General next commissioned the OSK to operate a Danshui–Hong Kong route in 1899. This was followed over the next few years by an Anping–Hong Kong line and four other routes connecting Chinese coastal cities. By 1911, Taiwan was linked by the OSK to Canton, Shanghai, and Shantou, as well.<sup>34</sup> One explanation that has been offered

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<sup>32</sup> Matsuo, *Taiwan*, 33–35.

<sup>33</sup> Matsuo, *Taiwan*, 43. The traditional tea workers also gave way to carpenters and odd-jobbers (*zatsuekifu*) during the late 1920s and 1930s.

for why the Government-General chose the OSK for all but one of the routes is that the NYK was more closely tied to the central government and therefore potentially less amenable to the Government-General's demands than the OSK.<sup>35</sup> The Government-General sought first to push the British steamship firm of Douglas out of Taiwan and then to challenge it in South China. The OSK received 3.5 million yen in subsidies from the Government-General, including grants for the Ōsaka-Jilong line, over the decade 1896–1905 to help it achieve this.<sup>36</sup>

The Government-General's larger aspiration was to use the inroads it made in South China shipping to extend OSK lines into Southeast Asia. It sponsored a number of investigative missions with the OSK prior to the First World War to determine if a Java line would be profitable. The Government-General hoped to use the OSK to get a share of the trade between Southeast Asia and South China, such as sugar from the Dutch East Indies, rice from Saigon, and Chinese passengers going to work overseas.<sup>37</sup> What the investigative reports revealed, however, was that Chinese and British interests were too strongly entrenched for the OSK to challenge. The OSK and NYK in fact chose not to cooperate with the Communications Ministry when it set up a subsidized Japan-Java route in 1912 because the subsidies offered were insufficient, allowing the route to go to a new company, South Seas Mail Steamship (Nan'yō Yūsen). By 1916, facing a huge surge in shipping demand and with the Western powers distracted by war, the OSK was ready when the Government-General offered a generous subsidy of 100,000 yen annually to run from Jilong to Java with stops along the China coast and in Singapore.<sup>38</sup> The OSK was able to establish a position in the Java trade thanks to the financial support of the Government-General.

Although the Sango Company, Nankoku Company, and the OSK each contributed to the Government-General's overseas economic program, during the period before the 1930s the colonial government's most important instrument was the Bank of Taiwan, which opened its doors in 1899. Claims by some scholars that Taiwan lacked a true national policy company before the 1930s notwithstanding,<sup>39</sup> the BOT, in addition to serving

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<sup>34</sup> Katayama Kunio, *Kindai Nihon kaiun to Ajia* (Tōkyō: Ochanomizu Shobō, 1996), 223.

<sup>35</sup> Katayama, *Kindai Nihon*, 218.

<sup>36</sup> Katayama, *Kindai Nihon*, 222.

<sup>37</sup> Katayama, *Kindai Nihon*, 265; Katayama Kunio, "The Expansion of Japanese Shipping into Southeast Asia before World War I: The Case of the O.S.K.," *The Great Circle* 8, no. 1 (April 1986): 5.

<sup>38</sup> Katayama, *Kindai Nihon*, 290.

<sup>39</sup> See Kubo Fumikatsu, "Taiwan Takushoku Kabushiki Kaisha to 'nanpō shinshutsu' (I)," *Chūō Daigaku Kigyō Kenkyūjo Nenpō* 13 (1992): 77–106, and "Taiwan Takushoku Kabushiki Kaisha to 'nanpō shinshutsu' (II)," *Chūō Daigaku Kigyō Kenkyūjo Nenpō* 14 (1994): 145–182.

as a colonial central bank, was set up explicitly to pursue national policy goals in Southeast Asia and South China.<sup>40</sup> To be sure, the BOT focused on Taiwan during its first decade, using its capital to finance the nascent sugar industry and public development projects, as well as the Government-General, but during this period it was also active in China, where it supported Government-General goals in a number of ways.

