

## The German trading company L. Kniffler & Co. in Japan, 1859 – 1880<sup>1</sup>

幕末／明治初期の日本におけるドイツ商社クニフラー商会の活動

(Katja Schmidtpott)

In July 1858, the Japanese government, the shogunate, concluded a series of trade agreements with the USA, the Netherlands, Great Britain, France and Russia. Pressured by the gunboat diplomacy of the USA and under the impression of Great Britain's and France's military intervention in China, the shogunate had given up its isolationist foreign policy practised for more than 200 years towards most of the Euro-American nations. On the basis of these trade agreements, the so-called Unequal Treaties, a treaty port system was created, which encompassed the ports of Nagasaki, Yokohama and Hakodate, scheduled to open in 1859, and the ports of Niigata and Kōbe, scheduled to open in 1860 and 1863, respectively. In addition, the opening of the largest Japanese cities Edo (Tokyo) and Osaka was envisioned for 1862 and 1863 respectively.<sup>2</sup>

One of the first foreign merchants to come to Japan under the new trade regime in 1859 was the Prussian merchant Louis Kniffler (1827-1888). From modest beginnings as a general import-export business in Nagasaki, his company L. Kniffler & Co. grew into one of the biggest foreign trading companies in Japan before the First World War. As soon as the 1860s/70s, it began specialising in importing machinery, armaments and capital goods for large-scale infrastructure projects, with a special focus on doing business with the Japanese government. Prominent infrastructure projects that the firm was involved in after the year 1880, when Louis Kniffler withdrew from business and handed the company over to one of his partners, Carl Illies, who consequently changed its name to C. Illies & Co., include: railway systems in various regions, especially Kyūshū,<sup>3</sup> the Biwako canal between Lake Biwa and the city of Kyōto,<sup>4</sup> the great

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<sup>1</sup> Parts of this paper were published in the company history of C. Illies & Co.: Bähr, Johannes / Lesczenski, Jörg / Schmidtpott, Katja (2009): *Handel ist Wandel: 150 Jahre C. Illies & Co.* München: Piper.

<sup>2</sup> In fact, the ports of Kōbe and Niigata and the city of Osaka were opened much later, in 1868, and the capital city of Tokyo followed only in 1869.

<sup>3</sup> HAK [Historisches Archiv Krupp, Essen], WA 4/1044, pp. 18–19.

<sup>4</sup> Oda Naofumi (1987): *Biwako sosui. Meiji no daipurojekuto* (Ōmi bunka sōsho 27). Kyoto: Sanburaito, p. 26 f., 195.

Azumabashi bridge in Tokyo,<sup>5</sup> the water supply system of the city of Hakodate,<sup>6</sup> the new piers in the harbour of Yokohama<sup>7</sup> and the Nijūbashi bridge on the site of Tokyo's Imperial Palace.<sup>8</sup> The company also supplied large quantities of armaments for the Japanese army and navy, and Japan's wars against China (1894/95) and (1904/05) brought about the golden age of the company.

While most Euro-American trading companies that came to Japan in the era of the Unequal Treaties have long since disappeared,<sup>9</sup> C. Illies & Co. are actively engaging in trade between Germany and East Asia up to this day,<sup>10</sup> which makes the history of L. Kniffler & Co. / C. Illies & Co. span a period of more than 160 years. This is an exceptionally long timespan for a medium-sized, international trading company, operating in a very risky environment which has seen numerous drastic changes, among them two world wars, that impacted global trade and put many other companies out of business.

There is no single answer to the question of why L. Kniffler & Co. / C. Illies & Co. have managed to stay in business for such an exceptionally long time. While the company history of C. Illies & Co.<sup>11</sup> has sought to describe its development from 1859 to its 150<sup>th</sup> anniversary in 2009 in a comprehensive way, this paper focuses on the establishment phase of the company when it was set up, owned and managed by Louis Kniffler. It will be shown that contrary to popular narratives about the business activities of many Euro-American merchants in 19<sup>th</sup> century Japan, it was not so much trade in tea and silk, but rather an early focus on trade in weapons and machinery and the engagement in infrastructure projects that, in the case of L. Kniffler & Co. / C. Illies & Co., laid a solid foundation for the company's long-term success. Although the company always engaged in a general import-export business with private business

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<sup>5</sup> Tōkyōto Kōbunshokan (Tokyo Metropolitan Archives), Meiji 20nen futsū dai1shu, Shosei yōroku, Dobokuka.

