

12

Japan and the Australian wool industry, 1868–1936¹

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In a letter published in the *Sydney Morning Herald* on 6 March 1895, the New South Wales pastoralist, PN Trebeck, recalled the first attempt to develop a Japanese market for Australian wool:

In 1874 I collected all the best lots of wool, bales and cases, from our Agricultural Society’s Exhibition of that year, and consigned then to Sir Harry Parkes, K.C.B., at Her B.M. Legation at Yeddo, and to his Excellency Okubo Toshimichi, Minister of the Interior Department, Yeddo. A beautiful lot of snow-white sheep and lambs’ wool of Mr Kermodé’s was to be presented to the Mikado, and the other was for distribution among the manufacturers. In return, the Mikado sent us some good silk handkerchiefs and neckties, and also some of the cotton rugs and mats generally used in their dwellings.

1 Unpublished paper.

Unfortunately, nothing came of this. First, as Trebeck notes, the price of wool rose by 20–30 per cent and the graziers lost interest. Second, and more fundamental, there were as yet no woollen manufacturers in Japan to whom it could be distributed. Things were, however, beginning to move in that direction.

When the arrival of Commodore Perry's squadron in 1853 opened Japan to Western influence, the lower classes were wearing cotton or linen kimonos and the wealthy were wearing silk. Between then and Imperial Restoration in 1868 occasioned by the overthrow of the shogunate, the only significant introduction of woollen clothing was the adoption by some of the armed services of Western-style uniforms. Indeed, in the years immediately preceding the restoration, the woollen material for this purpose amounted to 20–40 per cent of Japan's total imports. The way to the adoption of Western clothing by the civil establishment was opened by the decision of the Imperial Court in 1870 to order a suit for the Emperor Meiji following the official visit of Prince Alfred, Duke of Edinburgh.² Western uniforms were adopted by the police force and the post office in 1871, and by the embryonic railways the following year. The introduction of conscription in 1873 led to heavier imports and it was partly to conserve foreign exchange that the government decided to take the lead in establishing a pastoral and a woollen industry. To this end in 1875 it established a 7,000-acre sheep run at Shimosa astride the boundary of Chiba and Ibaragi prefectures, and in the following year sent an emissary to Germany to purchase machinery and recruit technicians for a government woollen mill, the Senjū Seiūsho, to commence production in Tokyo in 1879.³ It is in this context that early in 1878 the Home Ministry despatched to Australia a delegation led by Nagase Gikan, whose purpose was 'to make arrangements for the future regular purchase of wool at our auction sales (their government intending to manufacture the clothing of their army, police, etc.), to see the country, and to take back some sheep'.⁴ The mission chartered two vessels and shipped 1,556 sheep from Newcastle for the Shimosa run.⁵ Later in the same year, Jules Joubert, the organising secretary of the Australian exhibits at the Paris Universal Exhibition, reported that in response to an approach by the Japanese minister to France he had presented him with some of the New South Wales fleeces exhibited. Joubert justified his action with the prophetic sentence:

2 Osaka Yōfukushō Dōgyōkumiai, *Nibon Yōfuku Enkakushi* (Osaka Yōfukusho Dōgyōkumiai, 1930), p. 65.

3 K Itō, *Nibon Yōmō Kōgyōron* (Tokyo: Tōyō Keizai Shimpōsha, 1957), p. 28–32.

4 Monckton Synnot, letter dated 29 July 1878, *Argus* (Melbourne), 3 August 1878. See also Seiji Keizai Kenkyūjo (ed.), *Nibon Yōmō Kōgyōshi* (Tokyo: Seiji Keizai Kenkyūjo, 1960), p. 339.

5 *The Statistical Register of N.S.W. 1878* shows the export to Japan of 1,526 sheep raised in the colony valued at 750 and 30 sheep raised outside the colony valued at 250. According to Itō (*Nibon Yōmō Kōgyōron*, 1957) they comprised merinos, southdowns, lincolns and cotswolds. According to *Dalgety's Annual Wool Review* (1931/32, p. 149), these sheep were principally from 'Gamboola' at Molong and 'Beltrees' at Scone.