The most basic method the bank used to promote the Government-General's economic program was by providing exchange and trade financing to business through a network of offices in South China and Southeast Asia. BOT branches sprang up in Amoy (1900), Hong Kong (1903), Fuzhou (1905), Shantou (1907), Canton (1910), Shanghai (1911), Hankou (1915), and dozens of other places in China, mostly in the south, while it was eventually represented in over thirty locations in Southeast Asia, starting with Singapore (1912). A sense of rivalry with Japan's main foreign exchange bank, the Yokohama Specie Bank (Yokohama Shōkin Ginkō),<sup>41</sup> and aggressive leadership by Yagyū Kazuyoshi,<sup>42</sup> president from 1901 to 1916, contributed to this expansion, but the lending practices driving the BOT's rapid growth later proved disastrous.

The BOT's activities in South China also included lending to the Chinese, although these loans proved equally imprudent. As early as 1900, it had already begun negotiations, and it concluded eleven loans before the fall of the Qing in 1911.<sup>43</sup> In addition to these individual loans, the BOT also participated in various Japanese bank syndicates that used loans to try to exert influence in China during the chaotic 1910s and 1920s. The BOT tried other ways of extending economic influence into South China, too. Its branches issued their own drafts (*shiharai tegata*), for example, and the Ministry of Finance was also persuaded to let it circulate silver yen in South China. The approximately 10 million yen it pumped into circulation had little effect in such a broad region, however.<sup>44</sup> There was also a

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<sup>40</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi* (Tōkyō, 1964), 8.

<sup>41</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 384, 395–96, 405–6; Namikata Shōichi, *Nihon shokuminchi kin'yū seisaku shi no kenkyū* (Tōkyō: Waseda Daigaku Shuppanbu, 1985), 312; Katayama Kunio, "Tokutei kenkyū 'bunka masatsu' C. Nihon no nanpō kan'yo: Intabyū kiroku—kyū Taiwan Ginkō no tokushitsu" (1979), 14.

<sup>42</sup> Katayama, "Intabyū kiroku," 23.

<sup>43</sup> In addition to the eleven loans by the BOT, several other negotiations were begun but never concluded. Sunaga Noritake, "Taiwan Ginkō no Chūgoku shihon yushutsu katsudō—jiko shikin tandoku shakkan o chūshin to shite," *Tochi Seido Shigaku* 35, no. 2 (Winter 1993): 26. A comprehensive list of BOT loans to China during the Taishō and early Shōwa eras is in Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 358–63.

<sup>44</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 399–400.

proposal in 1912 to transform and expand the BOT from a regional bank for Taiwan based in Taihoku into an overseas bank for China.<sup>45</sup> This ultimately came to nought, as did the loans to China when the Chinese defaulted. The circulation of silver yen also dwindled as a result of the anti-Japanese sentiment provoked by the Twenty-One Demands and the occupation of the Shandong peninsula.<sup>46</sup>

### ECONOMIC MEASURES AFTER THE FIRST WORLD WAR

The First World War brought rapid growth to Taiwan as well as Japan. The sugar industry enjoyed unprecedented profits, symbolized by the 100 percent dividend issued to stockholders in 1920 by Taiwan Sugar, one of the leading sugar firms in the Japanese empire.<sup>47</sup> Rice riots in Japan created more demand for Taiwanese rice, ultimately leading to the development of the high yield *hōrai* strain that transformed agriculture in the 1920s. These trends bound Taiwan's economy more closely to Japan, even as they expanded Japanese trade with Southeast Asia.

Leadership in the Government-General also evolved. Sakuma's decade-long reign came to an end in 1915, and he was succeeded by a series of more activist governor-generals, Andō Sadayoshi (1915–18), Akashi Motojirō (1918–19), and Den Kenjirō (1919–23). While this represented an increase in turnover, the fact that one civil affairs chief, Shimomura Hiroshi (1915–21), served all three provided continuity. More importantly, Shimomura, a colorful figure who went on to pursue a career as a journalist and later politician, returned to the expansionist approach of Gotō Shinpei. Although Andō was preoccupied with both quelling a major armed uprising and containing peaceful Formosan demands for greater political participation stimulated by the visit to Taiwan of veteran parliamentarian Itagaki Taisuke, his administration did begin to focus attention back on external affairs. Government-General representatives were posted to Japanese consuls in South China, various cultural initiatives were stepped up, and budgetary allocations for subsidies, discussed in detail below, also began to increase.<sup>48</sup> It was the pair of Shimomura and Akashi, however, that, like Gotō and Kodama before them, provided the most aggressive leadership. Under Shimomura, both the methods and regional

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<sup>45</sup> Namikata, *Nihon shokuminchi kin'yū*, 313–14.

