

AGST Working Paper

Series No. 2024-01

July 2024

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Asian Platform for Global Sustainability & Transcultural Studies
Kyoto University | Japan Gateway Program

Title	When Multinational Corporation Met Non-Market Risk in China -Japanese and British Steamship Companies in 1920s
Author(s)	Wu Duoxiao
Citation	Wu Duoxiao. <i>When Multinational Corporation Met Non-Market Risk in China -Japanese and British Steamship Companies in 1920s</i> (AGST Working Paper Series No. 2024-01). Kyoto Asian Platform for Global Sustainability & Transcultural Studies.
URL	https://agst.jgp.kyoto-u.ac.jp/workingpaper/2596
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Type	Working Paper

This Working Paper Series has been made possible by the funding provided by Kyoto University “Japan Gateway” Top Global Program and published by the Asian Global Platform for Sustainability and Transcultural Studies (AGST) Project. For more information about the project please visit the web page: <http://agst.jgp.kyoto-u.ac.jp/>

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When Multinational Corporation Met Non-Market Risk in China - Japanese and British Steamship Companies in 1920s

Wu Duoxiao¹

Abstract

This paper examines how Japanese and British multinational corporations (MNCs) addressed non-market risks in China during the 1920s, focusing on the shipping industry. Utilizing historical documents, the study analyzes the strategies of Nisshin Kisen Kaisha, China Navigation Co., and Indo-China Steam Navigation Co. during the May Thirtieth Movement and the Wanhsien Incident. It reveals that Nisshin's defensive strategy, influenced by Japan's conciliatory diplomatic policies, led to favorable outcomes, including a temporary monopoly on the Sichuan route. In contrast, the aggressive approaches of the British companies, shaped by gunboat diplomacy, exacerbated anti-foreign sentiments and resulted in operational suspensions. The paper argues that in regions with rising nationalism, a defensive strategy may be more effective for MNCs in mitigating non-market risks and maintaining favorable business conditions. This research contributes to the understanding of historical MNC strategies and offers insights into managing contemporary non-market risks.

Keywords

Non-market risks; Shipping Industry; Economic nationalism; Multinational corporations; Gunboat Diplomacy

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Introduction

In the contemporary context of deglobalization, how to address non-market risks has emerged as a pivotal challenge for multinational corporations (MNCs). Non-market risks refer to factors external to traditional market mechanisms, including political and geopolitical concerns, which encompass events such as wars and the rise of nationalism (Casson & da Silva Lopes, 2013). The importance of understanding these risks was highlighted post-World War I, a period marked by the escalation of nationalism, communism, and Nazism, which significantly complicated the operational landscape for MNCs from the 1920s to the 1940s (Kurosawa, Forbes, & Wubs, 2017). A historical examination of the strategies MNCs employed during this era can enhance our comprehension of non-market risks (Bucheli & De Berge, 2023). Nevertheless, existing research predominantly concentrates on individual firms or firms from the same nationality, with scant comparative analysis of firms from diverse national backgrounds operating under analogous circumstances.

This situation presents at least two challenges. The first issue is the potential for survivorship bias. Previous studies focused on successful cases, analyzing strategies such as "cloaking" (Donzé & Kurosawa, 2013; Kobrak & Wüstenhagen, 2006; Andersen, 2011; Jones & Lubinski, 2012) and "absorption" (Andersen, 2009, 2011; Donzé & Kurosawa, 2013; Aldous & Roy, 2021; Wong, 2022), and demonstrating their effectiveness. However, because these studies tend to be biased toward success cases, the challenge of relativizing the experiences of successful firms by comparing them with unsuccessful cases remains unaddressed.

Another gap in the literature is that the influence of home government diplomatic policies on strategies has not been sufficiently elucidated. Existing studies about how the home country's policies affect MNCs' strategies to non-market risk mainly take single country cases (Kobrak & Wüstenhagen, 2006; Mizuno & Prodöhl, 2023), while the comparison between multiple countries is less. In particular, research on how the different strategies of MNCs with various nationalities in the same environment are influenced by the differences in their respective governments' diplomatic policies is insufficient. Furthermore, previous research has been

biased towards Western cases, with Mizuno & Prodöhl (2023) maybe being the only study on the influence of Asian countries' government diplomatic policies, indicating the need for further investigation. Therefore, elucidating the impact of home government diplomatic policies on strategies to non-market risks remains a challenge.

MNCs operating in 1920s China provide an appropriate subject for analyzing these issues. Following the Treaty of Shimonoseki (1895) after the First Sino-Japanese War, foreigners including Japanese and British acquired rights to navigation and direct investment in China (Duus, Myers & Peattie, 2014). This led MNCs to enter China, with the Japanese and British gaining dominant positions in the Chinese market after World War I(WWI). However, by the 1920s, the operation of companies from Japan and Britain became unstable due to the rising nationalism and civil war in China during this period. Focusing on China during this period allows for a comparison of strategies to non-market risks between Japanese (Asian) and British (Western) companies.

Furthermore, focusing on the shipping industry in China during this period is beneficial. According to reports from the Chinese Customs, the greatest threat faced by shipping companies in the 1920s was emphasized to be the heightened nationalism, civil war, and general strikes during this period (Imperial Maritime Customs, 1932). Referring to previous studies, it is evident that Japanese shipping companies responded more efficiently to these threats compared to British ones, achieving better management performance (Zhang, Chen, & Yao 1991; Fan, 2007; Xiao, 2017; Reinhardt, 2018). However, these studies fall short of exploring the specific strategies employed and the influence exerted by the respective governments. Therefore, a comparative analysis of successful Japanese firms and less successful British firms could address the existing gaps in the literature concerning non-market risks and offer new insights into Chinese maritime history.

Based on the content mentioned above, this study will examine the responses of one Japanese and two British steamship companies that achieved dominant positions in the Chinese domestic shipping market during the 1920s, while taking two anti-British movements during this period as case studies (I will give details of those firms and movements in section 1). This

analysis aims to explore what strategies could be taken to deal with non-market risks by comparing a successful and a failed case, while also revealing how the formation of these strategies was influenced by the diplomatic policies of the home governments.

This paper focuses on the aforementioned companies and incidents, conducting analyses using historical documents such as reports from the Japanese and British foreign ministries. The remaining parts of this paper are structured as follows: Section 1 will give more detail about background, and Sections 2 to 3 analyze the situation of China's domestic shipping market and non-market risks in the 1920s. Furthermore, Sections 4 to 5 analyze the first case, while Sections 6 to 7 analyze the second case. Finally, the conclusion summarizes the findings of the study.