<sup>6</sup> Hakodateshi Suidōkyoku (ed.) (1989): *Hakodateshi suidō 100nenshi*. Hakodate: Hakodateshi Suidōkyoku, p. 106, 121, 124 f., 134.

<sup>7</sup> Rinji Yokohama Chikkōkyoku (ed.) (1896): *Yokohama chikkōshi*. Yokohama: Nakano Kennmei, p. 151.

<sup>8</sup> Kunaichō Shoryōbu (Imperial Court Authority, Dept. of Documents and Mausoleums), document no. 67976/133/456 – 60, Tekkyō kasetu jigyo maki no 58 [Construction of an iron bridge, Vol. 58 (supply contract)]; Irie Saburō (1953): *Tennō no shokutaku*. Tokyo: Kyōdō Shuppan, p. 82 ff.

<sup>9</sup> Due to a lack of data, it is unclear how many Euro-American companies were active in 19<sup>th</sup> century Japan. Based on information gathered from various historical sources, mostly memoirs of foreign merchants, consuls or visitors to the treaty ports, it can be estimated that there were up to 50 German trading companies among them. Out of these, it seems that only C. Illies & Co., Simon, Evers & Co. (SECO) (Hamburg, est. 1873 in Hamburg) and Winckler & Co. (Tokyo, est. 1885 in Yokohama) are still in existence.

<sup>10</sup> See the website of C. Illies & Co.: <https://illies.de>. The company is still owned and managed by the Illies family, currently in the 5<sup>th</sup> generation.

<sup>11</sup> Bähr / Lesczenski / Schmidt pott, *Handel ist Wandel: 150 Jahre C. Illies & Co.* Kikkawa Takeo wrote a Japanese business history of C. Illies & Co.: Kikkawa Takeo (2009): *Irisu no 150nen: Reimeiki no kioku*. Tokyo: Irisu.

partners, the focus on armaments and infrastructure projects meant that an essential part of its dealings was done with the Japanese state, initially with various feudal domains, then with the new imperial government and its local authorities after the Meiji restoration in 1868. It was therefore essential for the company to form close ties with the Japanese government in order to secure large orders. This paper will elucidate the strategies that L. Kniffler & Co. employed in order to achieve this, focusing on their capacity to form lucrative business networks, and their ability to identify and analyse relevant information in order to make a profit which has been identified as one of the key factors of successful entrepreneurship.<sup>12</sup>

There number of studies on the German-Japanese economic relations in the 19<sup>th</sup> century is rather small.<sup>13</sup> Especially when it comes to trade relations, historical sources are scarce as most trading companies no longer exist or their business records have been lost. As concerns the literature in German and other European languages, a multitude of memoirs or autobiographies have been written by merchants who were active in the East Asia trade, or by former employees of trading companies, or by diplomats who visited or were stationed in the region.<sup>14</sup> They even include a former employee of L. Kniffler & Co., Arthur Weber, whose book, however, resembles more a collection of humorous anecdotes which, in some cases at least, seem to be somewhat exaggerated.<sup>15</sup> Also, Hermann Gildemeister, who was Kniffler's partner when he established the company in 1859, wrote his memoirs.<sup>16</sup> In 1959, on the occasion of the 100<sup>th</sup> anniversary of the company, a short history of C. Illies & Co. was written by a local historian in Hamburg.<sup>17</sup> As concerns the Japanese literature, there is a wealth of local histories of the foreign communities in the treaty ports, often published

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<sup>12</sup> Casson, Mark (2001): "Der Unternehmer. Versuch einer historisch-theoretischen Deutung", in: *Geschichte und Gesellschaft* 27, pp. 524–544, here: p. 184.