<sup>46</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 401.

<sup>47</sup> Kubo Fumikatsu, *Shokuminchi kigyō keiei shi ron* (Tōkyō: Nihon Keizai Hyōronsha, 1997), 182.

<sup>48</sup> Ide Kiwata, *Taiwan chiseki shi* (Taihoku: Taiwan Nichi Nichi Shinpōsha, 1937), 590–91.

focus of the Government-General's overseas economic programs changed. The wartime trade boom solidified a shift in the focus of policy from South China to Southeast Asia that had begun earlier, and new firms were created to supplement the Government-General's existing corporate proxies. Another development was the increased use of subsidies to strictly private firms, a shift from the earlier reliance on corporations with more direct ties to the colonial government. Although there were subsequent changes in the 1920s and early 1930s, these institutions and approaches constituted the basic direction of overseas economic policy.

These new tools did not mean that all of the Government-General's existing ones were jettisoned. While the Sango Company was reducing its commitment to China and establishing a leading position in the gum business, the other major instrument of Government-General policy, the BOT, expanded so rapidly during the war that the bulk of its financing activities shifted from Taiwan to Japan and overseas. The BOT provided loans to many Japanese firms, including exporters, gum plantations, and so forth, both during the boom and after.<sup>49</sup> Perhaps the most famous of these was Ishihara Hiroichirō's mining company, which was started in 1920 with BOT loans,<sup>50</sup> and which was later one of the largest suppliers of Japanese iron ore imports. The BOT deviated from its mission in Taiwan and Southeast Asia and South China, however, to pursue profits in Japan proper during the war, so that in the early 1920s around half of its deposits and loans were concentrated there.<sup>51</sup> While Ishihara's enterprise flourished, the BOT went down in 1927 with its main loan customer, Suzuki Trading (Suzuki Shōten). Although the BOT had managed to keep Suzuki afloat for awhile, when its deposits in Japan fell drastically, the bank could no longer finance the failing Suzuki and was so overextended that it temporarily closed as well. The bank was reorganized after its collapse, but it limped along in the 1930s and did not recover a prominent role until the Pacific War.

The collapse of prices for tropical products, anti-Japanese boycotts by Chinese at home and overseas, and the return of Western competition to Southeast Asian markets in the postwar hurt Japanese business and by extension Japanese shipping. While the OSK was able to hold on to its position in Southeast Asia during the 1920s, the 1930s brought intense competition from other Japanese companies and the Dutch. Ishihara, who had

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<sup>49</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 411–17.

<sup>50</sup> Yasukichi Yasuba, "Hiroichirō Ishihara and the Stable Supply of Iron Ore," in *The Japanese in Colonial Southeast Asia*, ed. Saya Shiraishi and Takashi Shiraishi (Ithaca, N.Y.: Southeast Asia Program, Cornell University, 1993), 143–44.

<sup>51</sup> Katō Toshihiko, *Honpō ginkō shi ron* (Tōkyō: Tōkyō Daigaku Shuppankai, 1957), 225; Watanabe Sahei and Kitahara Michitsura, eds., *Gendai Nihon sangyō hattatsu shi dai-26 kan—ginkō* (Tōkyō: Kōjunsha, 1966), 325.

begun to vertically integrate his mining operations by shipping his own ore from Malaya, triggered a shipping war in 1931 when he moved into the Java shipping trade.<sup>52</sup> This had two major ramifications. First, the Japanese government arranged a merger that created a single new firm from the Java routes of several Japanese shipping companies. Then, after repeated negotiations with the Dutch, the Japanese finally reached an agreement in 1936 that allocated the shipping trade between this new Japanese firm and the Dutch. The Government-General continued to subsidize the OSK through the Pacific War, but it stopped relying on that firm for overseas routes and turned to other shipping companies.<sup>53</sup>

In addition to the continued use of these existing institutions, the Government-General sponsored the formation of two new service enterprises for the *nanpō*, the Kanan Bank (Kanan ginkō) and the Southern Godown Company (Nan'yō Sōko). They were conceived as a pair that would complement the shipping provided by subsidized OSK lines, but unlike the OSK these institutions sought to harness the resources of overseas Chinese to the Government-General's expansionist aims.<sup>54</sup> In this respect, the participation of prominent Taiwanese was initially crucial to both companies for attracting Chinese support, and it made them distinctly colonial institutions.