As a result of the adoption of European civilization by the people of Japan there is reason to expect that a demand for the wool of the Colony will arise, and that a commercial intercourse may be established between Sydney and Yokohama, which is destined to grow into large dimensions.⁶

The attempt, under government leadership, to establish a significant sheep industry proved unsuccessful and was abandoned in about 1880.⁷ The government woollen mill, however, was a success. Its output expanded from 22,406 yards in 1879 to 273,754 yards in 1889.⁸ Initially it rolled principally on Chinese wool, but an experiment in purchasing in Australia appears to have been made very soon after it commenced operations when a small amount was bought from a Melbourne broker named Arnold (probably Geo Arnold & Co.) through one of the foreign trading houses in Yokohama (possibly H Ahrens & Co.).⁹ For the next few years, however, its Australian wool must have been purchased in London. In 1888 the deputy head of the government mill, Nozaki Teichi, visited Australia in the course of his duties and it was in this year that the export statistics of an Australian colony first record Japan as an export market for Australian wool — 196,561 pounds of scoured wool from Victoria.

Besides conserving foreign exchange by supplying local cloth for military and other uniforms, one of the purposes in establishing the government mill had been to develop the expertise and experience on the basis of which private firms could develop. From about 1886 a few small mills emerged. It was on behalf of one of these, Osaka Keito Bōseki, that in 1890 the first consignment of Australian wool (187 bales of scoured merino from James Rutherford's 'Murrumbidgee' property near Dubbo) was bought at an Australian auction by a Japanese buyer (Kanematsu, which had just opened its Sydney office).¹⁰ We are told that 'owing to the inexperience of the company, the wool proved too good and too expensive to be used profitably'.¹¹ Indeed, Osaka Keito Bōseki failed later in that year and had to be reconstructed.¹²

Japan's demand for woollen clothing entailed an increased demand for Australian wool — whether Japan consumed it in the form of cloth manufactured in Europe, Australian wool purchased in London, or wool purchased in Australia. There was always some demand for Australian crossbred wool — for military uniforms, blankets and modern outer garments such as the *tombi*, *nijūmaruwashī*, and *azuma-kōto* — cloaks developed to be worn over the traditional wide-sleeved kimono

6 P Geeves, 'Japan's first acquisition of Australian wool', *Newsletter of the Royal Australian Historical Society*, no. 131 (November, 1973), pp. 4–5.

7 Itō, *Nihon Yōmō Kōgyōron*, 1957, p. 29.

8 M Kajinishi (ed.), *Gendai Nihon Sangyō Hattatsushi* (Tokyo: Kōjunsha, 1964), vol. 11, p. 167.

9 T Ichikawa, *Nichigō Kankeishi*, (Tokyo: Nichigō Kyōkai, privately printed, c 1954) p. 183.

10 Ichikawa, *Nichigō Kankeishi*, c. 1954, p. 183.

11 *Dalgety's Annual Wool Review*, 1928/29, p. 137.

12 Itō, *Nihon Yōmō Kōgyōron*, 1957, p. 34.

to protect the wearer against the weather. But one of the essential requirements of the kimono gave the Japanese from the start a bias towards merino that they had not shaken off decades after they had changed to Western dress (for example, as late as the period 1953–55, 89 per cent of Australian wool exported to Japan was merino while the average exported to other countries was only 75 per cent). Parts of the kimono touch the skin and when the Japanese began to wear woollen kimonos they required that it be soft to the skin like the silk it was replacing.¹³

At the outbreak of the Sino–Japanese War in 1894, the situation was roughly as follows: there was the government mill producing an unsophisticated product of reasonable quality, and about 10 firms producing the same thing — greatcoat material, flannel and blankets — to inferior standards. The war led to a great increase in production. For example, output at the government mill in 1895 was almost treble that in 1893. Over the same period, the quantity of wool exported to Japan direct from New South Wales and Victoria rose from 91,239 pounds to 1,531,776 pounds. Uniforms (civil as well as military — in the 1880s, uniforms were prescribed for the students of government universities and colleges), however, amounted to a very small proportion of consumption. The remainder came from imports.

Much of the wool consumed in Japan at that time was in the form of delaine (*mousselin de laine*).¹⁴ In 1896 it accounted for 40 per cent of imported woollen fabrics. It was imported plain and dyed locally by the traditional *Yūzen* technique developed for dyeing silks. This light, soft and beautifully patterned material was particularly suited for women and children's wear (*kimono*, *obi* and *haori*). The rest of the imports were serges for men's kimono and, to a lesser but nevertheless significant extent, material for Western clothing for men. By the end of the century, in the cities, businessmen, teachers, doctors, bankers, etc. were wearing suits during business hours.