1. Background

Kurosawa et al. (2020) point out that non-market risks increased significantly after World War I (WWI), a trend applicable to China as well. First of all, after World War I, economic nationalism in China intensified. After British and Japanese companies had entered China, their operations were hindered from the outset by Chinese xenophobia. However, before World War I, the influence of xenophobia on MNCs remained limited, since China's domestic businesses and nationalism were still underdeveloped. This situation changed with WW I due to two factors. One was the growth of Chinese national enterprises during wartime when European and American MNCs temporarily withdrew from China, leading to heightened awareness and resistance against MNCs. Another one was the diplomatic failure of China at the Paris Peace Conference in 1919, triggering the spread of nationalism, including "anti-imperialism." During the May Fourth Movement(五四事件), the nationwide parade against the Treaty of Versailles, a nationwide boycott movement broke, and a National Product Movement emerged. Consequently, in the 1920s, nationalist movements with economic nationalism as their ideological background frequently occurred, posing new risks to MNCs operations.

Apart from nationalism, in 1920s China, civil wars and general strikes also posed risks to MNC s' operations. Following the death of the first president of the Republic of China in 1916, China

entered a period known as the "Warlord Era," which lasted until 1928. Additionally, events such as the establishment of the Soviet Union and the birth of the Chinese Communist Party (1921; CCP) led to the formation of various labor unions and frequent strikes. These risks simultaneously affected the operations of MNCs in 1920s China.

Despite the aforementioned challenges, one Japanese company and two British companies maintained a dominant position in the Chinese domestic market throughout the 1920s. These companies include the Japanese quasi-state firm Nisshin Kisen Kaisha (Nisshin; 日清汽船), the China Navigation Co. (China Navigation) operating under the British enterprise John Swire & Sons Ltd. (John Swire & Sons), and the Indo-China Steam Navigation Co (Indo-China) operating under the British enterprise Jardine Matheson Holdings Ltd (Jardine Matheson). These three companies held dominant positions in the 1920s Chinese domestic shipping market, which is why I focus on them (see Section 2 for details).

British companies, especially from 1925 to 1927, were significantly affected by two anti-British movements by the Chinese. One was the May Thirtieth Movement, which originated from a general strike, and the other was the Wanhsien Incident, which stemmed from China's civil war. These two incidents had two characteristics: involvement not only of British steamship companies but also Japanese ones and simultaneous involvement with multiple non-market risks. Based on these characteristics, this study takes these incidents as case studies and conducts detailed analyses.

2. China's domestic shipping market in the 1920s

In 1895, following the Treaty of Shimonoseki, the Chinese government opened a portion of its domestic water routes, including the Yangtze River, to countries such as Japan and Britain. Subsequently, with the introduction of the *Neigang Xingchuan Zhangcheng* (内港行船章程) by the Chinese government in 1898, all Chinese domestic water routes were fully accessible to foreign nations, allowing foreign ships to navigate freely within China. This led to a transformation of the Chinese domestic shipping market into an international one.

In the context of the Chinese domestic shipping market, particularly around the Yangtze River Basin, fierce competition emerged among four steamship companies from China, Japan, and Britain starting in the 1910s. These four companies were China Merchants Steam Navigation Co. (China Merchants; 中国招商局), Nisshin, China Navigation, and Indo-China.

China Merchants was a state-owned steamship company, which was established in 1873 by the Chinese government. Despite having stock held by both the Chinese government and private capital, it consistently remained a state-controlled enterprise dominated by Chinese bureaucrats. Until the 1920s, the company successfully competed with foreign-owned steamship companies with the support of the Chinese government. However, from the 1920s onward, factors such as China's political instability led to a gradual deterioration in its operations (Fan, 2007). As of 1927, the company owned a fleet of 28 steamships (South Manchuria Railway (SMR), 1929, pp. 141).

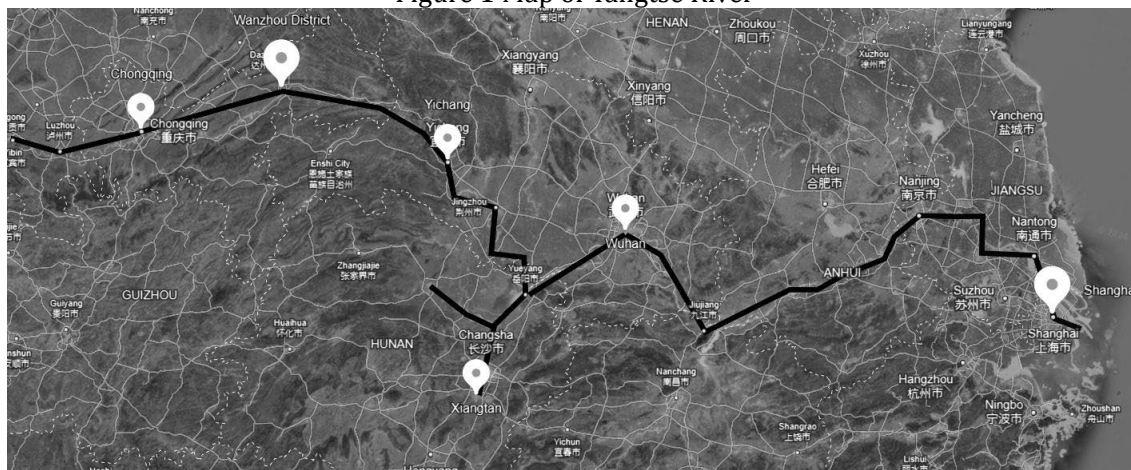
Nisshin was established in 1907 under the leadership of the Japanese government (Asai, 1942). Starting in 1897, four Japanese-owned steamship companies entered the Chinese domestic shipping market but struggled to achieve success. Consequently, the Japanese government orchestrated the merger of these companies, leading to the establishment of Nisshin. Nisshin consistently received subsidies from the Japanese government and played a role in expanding Japan's navigation rights in China. Nisshin flourished on the Yangtze River route during the WWI and gradually expanded its route network in China throughout the 1920s. As of 1927, the company's fleet comprised 24 steamships with a total tonnage of 48,867 tons ((SMR, 1929, pp. 157).

China Navigation, founded in 1872 by British traders and shipowners centered around John Swire & Sons, had its headquarters in London. Operating primarily on the Yangtze River and coastal routes in China, China Navigation was considered the most management-robust steamship company in China (Asai, 1942, pp. 8). As of 1927, the company's fleet comprised 75 steamships with a total tonnage of 162,878 tons (SMR, 1929, pp.84).