Although the Kanan Bank was a postwar creation, the idea for it originated some years earlier, before the wartime boom. In 1913, a successful Taiwanese tea exporter based in Java, Guo Chunyang, proposed to set up a joint Sino-Japanese bank that would bring together the capital of overseas Chinese with Japanese capital in Taiwan to finance business in Southeast Asia.<sup>55</sup> In contrast to the BOT and Yokohama Specie Bank, this institution was to focus on long-term development financing. Under Akashi and Shimomura, this idea was realized. An organizational conference attended by BOT leaders, representatives from the central government ministries, and Shimomura was held in Tōkyō in 1918.<sup>56</sup> Guo himself went to Japan and met with Prime Minister Hara Kei the following year to pitch the proposal.<sup>57</sup> Having persuaded the central government, the promoters

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<sup>52</sup> On this economic confrontation, see Hiroshi Shimizu, "Dutch-Japanese Competition in the Shipping Trade on the Java-Japan Route in the Inter-war Period," *Tōnan Ajia kenkyū* 26, no. 1 (June 1988): 3–23.

<sup>53</sup> Katayama, *Kindai Nihon*, 239. Government-General subsidies did include money for a stopover in Jilong on the OSK's Bangkok line.

<sup>54</sup> For example, the initial provisional name for what became the Southern Godown Company was the Kanan Warehouse Company (Kanan Sōko); Nitta Risuke, *Nan'yō Sōko Kabushiki Kaisha jūgo nen shi* (Kobe: Nan'yō Sōko Kabushiki Kaisha, 1936), 87.

<sup>55</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 424. On Guo, see Yoshida Seidō, *Taiwan kokon zaikaijin no yokogao* (Taihoku: Keizai Shunjūsha, 1932), 227–32.

<sup>56</sup> Kanan Ginkō, "Kanan Ginkō" (1918), 4.

then recruited Lin Xiongzheng, a member of the Banqiao Lins, an old and extremely wealthy Taiwanese family with real estate and trading interests. The Lins had previously used their influence in Amoy to help the BOT set up its first overseas branch there, receiving in exchange Government-General patronage when they later moved into the sugar business in Taiwan.<sup>58</sup> Lin Xiongzheng and a group of BOT men toured the major cities of South China and Southeast Asia during the summer of 1918 to drum up interest in the stock offering for the new bank among prominent Chinese businessmen.<sup>59</sup>

The Kanan Bank was launched in Taihoku early in 1919, with a capitalization of ten million yen. Lin served as its president, and ten of the twenty-two directors were Chinese. In addition to the head office in Taiwan, it eventually opened overseas branches in Burma, French Indochina, Java, Singapore, and Canton. Although the bank managed profits in the first few years, the postwar recession and anti-Japanese sentiment among overseas Chinese weakened it severely. A major reorganization that halved the bank's capitalization was implemented in 1924, but the financial crises of 1927 found it still struggling. A second reorganization, which included a 3-million-yen government bailout, the elimination of three overseas offices, and another reduction in capital, followed in 1928.<sup>60</sup>

One consequence of this string of problems was that Chinese stock ownership and the number of Chinese directors declined.<sup>61</sup> The departure of Chinese investors and depositors meant that the bank became increasingly dependent on Japanese and Taiwanese sources for its capital. Lending also gravitated toward Taiwan and Japan. In 1930, for example, 81 percent of the bank's available funds and 55 percent of dis-

<sup>57</sup> Mukōyama Hiroo, *Nihon tōchika ni okeru Taiwan minzoku undō shi* (Tōkyō: Chūō Keizai Kenkyūjo, 1987), 342.

<sup>58</sup> Thomas B. Gold, "Colonial Origins of Taiwanese Capitalism," in *Contending Approaches to the Political Economy of Taiwan*, ed. Edwin A. Winckler and Susan Greenhalgh (Armonk, N.Y.: M. E. Sharpe, 1988), 110.

<sup>59</sup> Kanan Ginkō, "Kanan Ginkō," 5–6.