<sup>13</sup> Rauck, Michael (1988): *Die Beziehungen zwischen Japan und Deutschland 1859 - 1914 unter besonderer Berücksichtigung der Wirtschaftsbeziehungen*. Universität Erlangen-Nürnberg (unpubl. PhD thesis); idem, (2002): „Preussisch-japanische Beziehungen auf wirtschaftlich-industriellem Gebiet“, in: Krebs, Gerhard (ed.): *Japan und Preußen* (Monographien aus dem Deutschen Institut für Japanstudien 32). München: Iudicium, pp. 287-304.

<sup>14</sup> See, for instance, Lindau, Rudolf (1896): *Aus China und Japan*. Berlin: Fontane; v. Brandt, Max (1901): *Dreiunddreißig Jahre in Ost-Asien. Erinnerungen eines deutschen Diplomaten. In drei Bänden*. Leipzig: Wigand Weber; Werner, Reinhold (1873): *Die preussische Expedition nach China, Japan und Siam in den Jahren 1860, 1861 und 1862. Reisebriefe von Reinhold Werner, Kapitän zur See in der kaiserlich deutschen Marine*. Leipzig: Brockhaus.

<sup>15</sup> Weber, Arthur R. (1981): *Kontorrock und Konsulatmütze*. Tokyo: Deutsche Gesellschaft für Natur- und Völkerkunde Ostasiens (OAG) (reprint).

<sup>16</sup> Glade, Dieter (ed.) (1985): "Die Lebenserinnerungen des Martin Hermann Gildemeister: Herausgegeben und kommentiert von Dieter Glade", in: *Rotenburger Schriften* 62, pp. 69-92.

<sup>17</sup> Molsen, Käthe (1959): *C. Illies & Co. 1859–1959. Ein Beitrag zur Geschichte des deutsch-japanischen Handels* (Veröffentlichungen der Wirtschaftsgeschichtlichen Forschungsstelle e.V., Hamburg 23). Hamburg: Verlag Hanseatischer Merkur.

by local archives,<sup>18</sup> as well as memoirs or autobiographies of former Japanese employees of German trading companies.<sup>19</sup> All these publications, however, have in common that they contain very few substantial data on actual business transactions and are therefore of limited value for a business history.

In the case of L. Kniffler & Co., parts of their international business correspondence have been preserved.<sup>20</sup> They consist of 179 letters in German, English, Dutch, and French that the company received between 1859 and 1876 from various business partners in Europe, Asia, and the Americas. Although the records are incomplete and contain no documents on transactions with Japanese merchants, they are a valuable source for reconstructing the business activities of L. Kniffler & Co., especially when they are supplemented with documents from business partners and clients of L. Kniffler & Co. which are preserved in company archives or local archives in Germany and Japan.

### **From Batavia to Nagasaki: Kniffler's preparations for a fresh start in Japan (1858)**

By the time the Japanese government concluded trade agreements with a growing number of Euro-American nations, German merchants, many of them from the Hanseatic city-states of Hamburg and Bremen, had already gained a remarkable presence in Eastern and South Eastern Asia. Following the Chinese defeat in the First Opium War (1840 – 1842), a series of Chinese ports became available for international trade.<sup>21</sup> Attracted by the concession of equal rights for all foreign merchants, regardless of nationality, quite a number of German trade pioneers established themselves in the Chinese treaty ports in the 1840s.<sup>22</sup> Hamburg's businessmen expanded their activities in the region within a short time to such an extent that by 1860 no less than three quarters of Hamburg's entire merchant fleet, which had doubled its

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<sup>18</sup> For the treaty port of Yokohama, see, among others, Yokohama Kyoryūchi Kenkyūkai (ed.) (1989): *Yokohama kyoryūchi no shosō*. Yokohama: Yokohama Kaikō Shiryōkan.

<sup>19</sup> For instance: Mutō Sanji (1934): *Watashi no mi no ue banashi*. Sumiyoshimura: Mutō Kinta.

<sup>20</sup> The originals are preserved at the headquarters of C. Illies & Co. in Hamburg and are not openly accessible to the general public. A digital edition of the business correspondence is currently under preparation at the Section of Japanese History, Faculty of East Asian Studies, Ruhr-Universität Bochum, Germany.