Indo-China was a steamship company founded by Jardine Matheson (Asai, 1942, pp. 12). Ships of Jardine Matheson, which entered the Chinese domestic shipping market immediately after

the signing of the Treaty of Nanjing in 1842, were the first to enter this market. Jardine Matheson managed not only the Yangtze River route but also routes between China and India. In 1881, Jardine Matheson reorganized its shipping operations, establishing Indo-China, initially based in London, which later moved to Hong Kong in 1915. As of 1927, the company's fleet comprised 38 steamships with a total tonnage of 102,090 tons (SMR, 1929, pp. 157).

Figure 1 Map of Yangtse River



Note: From left to right, the cities are Chongqing, Wanhsien, Yichang, Xiangtan, Hankow, Shanghai; and the black line is the Yangtse River.

Source: Google Earth

Table 1. Voyage in the Yangtse River, in Ton, 1927.

Nationality Firm	Japan Nisshin	China			Britain		Other	Sum
		China Mercant	Sanbei	Other	China Na.	Indo-China.		
Shanghai - Hankow	424,204.00 39%	23,776.00 2%	50,229.00 5%	1,725.00 0%	237,191.00 22%	316,252.00 29%	42,415.00 4%	1,095,792.00 100%
Hankow - Yichang	34,370.00 58%	1,909.00 3%	2,100.00 4%	- 0%	10,453.00 18%	9,948.00 17%	- 0%	58,780.00 100%
Hankow - Xiangtan	39,494.00 41%	124.00 0%	5,584.00 6%	- 0%	25,847.00 27%	26,309.00 27%	- 0%	97,358.00 100%
Hankow - Chongqing	12,439.00 14%	2,187.00 2%	7,141.00 8%	- 0%	506.00 1%	967.00 1%	65,046.00 74%	88,286.00 100%

Source: (Asai, 1942, pp. 106-107).

Meanwhile, the emergence of private Chinese steamship companies gained momentum, with the Sanbei Wharf Company (Sanbei; 三北輪埠会社) playing a particularly significant role (SMR, 1929, pp. 147-148). Established in 1914, Sanbei experienced substantial growth through mergers with three other steamship companies between 1915 and 1923. As indicated in Table 1, within the Yangtze River Basin, Sanbei's cargo tonnage was comparable to that of China Merchants, underscoring its importance. In 1927, the company's fleet included 20 steamships with a total tonnage of 31,491 tons (SMR, 1929, pp. 147-148).

As a result of intense competition in the 1920s, Japanese and British steamship companies

asserted dominance in the Yangtze River Basin. This dominance is evident from the breakdown of market share, as illustrated in Table 1. The table consolidates cargo volumes for four major routes in 1927: the routes from Shanghai to Hankow (①), Hankow to Yichang (②), Hankow to Xiangtan (③), and Hankow to Chongqing (known as the Sichuan route) (④). According to Table 1, these three companies held over 80% in routes ② and ③, and over 70% in route ①. Even on the fiercely competitive route ④, these companies maintained a combined share of approximately 30% or more. In contrast, Chinese-owned steamship companies had a comparatively lower market share. In essence, it can be affirmed that Japanese and British steamship companies dominated the market.

In summary, the 1920s witnessed intense competition among Chinese, Japanese, and British companies in the Chinese domestic shipping market. This rivalry led to the market being primarily controlled by three major steamship companies from Japan and Britain.

3. Chinese' non-market risk, and Japanese and Britain Government Diplomatic Policies

As mentioned in the previous section, in the 1920s, Nisshin, China Navigation, and Indo-China dominated the Chinese domestic shipping market. These companies not only faced competition from other companies but also had to navigate the non-market risks prevalent in China during that period. As stated in the "Introduction," Japanese and British steamship companies primarily confronted non-market risks arising from anti-foreign movements, general strikes, and civil war. In this section, I will analyze the circumstances surrounding each of these three non-market risks, and also shed light on the attitudes of the Japanese and British.

Firstly, nationalism led to numerous anti-foreign movements, mainly centered around boycotts. The initial anti-Japanese movement stemmed from the Tatsu Maru Incident(辰丸事件) in 1908, but it escalated rapidly in scale and impact with the May Fourth Movement in 1919, triggered by the Paris Peace Conference. In the 1920s, there were three waves of anti-Japanese movements across China, including the Lushun and Dalian Returning Movement (旅大回収運

動) for six months in 1923, the May Thirtieth Movement, and the Jinan Incident (濟南事件) for one year in 1928. Japanese companies operating in China during the 1920s consistently faced risks driven by Chinese nationalism. Conversely, anti-British movements occurred twice across China in the 1920s, namely the May Thirtieth Incident in 1925 and the Wanhsien Incident in 1926.

Secondly, a series of strikes unfolded. During the May Fourth Movement, Chinese workers made their inaugural entry onto the political stage, with communism gaining significant traction. Guided by the recently established Chinese Communist Party (CCP) post the May Fourth Movement, labor unions burgeoned rapidly, akin to the growth of 'mushrooms,' cultivating solidarity among workers (Japanese Chamber of Commerce of Shanghai (JCCS), 1925, pp. 240-247). Consequently, movements advocating for improved working conditions and additional benefits, often manifesting as strikes, became commonplace. The labor movement in China, influenced by nationalism and the Comintern, notably bore the hallmarks of anti-imperialism.

Furthermore, the occurrence of Chinese civil wars constitutes a significant aspect. After the overthrow of the Qing government in the Xinhai Revolution, the Republic of China (ROC) was established in 1912. However, the demise of the inaugural ROC president in 1916 triggered a prolonged civil war known as the "Warlord Era".

The widespread warfare posed risks to the operations of steamship companies, resulting in financial losses. In just one year, from April 1926 to March 1927, steamships of Nisshin were fired upon by Chinese forces 86 times (Nisshin Kaisha, 1927, Appendix). Simultaneously, incidents such as Chinese military boarding without payment of freight charges occurred frequently. Between 1911 and 1929, Nisshin incurred losses due to the civil war amounted to over 420,000 yen in gold, 1,220,000 yen in silver, and 570,000 dollars (Asai, 1942, pp. 411-413).