<sup>60</sup> Kanan Ginkō, "Kanan Ginkō," 9–10.

<sup>61</sup> The number of Chinese directors fell from ten in 1919 to five in 1930. Interestingly, the number of Taiwanese directors and the Taiwanese proportion of stock ownership both increased.

Kanan Bank Share Ownership (%)

	Chinese	Japanese	Taiwanese	Total
1919	48,800 (49)	23,190 (23)	28,010 (28)	100,000 (100)
1930	12,503 (25)	14,825 (30)	22,672 (45)	50,000 (100)

Source: Kanan Ginkō, "Kanan Ginkō," 16.

counting and loan activity was within Japan and Taiwan.<sup>62</sup> The bank did not abandon its mission to finance business in Southeast Asia, however. On the one hand, starting in 1929, it became the centerpiece of the Government-General's new strategy for supporting these overseas businesses through loan subsidies, and its activities as a source of inexpensive capital for such firms are discussed below. On the other hand, it did dispense with the idea of mobilizing the capital of overseas Chinese. In the 1930s, the bank shifted toward greater reliance on Taiwanese capital, and during the Pacific War the BOT transferred three of its branches in Taiwan to the Kanan Bank to help it in this area.<sup>63</sup> Thus the bank continued to pump money into the Government-General's interests in the *nanpō*, but relied on Taiwanese as opposed to Chinese capital.

Like the Kanan Bank, the Southern Godown Company was part of the Government-General's plan to promote and direct economic expansion southward. In 1916, the Taiwan Warehouse Company (Taiwan Sōko) was formed through the cooperation of the Government-General, the BOT, and major sugar producers, like Taiwan Sugar Company. Southern Godown, established in 1920 with a capitalization of 5 million yen, was in one sense an extension of Taiwan Warehouse, with the latter transferring its Canton facility to the new company.<sup>64</sup> In addition to the head office in Taiwan and the Canton office, Southern Godown also had storage facilities in Singapore, Haiphong, Saigon, Batavia (Jakarta), and several other locations around the Dutch East Indies. As with the Kanan Bank, a prominent Taiwanese, Lin Xiantang, was brought in to front for the organization and give it the appearance of a joint Sino-Japanese venture.<sup>65</sup> Although unrelated to Lin Xiongzhen, Lin Xiantang was also from an old and wealthy family. Lin had various commercial interests, but was most famous as a moderate Taiwanese leader, a pragmatist who sought to promote home rule in Taiwan through cooperation with the Japanese.

Southern Godown ran into the same initial problems as the Kanan Bank when the business environment turned sour in the 1920s. It was more fortunate in that it was able to find business with Ishihara when overseas Chinese failed to patronize the new firm.<sup>66</sup> Nevertheless, it still faced difficulties serious enough to require the company to reorganize. Ishihara Hiroichirō has written that BOT president Nakagawa Kojūrō, who had earlier provided Ishihara with the loans to get his own company started,

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<sup>62</sup> Kanan Ginkō, "Kanan Ginkō," 14–15.

<sup>63</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 425.

<sup>64</sup> *Ibid.*, 427.

<sup>65</sup> *Ibid.*

<sup>66</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 428.

approached him to help Southern Godown.<sup>67</sup> Ishihara agreed, and at a special meeting of stockholders in 1930 the company's capitalization was reduced, and a bunch of new directors representing Ishihara's interests were brought in.<sup>68</sup> Ishihara himself took a controlling interest in the company and the post of company advisor, but Lin remained as a figurehead president. The BOT also negotiated lower interest rates for the company's outstanding debts because Ishihara guaranteed them.<sup>69</sup> Southern Godown ceased receiving financial support from the Government-General that year, and in 1932 it moved its headquarters to Kobe, near Ishihara's base in Ōsaka. The company was successful in the 1930s, thanks to the resurgence of Japanese exports to Southeast Asia following the devaluation of the yen, and of course to Ishihara's continuing patronage. Southern Godown thus fulfilled its intended role as a service enterprise in Southeast Asia, although perhaps more as a tool of Ishihara than of the Government-General.