<sup>21</sup> Eberstein, Bernd (1988): *Hamburg – China. Geschichte einer Partnerschaft*. Hamburg: Christians, p. 31.

<sup>22</sup> Wätjen, Hermann (1936): „Die Anfänge des deutsch-japanischen Handelsverkehrs im 19. Jahrhundert“, in: *Zeitschrift des Vereins für Hamburgische Geschichte* XXXV, p. 7; Mak, Ricardo K.S. (2004): „The German community in 19th century Hong Kong“, in: *Asia Europe Journal* 2, pp. 237-255, here: p. 242.

tonnage between 1851 and 1858, was engaged in coastal shipping in China.<sup>23</sup> Internationally, the Hanseatic merchant fleet was the third largest among those sailing in Chinese waters in 1862, after the fleets of Great Britain and the USA.<sup>24</sup> Other regions in Asia were opened up for international trade, too, in the course of the 1850s. Batavia (Jakarta), for instance, grew into an important trading post for Hamburg's merchants after the colonial government there had granted all foreign businesses the same terms of trade as enjoyed by the Dutch.<sup>25</sup>

Louis Kniffler was one of the many businessmen who set their sights toward Asia during this period. Originally an employee of the Hamburg-based trading company Bollenhagen & Co., he changed to Pandel & Stiehaus in Batavia in 1853 and took over the company together with a partner in 1857.<sup>26</sup> When they got in serious financial trouble,<sup>27</sup> he decided, in the autumn of 1858, to make a fresh start in Japan with one of his employees, Hermann Gildemeister (1836–1918) who was the scion of an influential family of merchants and ship-owners in Bremen.<sup>28</sup>

Kniffler may have based his decision on the assumption that Japan might offer propitious opportunities even for a comparably small company such as his. As the isolationist foreign policy that the country had adhered to had prevented international competitors from gaining noteworthy footholds on Japanese soil, Nagasaki being the only place where Dutch and Chinese merchants were tolerated, the products of German industry were just as unknown in Japan as those of the competing industrial

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<sup>23</sup> Wiskemann, Erwin (1929): *Hamburg und die Welthandelspolitik von den Anfängen bis zur Gegenwart*. Hamburg: Friederichsen, de Gruyter, p. 185 f.; Mathias-Pauer, Regine / Pauer, Erich (eds.) (1992): *Die Hansestädte und Japan. 1855 – 1867. Ausgewählte Dokumente* (Marburger Japan-Reihe 7). Marburg: Förderverein Marburger Japan-Reihe, p. xvi; Möring, Maria (1993): *Martin Hermann Gildemeister. Ein Hanseat in Japan, Briefe 1865-1868* (Veröffentlichungen der Wirtschaftsgeschichtlichen Forschungsstelle e.V., Hamburg 52). Hamburg: Verlag Hanseatischer Merkur, p. 8.

<sup>24</sup> Wätjen, *Anfänge des deutsch-japanischen Handelsverkehrs*, p. 12.

<sup>25</sup> Kellenbenz, Hermann (1970): "German Trade Relations with the Indian Ocean from the End of the Eighteenth Century to 1870", in: *Journal of Southeast Asian Studies* 1, p. 136, 140.

<sup>26</sup> Zielke, *Konsul Louis Kniffler*, p. 2. The company had been established in Batavia in 1848 by two former partners in Bollenhagen & Co., Friedrich Pandel and Georg Friedrich Stiehaus, with financial support from the distinguished merchant and ship-owner Ferdinand Laeisz (1801 – 1887) from Hamburg (Molsen, *C. Illies & Co.*, p. 19 ff).

<sup>27</sup> Molsen (*C. Illies & Co.*, p. 21) writes that Kniffler lost a quarter of a million guilders that he had invested in a rice mill. On the other hand, Gildemeister, then Kniffler's employee and later his partner, does not mention anything about this in his memoirs but instead refers to a deterioration of business across the board as a result of the trade crisis of 1857 which had caused losses and bankruptcies not only in Hamburg but also in Batavia. According to Gildemeister, Kniffler had little hope for an improvement of business prospects in Batavia (Glade, *Die Lebenserinnerungen des Martin Hermann Gildemeister*, p. 73, 75).