During the incidents analyzed in this paper, namely the May Thirtieth Incident of 1925 and the Wanhsien Incident of 1926, the Japanese and British governments pursued different policies toward China. Firstly, the Japanese government pursued a policy of non-interference in China's internal affairs, known as the "Shidehara Diplomacy" named after the Foreign Minister (Hattori (2007)). This policy was characterized by conciliation towards China and economic

pragmatism. In contrast, Britain displayed a tough stance towards China, resorting to military actions against Chinese nationalist movements and civil wars (Cable ,1981; Fung ,1991). This diplomatic policy is often referred to as "gunboat diplomacy" (Cable ,1981; Fung ,1991).

One event reflecting the differing attitudes of Japan and Britain towards China during this period was the Nanjing Incident of 1927 (Goto-Shibata, 1995; Fung, 199)). The Nanjing Incident involved British and Japanese residents in Nanjing being caught up in China's civil war, resulting in numerous casualties. In response to this incident, the British government dispatched gunboats and demonstrated a firm stance towards the Chinese military. In contrast, the Japanese government maintained its policy of non-interference, refusing military intervention and attempting to prevent British military actions. Thus, while Japan advocated conciliation with China, Britain adopted a tough stance towards China.

In summary, during the 1920s, phenomena such as nationalism, civil war, and strikes were on the rise in China. While Japan pursued conciliatory measures, Britain adopted a firm stance. In light of this situation, the next section of this paper analyzes two case studies to examine how Japanese and British steamship companies responded and how their strategies were influenced by their respective governments' diplomatic policies.

4. The Circumstances of May Thirtieth Movement

In this section, I analyze how Japanese and British steamship companies responded to the boycott movement and general strike. To this end, this paper focuses on the May Thirtieth Movement.

The May Thirtieth Movement was the largest "anti-imperialist labor" movement in modern Chinese history. The incident began on May 15, 1925, when Chinese workers clashed with management at a Japanese spinning mill in Shanghai, resulting in the shooting death of a Chinese worker by a Japanese manager. In protest, Chinese workers and students staged large-scale demonstrations in the Shanghai International Settlement, which were met with gunfire from British police, resulting in dozens of casualties. This shooting incident is known as the

May Thirtieth Movement.

Following the incident, anti-Japanese and anti-British movements erupted under the organization of the China General Labor Union (CGLU), a labor union affiliated with the Chinese Communist Party. On May 31, the CGLU organized a general strike, with the Shanghai General Chamber of Commerce (SGCC), a capitalist organization, providing funds for the strike, and university student groups promoting the boycott movement by destroying Japanese and British products (“Guonei Yaowen Er”, 1925). As a result, by June 13, the number of workers participating in the general strike at Japanese and British factories reached about 100,000(Institute of History of Shanghai Academi Of Social Sciences (IHSASS), 1985, pp.71-83). Simultaneously, boycotts of Japanese and British products were carried out, halting their distribution. Consequently, Japanese and British companies were forced to suspend operations and suffered significant losses until the incident subsided in October².

Under the leadership of the Chinese Seamen Union (CSU; 中華海員工業連合会), about 40,000 shipping workers, including ship crews and dock laborers, actively participated in the anti-Japanese and anti-British movements(IHSASS, 1985, pp.71-83). The CSU, an industry-specific labor union for the shipping industry, was established in 1921. After the incident, the Shanghai branch of the union held an emergency meeting and declared that they should fight against foreigners for China's independence (IHSASS, 1985, pp.49-50). Furthermore, at the emergency meeting, it was decided that only the crew of foreign steamship companies would participate in the general strike, while the crew of Chinese steamship companies would continue to work as usual (IHSASS, 1985, pp.49-50). As a result, a general strike, characterized by nationalism (Waterlow,1925)³, targeted Japanese and British steamship companies in the shipping industry.

Simultaneously, Chinese-owned steamship companies actively responded to the events by supporting the shipping industry's general strikes and boycott movements. Firstly, China Merchants terminated its shipping cartel with Japan and Britain as a demonstration of

² For instance, from June 2 to July 12, the main products of the Japanese-owned cotton mill, namely the 16-count and 20-count cotton yarn, each experienced a decrease of 99,400 bales and 76,600 bales, respectively (JSSC, 1925a, PP. 806-814).

³ Crews of German steamships also temporarily joined the general strike.

nationalism (Reinhardt, 2018, pp. 202).

Moreover, executives of Chinese-owned steamship companies, who served in the SGCC, actively supported participants in the shipping industry strike. In 1925, Yu Qiaqing (虞洽卿), the manager of Sanbei, served as the chairman of the SGCC, while Fu Hsiao-an(傅筱庵), the manager of China Merchants, served as an executive of the SGCC and became its chairman in the next year. Led by Yu and Fu, the SGCC actively donated to shipping laborers and backed the general strike (Shanghai Federation of Industry and Commerce(SFIC), 2006, pp.2258-2259). During the movement, when the CSU faced government suppression and closure, Yu engaged in active negotiations with the government, leading to the reopening of the CSU (IHSASS, 1985, pp.431-432). Entrepreneurs in the Chinese shipping industry, through the SGCC, obstructed the operations of Japanese and British steamship companies.

The May Thirtieth Movement temporarily improved the business environment for Chinese-owned steamship companies. The revenue from China Merchants' freight income reached 5.3 million taels in 1925, compared to 3.8 million taels in 1924 and 2.8 million taels in 1926 (Nie & Zhu, 2002, pp. 841). Furthermore, spurred by the movement, Chinese-owned steamship companies opened new routes, acquired new steamships, and expanded their business scale("Hangye Yaoxun", 1925).

Furthermore, by August, participants in the strike and boycott movement had imposed a ban on the entry of steamships from Japan and Britain into Shanghai ("Boycott of British shipping", 1925a).

In summary, during the Movement, Chinese-owned steamship companies actively supported the strike in the shipping industry, appealing to nationalism, and achieved substantial profits.

Table 2 The Number of Ships Entered Shanghai, 1925

Date	From	Japan		China		Britain	
		Ship	DWT	Ship	DWT	Ship	DWT
1925.4	Yangtsu River	25	42,840	44	71,042	61	97,360
	Other	25	53,702	119	165,021	115	188,373
	Total	50	96,542	163	236,063	176	285,733
1925.5	Yangtsu River	28	49,947	43	71,352	58	106,504
	Other	38	67,980	119	162,407	124	177,890
	Total	66	117,927	162	233,759	182	284,394
1925.6	Yangtsu River	13	23,698	45	73,604	22	37,157
	Other	23	45,040	124	168,873	54	101,132
	Total	36	68,738	169	242,477	76	138,289
1925.7	Yangtsu River	1	2,067	42	72,704	6	12,368
	Other	9	14,276	120	160,497	-	-
	Total	10	16,343	162	233,201	6	12,368
1925.8	Yangtsu River	7	16,508	37	59,616	24	46,022
	Other	24	37,110	134	163,303	16	36,063
	Total	31	53,618	171	222,919	40	82,085
1925.9	Yangtsu River	29	52,820	46	71,896	31	145,581
	Other	36	59,846	26	147,905	140	70,606
	Total	65	112,666	72	219,801	171	216,187

Source: (SMR, 1929, pp. 188-189).