In addition to setting up new semi-official companies, the Government-General also developed new methods for supporting private businesses overseas more directly. From about 1900 the Government-General had provided subsidies to further its cultural and economic programs in South China. These funds went under various names and included transfers to schools and for trade promotion. The sums involved before 1914 were small, never more than 90,000 yen. Starting in that year, however, the opaque title "South China and South Seas Facilities Expenditures" (Minami Shina oyobi Nan'yō shisetsuhi) was introduced for this budget item. The name stuck for the next three decades, and more importantly the level of funding grew rapidly from the end of the First World War (Table 1). Tracing the flow of financial support from the Government-General to private corporations in general is difficult, and a complete picture will probably remain out of reach. It is known, for example, that initial capital for the Sango Company was taken from funds allocated to disaster relief,<sup>70</sup> and subsidies that went to some of the national policy and semi-official companies almost certainly found their way into private hands. A list of distributions between 1915 and 1934 does exist, however.<sup>71</sup> This document ac-

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<sup>67</sup> Ishihara's original connection to Nakagawa was through Ritsumeikan University, where Ishihara had studied and Nakagawa had been president; Ishihara Sangyō Kabushiki Kaisha Shashi Hensan Iinkai, *Sōgyō sanjūgo nen o kaiko shite* (Ōsaka, 1956), 71.

<sup>68</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 428.

<sup>69</sup> Taiwan Ginkō Shi Hensan Shitsu, *Taiwan Ginkō shi*, 429.

<sup>70</sup> Nakamura, "Taiwan sōtokufu no Kanan tetsudō kōsaku," 77.

<sup>71</sup> Taiwan Sōtokufu, "Nettai sangyō chōsasho: Nanshi Nan'yō ni okeru hōjin kigyō no jōsei" (1935).

	(yen)		(yen)		(yen)
1900	10,000	1912	70,000	1924	900,000
1901	10,000	1913	70,000	1925	765,000
1902	10,000	1914	70,000	1926	765,000
1903	10,000	1915	120,000	1927	765,000
1904	10,000	1916	120,000	1928	765,000
1905	20,000	1917	300,000	1929	765,000
1906	90,000	1918	600,000	1930	688,500
1907	90,000	1919	750,000	1931	585,225
1908	90,000	1920	900,000	1932	550,112
1909	70,000	1921	900,000	1933	582,682
1910	70,000	1922	900,000	1934	582,682
1911	70,000	1923	900,000	1935	582,862

**Table 1:** Taiwan Government-General “South China and South Seas Facilities Expenditures”  
(Minami Shina oyobi Nan’yō shisetsuhi)

Sources: Kondō Masami, *Sōryokusen to Taiwan* (Tōkyō: Tōsui shobō, 1996), 70. Ōkurashō Kanri Kyoku, “Nihonjin no kaigai katsudō ni kansuru rekishiteki chōsa Taiwan hen dai-roku bunsatsu no yon—furoku Taiwan tōchi gaiyō,” 551–52, and the appendix to Taiwan Sōtokufu, “Nettai sangyō chōsasho: Nanshi Nan’yō ni okeru hōjin kigyō no josei” (1935), give slightly different numbers.

Note: Before 1914 this budget item had several different names.

counts for only a portion of the total funds dispensed under the budget expenditure item; the rest of the money went to support the Government-General’s cultural and other programs in South China and Southeast Asia.

The information on grants to companies shows a number of interesting trends in the location and types of firms supported, as well as their size and number. All of these characteristics changed around 1929, and the subsidy program after the First World War can therefore be understood as divided into two periods around that date. Relatively few Japanese firms in the *nanpō* benefitted from subsidies before 1928. Just twelve received money between 1915 and 1928, although most of these obtained grants for several years. When the Government-General changed its approach in 1929 and began to subsidize companies by paying a portion of the interest on loans extended by the Kanan Bank, the number of firms involved in-

creased substantially. From about four per year between 1915 and 1928, the average number jumped to more than thirty firms annually between 1929 and 1934. The average subsidy decreased from around 15,000 to 6,000 yen as a result, despite an increase in the total value of grants handed out. The Government-General did not cease direct subsidies altogether, but most of the companies were helped through loan supports. One possible reason for the shift was that loan subsidies, which required firms to pay part of the interest and all of the principal, created more discipline than direct handouts. In any case, the colonial administration handed out literally hundreds of grants.