<sup>28</sup> GStA PK [Geheimes Staatsarchiv, Preußischer Kulturbesitz], Rep. 120 C XIII 18 Nr. 7, Vol. 1, copy of a letter from Kniffler (Batavia) to the Prussian Foreign Office (Berlin), 5.11.1858, forwarded to the Ministry for Trade and Commerce; Glade, *Die Lebenserinnerungen des Martin Hermann Gildemeister*, p. 7; Möring, *Martin Hermann Gildemeister*, p. 6.

countries. This was seen by the German merchants as a chance to convert the unbiased Japanese customers to the quality of German merchandise, in the hope of attaching them permanently to particular brands and products.<sup>29</sup>

However, only citizens of the treaty nations were allowed to set up business in Japan, and only ships sailing under the flag of a treaty nation were permitted to call at Japanese ports. Thus, German merchants who wanted to do business in Japan did so by illegally posing as citizens of one of the treaty nations. As Kniffler had lived and worked within a Dutch environment for five years in Batavia, he decided to seek affiliation to the Dutch colony on the artificial island of Dejima off Nagasaki.<sup>30</sup> This move not only offered legal protection but also promised to facilitate Kniffler's access to the Japanese market, Dejima being a reservoir of long-standing commercial experience and topical information about political and economic developments in Japan.

Of all the treaty nations, the Netherlands were the most experienced in trade with Japan, as the Dutch trading colony on Dejima had been the only European enclave in Japan for more than 200 years. Furthermore, the Dutch were playing an outstanding part in Japan's incipient scientific and technological modernisation at the time when the treaty port system was established. The shogunate that could not but smartingly acknowledge the superiority of the Euro-American powers, was eager to quickly modernise Japan's military so that the country could defend its independence. To lay the foundation for this, the shogunate began developing key industries such as iron smelting, weapons production and steamship construction.<sup>31</sup> In the 1850s, the technological know-how needed for this endeavour was procured primarily from the Netherlands. In 1855, the regime installed a navy academy in Nagasaki in which, under the guidance of Dutch navy officers, modern methods of naval warfare were rehearsed with a steam-powered warship that was a gift from the Dutch government. In 1857 construction work started, also in Nagasaki, for the first Japanese shipyard where steam-powered warships could be built and repaired; subsequently, an iron foundry was attached to the shipyard. Components, machines as well as a further steamship were imported from the Netherlands and arrived accompanied by Dutch engineers,

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<sup>29</sup> GStA PK, Rep. 120 C XIII 18 Nr. 7, Vol. 1, lecture of the painter and illustrator Wilhelm Heine (1827–1885) who had witnessed the opening of Japan as a member of the Perry expedition, on the premises of the Geographische Gesellschaft zu Berlin 7.5.1859.

<sup>30</sup> GStA PK, Rep. 120 C XIII 18 Nr. 7, Vol. 1, copy of a letter from Kniffler (Batavia) to the Prussian Foreign Office (Berlin), 5.11.1858, forwarded to the Ministry for Trade and Commerce.

<sup>31</sup> Smith, Carl (1994): "The German Speaking Community in Hong Kong 1846–1918", in: *Journal of the Hong Kong Branch of the Royal Asiatic Society* 34, p. 132, 152.

who supervised the construction of the facilities and the commencement of operations.<sup>32</sup>