The May Thirtieth Movement posed significant challenges for Japanese and British steamship companies, manifesting in two key issues. The first was disrupted voyages resulting from crew shortages and the boycott. By June 14, the number of Japanese and British steamships on hiatus reached 40. According to Table 2, Japanese steamships arriving in Shanghai decreased from 66 in May to only 10 in July, while British steamships dwindled from 182 to just 6. Due to the hiatus, by June 30, Nisshin suffered a loss of 212,000 dollars, China Navigation incurred a loss of 211,000 dollars, and Indo-China faced a loss of 205,000 dollars (JSCC, 1925a, pp. 786).

The second problem was the inability to unload cargo due to the strike of dockworkers, resulting in cargo congestion. This cargo congestion had two implications. Firstly, unloading from ships became impossible (JSCC, 1925b, pp. 105-106). Japanese and British steamships arriving in Shanghai in June encountered difficulties in transferring goods from ships to warehouses. Additionally, the transportation of cargo from warehouses to consumers became impossible, with goods stored in these facilities becoming immovable due to the ongoing dockworker strike (Brett, 1925c). This situation posed a dual risk of potential riots or damage to cargo from spoilage, as evidenced by movements where Nisshin and China Navigation warehouses were looted (JSCC, 1925a, pp. 331-336). Consequently, steamship companies faced

high risks unavoidable due to the strike by dockworkers.

Due to the movement, Nisshin, China Navigation, and Indo-China had to suspend operations. Nisshin couldn't operate for more than 70 days after June 10 (Asai, 1942, page: 397). The manager of China Navigation reported that the company's operations in the Yangtze River region were almost suspended due to the strike by crew members and dockworkers (Swire,1925). He further complained that the company's operational difficulties were attributable to nationalism (Swire,1925). Similarly, Indo-China suspended its operations, experiencing unprecedented losses in 1925 (SMR, 1929, pp. 191).

Ironically, the hiatus and cargo congestion of Japanese and British steamship companies were the causes of the resolution of The May Thirtieth Movement. Chinese-owned companies encountered material shortages as their supplies were stored in the warehouses of Japanese and British steamship companies (JSCC, 1925b, pp. 114-116). Moreover, the coal-handling dockworkers' strike in Shanghai resulted in a shortage of coal for power generation, causing power supply interruptions and compelling Chinese companies to temporarily close (Shanghai Archives, 2001, pp.578-579). Consequently, Chinese companies in Shanghai had to close temporarily. This led to the SGCC facing a shortage of funds designated for sustaining the livelihood of striking workers, ultimately prompting the gradual subsidence of the strike from the latter half of August (JSCC, 1925b, pp. 127-140).

5.The Responses of Nisshin, China Navigation and Indo-China to The May Thirtieth Movement

The previous section clarified the situation in the shipping industry during the May Thirtieth Movement. This section analyzes the responses of Nisshin and the two British companies to the May Thirtieth Movement.

Despite being targeted by the May Thirtieth Movement, the Nisshin solved the general strike on August 20, while the two British companies solved the issue on September 10. We can explain this time lag by comparing the responses of Nisshin and the two British companies.

First, focusing on the Nisshin, the company adopted three main response strategies. Firstly, to address the issue of crew shortages, the company concentrated the Japanese crews, who were originally dispersed across various ships, onto two or three ships to maintain operations (JSCC, 1925b, PP.133). Secondly, Nisshin managed to sustain its business by developing new markets. The company established a new route from Osaka to Hankou using the aforementioned ships, taking advantage of the suspension of foreign shipping services to Hankou to achieve "full load on each voyage"(Nisshin, 1925). As a result, the Nisshin was able to maintain its operations during the May Thirtieth Movement.

Thirdly, influenced by the MOFAJ, Nisshin sought to maintain friendly relations with the Chinese side to the extent possible. Firstly, the company managed relatively friendly relations with the SGCC. To promptly resolve the movement, Yata Shichitaro(矢田七太郎), the Japanese consul in Shanghai, endeavored to maintain amicable relations with the Chinese side ("Naigaimen Mondai", 1925). For this purpose, Consul Yata even urged Japanese entrepreneurs acknowledge labor unions ("Naigaimen Mondai", 1925). The company has been influenced by this policy. Consequently, with the assistance of Yu and other Chinese entrepreneurs, the company achieving a "speedily" settlement for the general strike (Dai-ichi Kengai Kantai, 1925).

Furthermore, Nisshin maintained friendly relations with Chinese crews. During the negotiation, the company almost accepted all the requests of Chinese crews, committing to not dismiss participants in the general strike and agreeing to wage increases (JSCC, 1925b, pp. 145-148). Following the settlement, the company demonstrated a spirit of Sino-Japanese friendship by raising the flags of the CSU and China and Japan on their ships, showcasing respect for Chinese crews' nationalism and labor unions (IHSASS, 1985, pp.649-651).

Also, after the May Thirtieth Movement was resolved, Nisshin and the JMFA provided funds to the SGCC, which had been collecting relief funds for unemployed crews (JSCC, 1926, PP.109-110). The movement had resulted in many unemployed Chinese crews. While the SGCC provided relief funds to these unemployed individuals, they faced a shortage of funds and had to sought assistance from the Japanese side. Regarding this request, discussions ensued between the manager of Nisshin's Shanghai branch and Yada. Yada highlighted the significant

contribution of Yu towards the resolution of the movement and Yu's persistent efforts in fostering collaboration between Japan and China post-movement were acknowledged. Recognizing the long-term beneficial for Japan, Yada advocated for supporting Yu by mobilizing funds and upholding Yu's esteemed reputation. Consequently, both the JMFA and Nisshin pooled resources, jointly providing a substantial sum of \$10,000 to the SGCC.