It was through the production of delaine for traditional Japanese clothing that the Japanese began to build up an efficient civil worsted industry. The demand was there and the technical processes were relatively simple. It was in 1898 that the first integrated plants for spinning and weaving delaine came into production — Mosurin Bōshoku KK at Osaka (9,600 spindles; 200 looms) and Tokyo Mosurin Bōshoku KK (16 spinning frames; 660 looms and 350 hand looms).¹⁵ By 1904 more delaine was produced locally than was imported, and in the following year a small export trade commenced.¹⁶ Initially, the traditional patterns on delaine had

13 Itō, *Nihon Yōmō Kōgyōron*, 1957, p. 96.

14 'A very light worsted cloth ... woven in plain weave from single yarns' (H Spibey (ed.) *The British Wool Manual* (Buxton: Columbine, 1969), p. 305). The specifications of a famous example marketed by Nihon Keori as Mosurin #1 in 1913 were: warp — merino 1/54, 62 per inch; weft — merino 1/72, 70 per inch; weight — 64 gm per yd (*Nihon Keori Rokūjūnen-shi* (Tokyo: Nihon Keori, 1957), p. 122).

15 Kajinishi, *Gendai Nihon Sangyō Hattatsushi*, 1964, vol. 11, p. 173.

16 Ichikawa, *Nichigō Kankeishi*, c. 1954, pp. 190–91.

to be hand printed; but in about 1907, after years of experimenting, a technique was perfected whereby this could be done by machine. This brought down the price and increased the demand. It was also in the course of producing delaine that the Japanese in 1911 finally entered into the one process in the worsted industry hitherto reserved to the foreigner — wool combing. Up till that time all Japanese worsteds had been produced either from imported tops or from imported yarns. In that year Nihon Keori, with the aid of German equipment and technicians, produced the first Japanese tops and carried out every process in the transformation of raw wool into delaine.¹⁷

Despite the large increase in the production of cloth for military uniforms by both the government and private mills during the Russo–Japanese war, the increase in the output of delaine was the more significant: in the 18-year period to 1912 the former increased fivefold, the latter tenfold.¹⁸

In the 1890s, the use of imported patterned serges had become popular for men's and women's kimonos and for the long traditional skirt (*hakama*) adopted as the official uniform for high school girls. The local production of these serges posed greater problems than had the local production of delaine (which lent itself to large-scale production in integrated plants). Because of the small runs, the high level of quality control, and the sophisticated finishing processes required, this part of the industry was developed by small weavers (many of them in the Bisai region of Aichi prefecture) who had previously worked with cottons. Until about 1926, they relied almost entirely on imported yarn. By about 1903 they were producing serges of a quality comparable with imports. Thereafter, the local product made rapid advances in this part of the market.¹⁹ By 1913 the local annual production of these serges for traditional Japanese clothing (*kijakuji*) had reached 9,754,000 yards.

The local production of serges for Western clothing (*yōfuku-ji*) dates from the early 1920s. Demand increased after the 1923 earthquake, many of whose victims replaced their clothing with a greater proportion of Western things. In 1926 the annual value of *yōfuku-ji* and cloth for uniforms (*rasha*) overtook that of *kijakuji*. Then, in the late 1920s, some women began to follow Western fashions. Symbolic of this trend was the appearance of the *appappa* ('a plain one-piece summer dress like a Western night-gown') on the streets of Tokyo in 1927.²⁰ The 1930s marked the widespread adoption of Western clothing by working men and women in the cities. This was reflected in the 16-fold increase in the output of *yōfuku-ji* from 3,402,000 yards in 1924 to 53,811,000 yards in 1934. This, however,

17 *Nihon Keori Rokujūnen-shi*, 1957, pp. 120–21.

18 Ito, *Nihon Yōmō Kōgyōron*, 1957, p. 40.

19 Ito *Hitosuji* (Tokyo: Daidō Keori, 1960), vol. 1, p. 157; H. Tamaki (ed.), *Aichi-Ken Keorimono-shi* (Toyohashi: Aichi Daigaku, 1957), pp. 13–16; Daidō Keori KK, *Ito Hitosuji* (Tokyo: Daidō Keori KK 1960), vol. 1, p. 157.