A variety of projects, including agriculture, general trading, lumbering, fishing, printing, and even hat making were supported across the *nanpō* in both periods, but the Government-General concentrated on certain regions and activities in each period. Excluding subsidies to the Kanan Bank and Southern Godown Company, most of the support before 1929, measured by both the number and value of grants, went to firms in the Dutch East Indies and British Borneo. These firms tended to be engaged in general agriculture and copra cultivation. In contrast, after 1928 the Government-General concentrated on the Philippines and Malaya, where the chief products were Manila hemp and gum. In the second period, ordinary trading companies and not just agricultural firms also benefitted. Another change occurred in the relative importance of the Kanan Bank and Southern Godown grants between the two periods. Before 1928, almost half of the total subsidies, more than 400,000 yen, went to Southern Godown, but as mentioned this firm received no subsidies thereafter. No grants to the Kanan Bank are listed for the first period, and a relatively small amount of money was distributed to it during the second period for research and information gathering. Thus, overall Government-General support moved away from these semi-official enterprises.

An increase in the total level of support and number of firms, a shift from semi-official to private companies, and a change in approach from indirect support through service enterprises to direct support of companies producing raw materials characterized the evolution of the Government-General subsidy program across the two periods. These patterns reflected political and economic changes in Taiwan. After Den and Shimomura, political leadership became fragmented, with five different governor-generals and four different civil administrators between 1923 and 1931. At the same time, major government funded projects, such as the enormous Kanan irrigation works and a large hydroelectric plant for the newly established Taiwan Electric Power Company (Taiwan Denryoku), ran into financial difficulties. Coupled with the BOT debacle in 1927, such factors may have contributed to the shift in emphasis away from

large, direct grants to semi-official firms and toward small grants in loan form to private firms. More generally, these difficulties raised questions within the Government-General about whether developing Taiwan itself or pushing economic expansion abroad should be given priority, but there seems to have been no attempt to resolve this problem before the 1930s.<sup>72</sup>

## CONCLUSION

Across several decades and using various methods and institutions, the Government-General pursued the economic integration of Taiwan and the *nanpō*. The intensity with which different administrations pursued expansion also varied; Gotō and Shimomura provided more vigorous and aggressive leadership than Sakuma and the governor-generals of the 1920s. The Government-General's corporate proxies likewise faced different obstacles and followed different trajectories. The Sango Company and Southern Godown succeeded in establishing positions in Southeast Asia, while at the same time moving away from their original patron, the Government-General. The OSK and the colonial government cooperated to drive foreign shipping out of Taiwan and challenge it in coastal China and Southeast Asia. This mutually beneficial relationship lasted until the 1930s, when competition with other shipping firms in Japan and the Dutch cut into the OSK's business. The Government-General's financial institutions, the BOT and Kanan Bank, both suffered from serious problems as a result of the postwar retrenchment in the Japanese economy and in Southeast Asian trade. While the BOT was not a factor again in Government-General expansionism until the late 1930s, the Kanan Bank overcame this obstacle, with generous official support to be sure, and became a source of financing for numerous firms in Southeast Asia.

If the methods and institutions of the Government-General varied, they still manifested several long-term trends. First, there was the general shift from South China toward Southeast Asia. This reflected the influence of

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<sup>72</sup> Indications can be found of Government-General support for both positions. One the one hand, Tanaka Saikichi published an article in the official magazine of the Government-General advocating the development of Taiwan. On the other hand, the Government-General's representative to a trade conference sponsored in Tōkyō by the Ministry of Foreign Affairs in 1926 appealed to the central government to support Taiwan's economic expansion into the *nanpō*. Tanaka Saikichi, "Taiwan shokusan ginkō setsuritsu no kyūmu," *Taiwan Jihō* 87 (February 1927): 36–39; Nagaoka Shinjirō, "Kanan shisaku to Taiwan sōtokufu," in *Nihon no nanpō kan'yo to Taiwan*, ed. Nakamura, 237–38.

different forces, from the rise of Chinese nationalism to Japan's increasing demand for tropical raw materials. At bottom, Southeast Asia offered greater scope for the ambitions of the Government-General. A second theme was the move from official to private institutions. With the exception of the shipping subsidies, Meiji and Taishō era intervention was mediated through official and semi-official companies, which provided indirect support as service enterprises. During the 1920s, the limits of this strategy were exposed, and the Government-General tried to reach private enterprise directly, subsidizing producers rather than the banks and warehouses that provided them with services.