In summary, in response to the May Thirtieth Movement, Nisshin maintained its operations by redistributing internal resources and signed an agreement with the Chinese side to preserve good relations. Even after the resolution of the movement, Nisshin consistently adopted a policy of "tolerate resolution" towards labor unions and labor movements (Nisshin,1927, pp.4).

In comparison to Nisshin, the British companies responded to the movements in a different way, yielding varying outcomes. This divergence is evident in three key aspects.

Firstly, regarding the issue of a shortage of crews, both British companies employed Russian crews to maintain operations. However, this decision presented two challenges. Firstly, Russian crews demanded wages five times higher than their Chinese counterparts (Brett, 1925a), placing a financial burden on the companies (Brett, 1925b).

More importantly, the employment of Russian crews hindered the negotiation for settling the general strike. With the return of Chinese crews, the personnel costs of both companies would increase. To mitigate this, both companies demanded a 10% wage cut for Chinese crews (Dai-ichi Kengai Kantai, 1925). This wage cut became a barrier to the negotiation, making it difficult for both companies to achieve a settlement.

Secondly, both British companies displayed a tough stance towards the Chinese. Under the leadership of John Swire & Sons and Jardine Matheson, British entrepreneurs in Shanghai formed "The Chinese Committee," actively engaging in diplomatic negotiations related to the movement (Drage, 1970, pp. 270-280). This committee emphasized British interests and took a position without sympathy against the Chinese side (Drage, 1970, pp. 270-280). Such actions fueled resentment from the Chinese and further worsened anti-British sentiments.

Thirdly, the aggressive response from the British Navy worsened the relationship between both

British companies and Chinese shipping laborers. For example, On June 10th in Hankow, dockworkers of China Navigation clashed with the company's staff and were beaten by British Indian police("Hankou Yingzujie Zhi Datusha", 1925). This altercation caused a conflict between dockworkers and the British Navy("Hankou Yingzujie Zhi Datusha", 1925). Consequently, dissatisfaction among Chinese towards British companies and the government intensified.

Following the settlement of general strikes signed by Nisshin, the SGCC and the CSU intensified the anti-British movement. After the need to support Nisshin's striking workers diminished, the financial burden on the SGCC eased (SFIC, 2006, pp.2290-2292). Consequently, Yu and his followers "have redoubled their efforts to maintain the strike of seamen in British ships and continue to issue appeals for funds for this purpose (Barton, 1925). " Concurrently, the CSU sustained strikes against the British while even launching bomb attacks on British steamships (Barton, 1925). Therefore, the strained relationship between Chinese entrepreneurs and labor unions significantly hindered the settlement of general strikes by British companies.

Compared to the two British companies, Nisshin's responses to The May Thirtieth Movement demonstrated advantages for resolution, evident from two key points. Firstly, Nisshin's strategy for maintaining operations amidst the movement involved the adjustment of internal resource distribution, resulting in fewer conflicts of interest with the striking laborers. This approach facilitated a more favorable settlement compared to the British companies.

Moreover, Nisshin's amicable relationship with the Chinese side played a pivotal role in movement resolution. In a report to the Japanese government, Nisshin attributed its "speedy" success in resolving the strikes to "Chairman Yu's favorable disposition towards Nisshin, while measures taken by British companies fueled Chinese antipathy" (Dai-ichi Kengai Kantai, 1925). Additionally, the SGCC expressed regret, suggesting that a less confrontational British approach could have mitigated the severity of the movement and hastened settlement (SFIC, 2006, pp.2290-2292). In essence, the nature of the relationship with the Chinese side significantly influenced the resolution of the movement for both Nisshin and the British companies.

The impact of the diplomatic policies of the respective governments cannot be overlooked in

understanding the divergent responses between Nisshin and the two British companies. As previously discussed in this section, Yata adopted a defensive attitude to the movement. In contrast, British Consul Brett believed in the necessity of an aggressive strategy against the movement, associated with "communism and xenophobia" (Palairat, 1925). Particularly, immediately after the happened of movement, on June 3rd, when two British cruisers arrived in Shanghai, Brett requested Yada to dispatch Japanese ground troops to Shanghai, advocating for an even more assertive response (Yada, 1925a). In response, Yada expressed concerns about the possibility of escalating conflict between Japanese and Chinese, stating that Japan needed to exercise caution in the use of force considering the broader context (Yada, 1925a). Subsequently, Yada also sought to "restrain" Japanese military responses "as much as possible" due to the fear of Japanese - Chinese clashes (Yada, 1925b). We can easily tell the difference of the diplomatic policies of both countries, and how it was reflected in the responses of their respective companies.

In summary, while Nisshin adopted a defensive approach towards the May Thirtieth movement, the British companies took a more aggressive stance. As a result, Nisshin achieved positive outcomes, whereas the British achieved only negative results. Also, It can be inferred that the differences in their response strategies were influenced by the differences of diplomatic policies of respective home country

6. The Civil War in Wanhsien and The Britain Steamship Companies

As mentioned before, in the 1920s, Chinese steamship companies also faced the risks associated with the ongoing civil wars in China. As discussed in the second section, Japan aimed to limit military responses to the civil war, whereas Britain adopted a gunboat diplomacy approach. To analyze the impact of these policy differences on steamship companies, this paper will focus on Wanhsien in 1926.

Wanhsien, now part of Chongqing, served as a crucial port in the 1920s Sichuan route. As depicted in Figure 1, Wanhsien is centrally situated in the upper Yangtze River Basin. Moreover, there were only two customs offices in China's inland regions, one of them was in Wanhsien.

Consequently, Wanhsien held significant value not only for steamship companies but also for the military. Recognizing its importance, Yang Sen, the commander of Chinese forces in the upper Yangtze River Basin, decided to station his forces in Wanhsien.

This decision brought two issues for steamship companies navigating the area. Firstly, since February 1926, Yang demanded ad-hoc inspections on Japanese, British, and American steamships (Toller, 1926). These inspections not only disrupted the operations of the steamships but also led to gunfire when the ships refused inspection.

A more significant problem arose from Yang's commandeering of steamships for transporting troops and supplies. Almost all Chinese-owned steamships were forcibly commandeered by Yang (SMR, 1929, p. 185-186). Additionally, Yang initially demanded a 50% reduction in fares from foreign-owned steamship companies, but soon, he attempted to directly commandeer their ships (Toller, 1926). As highlighted by the MOFAJ, Yang's actions subjected the steamship companies operating on the Sichuan route to a high level of risk (Goto, 1926b).