20 *Nihon Keori Rokujūnen-shi*, 1957, pp. 236–37.

was not yet at the expense of *kijaku-ji*, which reached its peak the following year. Nor had it destroyed the demand for delaine, which, though below its 1927 peak of 174,588,000 yards, was still 134,241,000 yards in 1935.²¹

This increase in Japan's production of woollen textiles was accompanied by a dramatic increase in Japan's purchases of wool in Australia — 933,836 pounds²² in 1901; 8,186,433 pounds in 1911; 55,827,121 pounds in 1921–22; 192,181,022 pounds in 1931–32²³ (in which year Japan overtook France as Australia's second-largest market for this commodity). This was much to Australia's advantage and there were many Australians who were glad to acknowledge this. For example, in 1936 Sir Graham Waddell, the former chairman of the Australian Woolgrowers Council, spoke of Japan as having kept the wool market together during the depression.²⁴ The Bank of New South Wales in its monthly circular in March 1934 took a similar view and, on the basis of this and other premises, made the following observation:

In British countries, the talk often centres around the possibility of organizing the British Empire as an economic unit. Many have doubted the desirability of any such objective, and even if it were desirable, it is extremely doubtful if it were possible. The trend in Great Britain towards a diminution in imports of foodstuffs raises still further difficulties, and in the face of the rapid growth of Japanese industry, it is difficult to resist the conclusion that any survey of the rational ends of Australian trade policy in the circumstances of today must offer a more prominent place to interchange of goods with the East than it has occupied in the past.²⁵

Surprisingly, even in the wool industry there were at that time some Australians who regarded Japan's increasing purchases of Australian wool with some anxiety. In April 1936, when the Australian Government, in an attempt to gain increased access for Australian meat in the United Kingdom market by providing greater protection to British textiles against increasing Japanese competition, was about to raise the duties on imported Japanese cotton and rayon piece goods and thereby risk provoking the Japanese to retaliate by diverting her wool purchases to other markets, WA Gibson, the general manager of Goldsbrough Mort & Co., (one of the largest wool-broking firms) supported this policy. One of the reasons why he did so was his conviction that:

21 Itō, *Nihon Yōmō Kōgyōron*, 1957, pp. 216, 218.

22 *Official Yearbook of the Commonwealth of Australia, 1901–07*, p. 292.

23 Kanematsu Shōten, *Gōshū* (Tokyo: Kanematsu Shōten, 1943), pp. 548–56.

24 Graziers Association of NSW, Annual Conference March 1936 — Verbatim Minutes, pp. 177–80. E Masey elaborated on this in his *Is it Necessary? — An Examination of the Commonwealth Government's Trade Diversion Policy* (Sydney, 1936), pp. 8–9.

25 Bank of New South Wales, 'Australia and industrial development in Japan', *Circular*, no. 4 (March 1934), p. 9.

if nothing is done, to the extent of their capacity the Japanese will oust other countries out of the market for woollen and other products, just as they have done in a large measure in the case of cotton ... It might take some time to adjust the conditions of the market if we compel the Japanese to refrain from buying wool from us ... but eventually the result would be that, instead of supplying Japan with our wool to enable them to oust other producers from the markets of the world, the wool would go to countries that would supply us with goods, the importation of which would not have such a disastrous effect on our local manufacturers.²⁶

This was an old fallacy. When, in the early 1890s, Alexander Marks had tried to secure funds from the Woolgrowers' Association in Victoria to promote the establishment of a woollen industry in Japan, the response had been: 'If we gain customers in Japan we shall lose them in Europe, and so shall be no better off.'²⁷ In the 1930s there was certainly no reason why the established European exporters in the wool textiles industry should relish competition from Japan. It is, indeed, not surprising that at the conference of the International Wool Textile Organization in Rome in June 1936 the representative of the British woollen industry drew attention to the tenfold expansion in Japan's export of woollen tissues between 1931 and 1933 and that a proposal to set up a committee to study Japanese competition was carried unanimously.²⁸ This expansion was to continue — by a factor of 3.6 between 1933 and 1935.²⁹ But Britain's exports of woollen tissues also increased over this period — albeit at a more modest rate (from 25 million in 1931 to 30 million in 1935).³⁰ More significant from Australia's point of view was the fact that exports constituted only a small proportion of the production of the Japanese industry (less than 9 per cent in 1935). If, in the period 1931 to 1935, her exports had grown from ¥1.5 million to ¥33.3 million, her production had grown from ¥153.8 million to ¥296.2 million over the same period.³¹ As in the past, Japan's demand for Australian wool was, essentially, an addition to existing demand — brought about by an increase in the prosperity of her people and the growth of her population. It remains so to this day. For example, in 1973 Japan, though the world's largest importer of wool, occupied only sixth place as an exporter of woollen tissues.³²