The achievements of the companies involved in the Government-General's economic program were constrained by larger economic forces. Naturally, among these were the general economic problems that afflicted the whole Japanese empire in the aftermath of the First World War and again in the late 1920s. More specifically, however, the colonial government's domestic and overseas economic programs were in a fundamental sense at odds with each other. The success of the Government-General's domestic economic policy created a trade pattern that increasingly bound Taiwan to Japan. This was just the typical complementarity of colonial trade, with raw materials flowing to Japan and finished goods to Taiwan. In attempting to move in the opposite direction away from Japan, the Government-General's overseas program tried to integrate Taiwan with a region consisting mostly of other colonies producing some of the same raw materials.

There was little complementarity and therefore little trade. If Taiwan had been the lowest cost producer of rice and sugar it might have been able to export these products to the *nanpō*, but it could not compete with rice from Indochina, for example, and the very existence of the Taiwanese sugar industry depended on tariff walls protecting it from Javanese sugar. While total trade between Taiwan and China between 1900 and 1913 was a little less than half the size of trade with Japan, that fraction dropped to about one-sixth for the period 1914 to 1935.<sup>73</sup> Of course these figures reflect Taiwan's total China trade and thus are an overestimate of trade with South China. The trade with Southeast Asia was just 4 percent of the level of trade with Japan between 1900 and 1913, falling to 3 percent between 1914 and 1935. The absolute value of Taiwan's Southeast Asia trade did increase, peaking at 17 million yen for combined exports and imports in 1920, but this must be measured against trade with Japan on the order of 300 million yen. One consequence of this lack of complementarity was that the Government-General's efforts frequently resulted in stronger ties

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<sup>73</sup> Trade figures calculated from data in Taiwan sheng xingzheng zhangguan gongshu tongji shih, ed., *Taiwan sheng wushiyi nian lai tongji tiyao* (1946), 962–63, 966–67.

between the *nanpō* and Japan rather than the *nanpō* and Taiwan. The gravitation of Southern Godown toward Ishihara and the tendency of the subsidized smaller private firms in Southeast Asia to send their output to Japan rather than Taiwan for processing can be understood in this context.

This fundamental constraint on Taiwan's economic relationship to the *nanpō* only began to change in the mid-1930s. At that point, the Government-General adopted a policy of industrialization for the island that emphasized the processing of raw materials from China and Southeast Asia in Taiwan, powered by newly constructed hydroelectric capacity at Sun-Moon Lake. The goal was to transform Taiwan from its position as the colonial periphery of the Japanese metropole into its own industrial metropole drawing raw materials from the *nanpō*. Two events in 1936 marked the inauguration of this strategy. The Japan Aluminum Company (Nihon Aruminiumu) began manufacturing aluminum with bauxite from the Dutch East Indies in Takao at the end of year. More importantly, 1936 saw the formation of the Taiwan Development Company. As a national policy company, it attempted, among other things, to secure the overseas resources necessary for industrialization in Taiwan. Both companies enlarged their operations through the Pacific War, and the Taiwan Development Company in particular grew to become the defining economic institution of the final decade of colonialism in Taiwan, with projects stretching from Indochina to the Philippines, and from South China to Java. While Japanese military priorities closed down the possibility of the kind of sub-imperial sphere sought by the Government-General, recent trends in Taiwanese economic ties with South China and President Lee Teng-hui's "Go South"<sup>74</sup> initiative for investment in Southeast Asia suggest that the relationship of these regions to Taiwan's development has not lost any of its relevance.<sup>75</sup>

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<sup>74</sup> This policy was originally referred to as the "southern advance policy" (*nanjin zhengce*) and used the same characters as the prewar Japanese term (*nanshin seisaku*), but it was later changed to "southern policy" (*nanfang zhengce*) to avoid any association with Japanese imperialism. See Tu Zhaoyan, *Taiwan kara Ajia no subete ga mieru* (Tōkyō: Jiji Tsūshinsha, 1995), 144.

<sup>75</sup> On Taiwanese investment in Southeast Asia, see Xiangming Chen, "Taiwan Investments in China and Southeast Asia," *Asian Survey* 36, no. 5 (May 1996): 447–67.