In response to Yang's conscription, British steamship companies took a tough stance under the protection of the British Navy. On the British side, concerns were raised by both the companies' executives and the government regarding potential repercussions of military protection, such as triggered anti-Britain movements (Camera, 1926). Despite these concerns, it was believed that gunboats were essential to mitigate the impact of the civil war (Morioka, 1923). Consequently, British steamship companies maintained their operations under the protection of gunboats, this reflected the policy of British gunboat diplomacy.

Under this British policy, the Wanhsien Incident occurred, where the British Navy shelled the city of Wanhsien. The incident began on August 29, 1926, with a clash between the China Navigation's ship 'Wanliu' and Chinese soldiers. The Wanliu was disembarking passengers at Yunyang County(雲陽), 35 kilometers from Wanhsien when several dozen soldiers under General Yang approached the ship in sampans and tried to forcibly board. In response, the Wanliu's captain, Lalor, fired at the soldiers while immediately setting sail. Consequently, the wave created by the Wanliu capsized the sampans, resulting in 58 deaths and the loss of \$58,000 in military funds and weapons (Goto, 1926a). Four hours later, Yang's soldiers boarded

the Wanliu, which had docked in Wanhsien, for negotiations, but they were disarmed, and some were injured by the British Navy escorting the ship (Acheson, 1926). The Wanliu then promptly left Wanhsien under British naval escort. This onboard clash further deteriorated relations between the China Navigation, the British Navy, and General Yang. In retaliation, Yang detained two other China Navigation ships that docked in Wanhsien that same day (Acheson, 1926).

Feeling insulted by Yang's actions, the British Navy decided to rescue the detained ships by force (Cameron, 1926). On September 4, the British Navy enlisted the Indo-China's ship, Kia Wo, to transport 60 British soldiers and supplies to Wanhsien (Goto, 1926a). The following day, under the protection of a British warship, the Kia Wo launched a rescue operation against Yang's positions (Goto, 1926a). However, the operation failed due to Yang's artillery fire. During the operation, the British warship shelled the city of Wanhsien to support the Kia Wo, resulting in the destruction of over 50 Chinese homes and causing over 600 casualties (Goto, 1926a). This series of events, including the shelling, is known as the Wanhsien Incident.

The Wanhsien Incident sparked dissatisfaction among the Chinese populace and fueled nationalist sentiments. During the incident's negotiations, the Chinese government criticized the actions of the 'Wanliu' captain as "wanton" and insisted that China Navigation bore "inevitable responsibility" (Macleay, 1926). Reports on the shelling incident and its subsequent discussions were widely disseminated in Chinese newspapers, condemning British actions as imperialistic and intensifying nationalist sentiments (Goto, 1926a).

As a result, a nationwide anti-British movement emerged, targeting specific China Navigation and Indo-China. Anti-British sentiments spread across China, leading to boycotts of British products and steamships (Urakawa, 1926b). Calls for the revocation of British navigation rights in the Chinese inland shipping market gained momentum (Stang, 1926). Chinese ship pilots and crews employed by British steamship companies also initiated a strike (Urakawa, 1926b). Consequently, the Sichuan route became deemed 'unduly adventurous and provocative' for both China Navigation and Indo-China (Swire, 1926a), compelling them to reluctantly suspend operations in China and withdraw from the route for an extended period.

After the incident, China Navigation argued that the captain of 'Wanliu' initially sought an

amicable settlement (Swire, 1926b). They claimed that the captain proposed submitting the matter to an arbitration court in Chunking, but the involvement of the British Navy hindered this resolution (Swire, 1926b). However, it's noteworthy that the captain's report for that day did not mention this proposal (Lalor, 1926). Moreover, it was revealed that 'Wanliu' overturned another junk in Wanhsien two months earlier, but the company took no action (Goto, 1926d). Consequently, the reliability of this argument is questionable, resembling more of a denial of responsibility. Attention should be given to 'Wanliu's' response to the incident.

Following the Wanhsien Incident, the British Foreign Office (BFO) acknowledged the inefficacy of gunboat diplomacy in China. The BFO's investigation report highlighted that the prevailing British gunboat diplomacy had proven ineffective, "merely increases that (Chinese) dislike" (Strang, 1926). Minister Chamberlain concurred with the report, recognizing that the "Wanhsien incident has only shown the dangers (to us) of a 'gunboat policy'" (Chamberlain, 1926). In a letter to China Navigation, Permanent Secretary Wellesley noted that traditional British strategies were losing effectiveness due to the rising tide of Chinese nationalism (Wellesley). In the context of 1920s China, it became evident that the implementation of gunboat diplomacy had become inefficacy and counterproductive due to heightened nationalist sentiments.

In summary, the British responses to Chinese nationalism and civil war in the 1920s not only proved ineffective but also exacerbated the situation.

7. The Civil War in Wanhsien and The Japanese Steamship Company

As previously mentioned, the British response to the Chinese military's excessive demands in Wanhsien sparked an anti-British movement and eventually led to the suspension of operations. Similarly, Nisshin encountered a comparable challenge during this period. This section explores Nisshin's reaction to the problem and its consequences.

In response to the civil war on the Sichuan route, Nisshin initially requested military escort from the MOFAJ and JA but was refused. The permanent secretary of the Japanese Navy pointed

out that limiting military escort to the scope of self-defense is not only extremely arduous but may also lead to the emergence of additional troubles (Kaigunjikan,1923). This means it might potentially trigger anti-Japanese movements (Kaigunjikan,1923). MOFAJ concurred with the Japanese Navy and instructed Nisshin to resolve the conflict through diplomatic negotiations, such as consul-level discussions (Morioka, 1923). In essence, the Japanese, like the British, took into consideration the potential for anti-foreign sentiments but adopted a policy that avoided military and violent responses.

Illustrating the impact of this Japanese policy, a significant event occurred before the Wanhsien Incident where Yang's troops forcibly boarded Nisshin's steamship. Here's how the events transpired. On July 4, 1926, Nisshin's ship, the Iyangmaru(宜陽丸), experienced forced boarding by Yang's soldiers (Kimura, 1926). Upon arrival in Wanhsien, approximately 100 of Yang's soldiers boarded the Iyangmaru, insisting on the transportation of troops and supplies without payment.

In response, Captain Hidetake Kimura(木村秀夫) of the Iyangmaru sought assistance from the MOFAJ and the Japanese Navy (Kimura, 1926). Unfortunately, the support proved ineffective. Initially, Kimura requested the dispatch of Japanese Navy soldiers to ensure the ship's safety. Additionally, he negotiated with Yang through the local Japanese consul, but the impact of these efforts was limited. Consequently, while some of Yang's soldiers left the ship, approximately 70 remained on board.