Almost equally far-fetched was the fear that the advantages accruing from increased purchases of Australian wool by the Japanese might be more than counterbalanced by the additional power that this might confer on them to manipulate the market.

26 General Manager to Joint Managers, Sydney, 23 April 1936 (Australian National University Archives, Goldsbrough Mort Collection, 2A/30, vol. 35, pp. 277–78).

27 'Wool trade with the East', 10 April 1908, in the possession of Winchcombe, Carson Ltd.

28 *Guardian* (Manchester), 21 June 1934; *Argus*, 22 June 1934.

29 Itō, *Nihon Yōmō Kōgyōron*, 1957, p. 216.

30 *Wool Year Book* (Manchester: Textile Mercury), 1929–37.

31 Itō, *Nihon Yōmō Kōgyōron*, 1957,

32 *Sen'i Nenkan* (Tokyo: Nihon Sen'i Shimbunsha, 1975), p. 277.

Gibson's successor at Goldsbrough Mort, H Le M Latrielle, appears to have thought along these lines. A few months later, when the duties had been raised and the Japanese had retaliated by boycotting the Australian wool sales, he wrote:

had matters been allowed to take their ordinary course — it might easily happen that Japan would be buying 1,000,000 bales of wool, or perhaps more, in which case her predominance in the market would have been the cause of great uneasiness — even to the most shortsighted woolgrower.³³

There were, however, many in the wool industry who took a different view. Japan's eventual domination of the market was hypothetical: Yorkshire's domination was a fact.³⁴

After the boycott of the Australian wool sales had lasted for six months, a settlement was ultimately reached on 26 December 1936 in which trade was resumed at a substantially lower level than before the dispute. A quota of 153.75 million yards was placed on the import of Japanese cotton and rayon piece-goods for the period 1 January 1937 – 30 June 1938, and Japan reduced to 800,000 bales the quantities of wool for which she would grant import permits over the same period. (In so far as Japan had purchased no Australian wool during the period June to December 1936, this was equivalent to an annual average of 400,000 bales over the two years 1936/37 and 1937/38 in comparison with Japan's purchases in Australia of 710,000 bales in 1934/35 and 785,000 bales in 1935/36.) In fact, instead of 800,000 bales, only 524,181 bales were purchased.³⁵ This was partly the result of the Japanese economy being placed increasingly on a wartime basis after the outbreak of hostilities on China in 1937.

In the postwar period, the first bale of Australian wool arrived at Yokkaichi on the SS *Eastern* on 8 June 1947. Recovery was slow, but sure. In 1956/57 wool imports from Australia exceeded the prewar record. In 1959/60 Japan displaced Great Britain as Australia's premier wool market. She remains in that position today.

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33 Gen. Manager to A Allan Elder, 6 August 1936 (Goldsbrough Mort Collection 2A/30, vol. 36, p. 66).

34 The WA representatives on the Australian Wool-Growers Council were particularly insistent that Yorkshire's buying strength was such that groups of their buyers were able to bear the market by forming 'pies' in which one member bid on behalf of all. This was also known as 'lot-splitting'. See, for example, WL Sanderson to Sir Henry Gullett, 6 August 1936 (Australian National University Archives, Accession No. 256, Graziers Association of NSW Correspondence, LG 105–1936, Japan Trade Dispute, book 2).

35 Nihon Yōmō Yunyū Dōgyōkai, *Nihon Yōmō Yunyū Dōgyōkai to Wagakuni Yōmō Yunyū Nanajūyonen No Ayumi* (Tokyo: 1961), pp. 87–88.

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