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THE JAPANESE TARIFF AND FOREIGN CAPITAL.

It is generally admitted by Japanese leaders of thought that the country would be benefitted by a plentiful supply of foreign capital. Just now the presence of representatives of a Belgian syndicate is being made the subject of much self-congratulatory comment and it is evidently desired that this proposed association of foreign brains and money with Japanese cheap labour should be fostered for the upbuilding of industrial prosperity in Japan in many lines. Yet it may be profitably pointed out to the Japanese and foreign would-be investors alike that there exist in Japan's own administrative system several serious barriers to the influx of foreign capital, all of which may be perhaps correctly summed up under the head of "uncertainty." This has been remarked by Japanese journals, which detect that as soon as an industry assumes paying proportions it is "monopolized" by the Government, and private investors arbitrarily ousted. This was notably the case in the nationalization of the railways and true also in the instance of the monopolizing of the tobacco, salt and camphor industries. It has been shown also in regard to land-tenure and other ways. What security, have asked these Japanese critics, has the foreign investor that he will be allowed to gather the fruit of an investment and that the growth he has painfully fostered will not be swept out of his reach by some arbitrary government action?

Another evidence of this "uncertainty," so fatal an atmosphere to the delicate growth of foreign investment, is presented by the working of the present Customs Tariff. A striking instance of that working in the case of an American Syndicate has been brought to our notice. Some three years ago a foreign exporter in Yokohama was approached by several Japanese manufacturers of music organs, suggesting that he should promote the disposal of their product for the export trade. A New York syndicate was formed which, after thorough investigation and receiving Japanese official assurances that duties were not to be raised on the raw materials entering into the manufacture of organs, agreed to invest Y.100,000 at once and increase that sum to Y.500,000 by January, 1908. Reciprocal contracts were made in China, India, Australia, the Philippines and South Africa. In all about 5,000 organs were contracted for the first year. Before the year closed the advance sheets of the new Customs tariff appeared, when it was seen that the duties on organs "and parts thereof" were raised from 15% to 40%. The Yokohama exporter, however, was assured that he would be entitled to a rebate on the raw material. Under this understanding with Mr. Hashimoto, Director of Customs, raw material was imported after the new tariff went into effect, the foreign Yokohama importer being buoyed up with promises, until he became tired of the "uncertainty" of the Yokohama Office and called at the Financial Department at Tokyo. There he was informed that the promises and assurances made were worthless—that as they had made the new tariff it could not be altered; furthermore that as the old representatives of the Financial and Customs Departments were no longer in office they could not be held responsible for what promises they had made. Representations as to how disastrously the new tariff was affecting the native industry had no effect. It was shown that under the new duties three factories had already been closed in Tokyo, two at Osaka and two at other points; that the factory at Hamamatsu had raised their capital to Y.500,000 and were now trying to sell stock, and that a factory at Yokohama was drifting into cabinet-work. It was pointed out that the material imported was only partly manufactured, the finishing being done in Japan when it was exported in the form of organs, so that it should either be classed as "partly manufactured" and charged 20% or if charged 40% should be allowed a rebate on re-export. Pressed for a written reply the Finance Department said the articles in question were "parts of musical instruments" and were subject to a 40% *ad valorem* duty under a certain section of the tariff, and that (here followed the characteristic official vagueness) they "were unable to say" whether the said articles might thenceforth be imported as articles partly manufactured or whether a rebate would be paid on parts of musical instruments to be exported.

Could anything have been more "uncertain" or more unsatisfactory to a business man? That was evidently the view of the American Syndicate. The goods held at the Yokohama Customs were ordered back to America forthwith, and the Syndicate have abandoned Japan as a field of investment. This is the more serious because this organ business was merely an initial experiment. We understand that the new York capitalists concerned had under examination many factories in Japan, such as those for making candy or sweets, umbrella frames, glass-ware, woollen underwear, belting, glass-bottles, slates, blank-books, &c., their object being to have goods made to suit the foreign taste, taking advantage of Japanese cheap labour, they financing the factories. They did not object to paying proper duties but protested against being made to pay duties which prohibited export. Of course their proposal depended on the assurance that raw or partly manufactured materials would be admitted free or on favoured terms. Now that it is certain (or as certain as any ruling by the Japanese authorities can be) that all raw or partly manufactured material in their line must pay the same duty as on the finished article for which it is imported, it is safe to say that this organ investment will be the last these capitalists will make in Japan. The Japanese organ-makers are themselves seeing the point. We are informed that already three Japanese organ-manufacturers have left Japan for China and within the year organ factories are to be started at Tientsin and Shanghai.

Thus we have a clear instance not only of a promising Japanese industry being crippled by the new tariff and a refusal to grant rebates but also of a decided slap in the face administered to foreign capitalists. Not a little of the disgust and sense of injury experienced by these foreigners may be attributed to the irritating uncertainty and vagueness which appear to have characterized the official attitude throughout. Moreover it is reasonable to suppose that their experience will be recounted at length in America and that foreign capital will pay due heed. Paternalism in Government undoubtedly has its good points especially for a people traditionally accustomed to it, but experience has shown that too much of it in private business tends to discourage business, and in the case of Japan's commercial development it appears as if there might be such a thing as "too much Government."

LOCAL AND GENERAL NEWS.

A Vladivostock telegram says that the forthcoming visit of Secretary Taft to Russia is regarded by Russians as meaning the conclusion of a Russo-American agreement.

MANCHURIAN ADMINISTRATION.

A WORKING COMPROMISE ARRANGED.

Governor-General Oshima of Kuantung, quoted by the *Kokumin*, says that the proposed reform of Manchurian administration is only intended for the lubrication and unification of Japanese official machinery there, and goes on to assert that he had never suggested that diplomatic powers in Manchuria should be independent of the Foreign Office in Tokyo.

The *Yorozu Choho* alleges that an amicable settlement of the questions now on the tapis is most difficult and the Governor-General may be compelled to resign. In a sensible article, the *Asahi* denounces the "field war" disease for Japanese enterprises in Manchuria and "military administration mania" in diplomacy there. It objects to the adoption of Russia's anti-bellum policy by Japan in Manchuria and warns Japanese against arrogance and arbitrariness there. Under the circumstances it is most advisable to improve the relations between Japan and China. The Kuantung Government-General had largely contributed to the spread of the "military administration" disease, but had not so much expedited the improvement of the Chino-Japanese relations. The *Asahi* considers that the Government-General is now unnecessary and superfluous and suggests that it be sacrificed for the improvement of Japan's policy in Manchuria and China proper. In its opinion it would be better that further administrative powers should be vested in the South Manchuria Railway Co.

We, however, hear on good authority that a "working compromise" has been successfully arranged between Count Hayashi, Foreign Minister, and Governor-General Oshima.