Kimura grappled with the dilemma of how to handle Yang's soldiers (Kimura, 1926). Recognizing the potential for escalating tensions between Japan and China through a conflict with the Chinese military, Kimura chose to avoid confrontation. With this in mind, he not only had the Japanese soldiers disembark but also permitted the Chinese soldiers to remain on board, eventually departing with them.

This sequence of events highlights the Japanese decision to refrain from a military and violent response, acquiescing to the unreasonable demands of the Chinese military. Both Kimura, who chose not to forcibly remove the Chinese soldiers, and the MOFAJ and Japanese Navy demonstrated a cautious approach. Consequently, Iyangmaru safely reached its destination.

This response reflects the consideration of potential conflicts with China and the anticipation of subsequent anti-Japanese movements, likely influenced by Japan's experiences.

In response to the risks posed by the civil war on the Sichuan route, Kimura summarized his experience and presented two strategic approaches, termed "aggressive (積極的)" and "defensive (消極的)," to the MOFAJ and Nisshin (Kimura, 1926). The aggressive approach involved a forceful response, potentially using military measures. In contrast, the defensive approach entailed abandoning ports like Wanhsien and avoiding conflicts with Yang's forces as much as possible.

Kimura meticulously outlined the advantages and disadvantages of these approaches (Kimura, 1926). While the defensive strategy would impact Nisshin's cargo capacity and cause some "mental pain," the drawbacks were deemed fewer than those associated with the aggressive approach. The aggressive approach risked clashes with the Chinese military and heightened nationalism, posing both short-term and long-term disadvantages for the company. Kimura argued that since the civil war would not last indefinitely, the drawbacks of the aggressive approach would be temporary. Therefore, taking a long-term perspective, Kimura recommended to the MOFAJ and Nisshin that the defensive approach should be adopted.

This proposal was accepted by MOFAJ and Nisshin, proving effective. This is evident from an incident that occurred after the Wanhsien Incident, involving a collision between Nisshin's Unyoumaru(雲陽丸) and Yang's forces on October 12, 1926 (Goto, 1926c). The Unyoumaru collided with a junk carrying Yang's troops, resulting in numerous casualties among Yang's soldiers due to drowning (Goto, 1926c). Responding to this accident, the branch manager of Nisshin and the Japanese consul in Chongqing promptly approached Yang, resolving the incident by providing compensation nearly on the same day (Goto, 1926c). Through this approach, Nisshin not only avoided a conflict with the Chinese forces but also earned high praise from Yang (Urakawa, 1926a).

By earning Yang's favor and capitalizing on the absence of steamships from other nations on the Sichuan route, Nisshin successfully cultivated a favorable environment. As previously mentioned, Chinese-owned steamships had already been commandeered by Yang, and the

British steamship companies were boycotted (Goto, 1926f). Consequently, Nisshin temporarily monopolized this route (Goto, 1926f). Referring to the table 1, by the end of 1927, Nisshin held a 14% share of the total cargo volume on the Sichuan route, surpassing the two British companies with a share of less than 2%. Therefore, Nisshin not only minimized the risks of the civil war but also leveraged the situation to create a favorable business environment.

When comparing Nisshin with the Britain companies, three crucial points come to light. Firstly, quoting Kimura's terms, Nisshin embraced a defensive approach, while the two British companies pursued an aggressive one. When dealing with forcibly embarked Chinese troops, the British companies opted for an aggressive approach, whereas Nisshin exercised restraint. Moreover, when addressing a ship collision, Nisshin promptly sought resolution.

Secondly, the aggressive measures taken by the British companies resulted in negative outcomes, whereas Nisshin's defensive approach led to positive consequences. The strong response from the British companies fueled anti-British sentiments, prompting them to cease operations. In contrast, Nisshin not only avoided conflict with the Chinese military but also earned praise, enabling it to monopolize the Sichuan route in the absence of British competition.

Thirdly, the responses of Nisshin and the British companies were influenced by their respective home countries' diplomatic policies. Both sides recognized that conflict with the Chinese would provoke anti-foreign sentiments, yet they pursued differing strategies. This discrepancy can be attributed to the different diplomatic policies of Japan and Britain, especially when they had different interests in the Yangtze River region. According to the investigation report on the Wanhsien Incident, the BFO noted that Japan's ability to endure "insult" was due to its relatively minor interests in the Yangtze River region (Strang, 1926). In contrast, the report highlighted that Britain, with more substantial interests, necessitated military responses for prestige and trade. Therefore, these differences led Nisshin and the British companies to adopt opposing strategies.

In conclusion, despite Nisshin adopting a defensive approach compared to the British companies, it yielded positive results. The roots of these strategies can be traced back to

differences in experiences and interests between Japan and Britain.

Conclusion

This paper investigates how Nisshin, China Navigation, and Indo-China responded to non-market risks in 1920s China and shed light on the reasons behind their choices.

The study reveals that Nisshin took a defensive strategy, contrasting with the aggressive approaches of China Navigation and Indo-China in handling non-market risks within China. When faced with events like The May Thirtieth Movement and the civil war in Wanhshien, Nisshin, concerned about potential conflicts with the Chinese, endured perceived "insults" and tried to accommodate Chinese demands. In contrast, British companies anticipated conflicts but took a tough stance, even using military force.

Furthermore, it is observed that Nisshin's defensive approach had positive outcomes, while the British companies faced negative consequences. The strategies employed by the British companies led to conflicts with the Chinese, ultimately forcing them to suspend operations. On the other hand, Nisshin not only reduced the potential for clashes with the Chinese and their impact but also capitalized on the suspension of British operations to achieve favorable results.

The paper also highlights the reasons behind the differences in response strategies between Japanese and British steamship companies, influenced by the respective diplomatic policies of their home countries. Additionally, In the 1920s, the MOFAJ showed a friendly attitude towards China, while the BFO adhered to traditional gunboat diplomacy. Moreover, disparities in interests in the Yangtze River region prompted Japan and Britain to adopt different response strategies. So, despite both sides recognizing the potential for conflicts with the Chinese, their responses diverged due to distinct diplomacy policies.

This research suggests that in regions marked by rising nationalism, an aggressive approach may prove ineffective. Such an approach not only emphasizes the nationality of MNCs but also creates barriers with the host country's populace. Consequently, the paper argues that, for responding to non-market risks, a defensive approach proves more effective.

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