Kniffler and Gildemeister became aware of this special role of the Netherlands while still in Batavia where they prepared for their venture by collecting as much information as possible about developments in Japan. In the newspapers *Java Courant* and *Java Bode* they read the reports submitted by the Dutch foreign and colonial secretaries as well as by the director (*opperhoofd*) of the Dutch trading post on Dejima, Janus Henricus Donker Curtius (1813–1879) about the treaty negotiations with Japan as well as about the conclusion of agreements with the USA and Great Britain. In addition, Kniffler sounded out officials of the Dutch colonial authorities and “private persons” with practical experience in the Japan trade. His enquiries led him to believe that remarkable scientific advances were already on their way in Japan, in which he saw the harbingers of an impending economic and technological modernisation. With regard to trade, Kniffler concluded that in the very near future a huge demand for certain kinds of industrial products would arise in Japan, including not only “wool and cotton fabrics, cloths etc.” (in which the pertinent Prussian industries already had a significant stake) but “doubtlessly also physical, chemical and optical instruments and components, medicines, machinery, iron and steel products, weapons, glass, leather and leather goods”.<sup>33</sup> It is noteworthy that Kniffler did not in the first place think of exporting tea and silk from Japan to Europe but clearly envisioned an import business for semi-finished products, capital goods and armaments, which set his company apart from many competitors. He wished his company to become a vital part of Japan's industrial and military modernisation, which he was certain would happen in the near future. In doing so, Kniffler charted, even before embarking for Japan, the course that the company would pursue in the coming decades.

Also, Kniffler and Gildemeister made it a part of their preparations to urge their respective governments of Prussia and Bremen to conclude trade agreements with Japan. This was necessary for obtaining a secure and permanent legal foundation for the Japan business and would make sure that they would be entitled to the same privileges accorded their competitors from the treaty nations, but it would also entitle

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<sup>32</sup> For more on the history of that shipyard, see Nakanishi Yō (1982-2003): *Nihon kindai no kiso katei: Nagasaki zōsenjo to sono rōshi kankei: 1855-1900/03* (The Rise and Growth of a modern Japanese first industrial enterprise: Nagasaki Shipyard & Engine Works: 1855-1900/03). 3 Vols. Tokyo: Tokyo Daigaku Shuppankai.

<sup>33</sup> GStA PK, Rep. 120 C XIII 18 Nr. 7, Vol. 1, copy of a letter from Kniffler (Batavia) to the Prussian Foreign Office (Berlin), 5.11.1858, forwarded to the Ministry for Trade and Commerce.

them to apply for government contracts, which was a necessary precondition for their business strategy to succeed. Seizing the initiative, Kniffler wrote a letter to the Prussian government in November 1858, urging it to conclude a trade agreement with Japan and at the same time offering his services in facilitating the negotiations that would have to be initiated for that purpose.<sup>34</sup> Ten days later, Gildemeister, applying his close family ties to Senate circles in Bremen, sent a similar message to his uncle, in which he likewise recommended to consider the conclusion of a trade agreement between Bremen and Japan.<sup>35</sup>

A few days later, Kniffler and Gildemeister embarked for Nagasaki on board a Dutch barge loaded with an assortment of their wares; they arrived at their destination in January 1859. A second boat was sent after them from Europe.<sup>36</sup> These two shiploads were the foundation for the business that Kniffler started in Japan. Although Kniffler and Gildemeister arrived very early and were among the first foreign merchants who established themselves in Japan even before the trade agreements were enacted, and speed certainly counts as an advantage when engaging in an emerging market, it has to be said that the company consisted of only two personnel, it was much more poorly capitalised as compared to the well-established British giants in East Asian trade such as Jardine, Matheson & Co. or Dent & Co., who also came to Japan. Also, just like their competitors, Kniffler had no business contacts in Japan or any experience with the Japanese market. For a comparatively small merchant such as Kniffler, going to Japan was a risky endeavour, and it was far from certain that his business would turn into a success.

### **Gathering information from the Dutch (January – July 1859)**

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<sup>34</sup> GStA PK, Rep. 120 C XIII 18 Nr. 7, Vol. 1. Kniffler's letter was received with interest in Berlin, as the Prussian government was just preparing an expedition to Eastern Asia with the purpose of concluding trade agreements with China, Japan and Siam. The Department of Trade and Commerce suggested on 26 February 1859 that the Foreign Office should send Kniffler a friendly response.

<sup>35</sup> Mathias-Pauer/Pauer (eds.), *Die Hansestädte und Japan*, p. 53 ff., document no. 14. Gildemeister wrote numerous letters to the senates of the Hanse cities Bremen and Hamburg between 1858 and 1867, discussing the issue of a trade agreement with Japan. However, the diplomatic efforts thereupon undertaken by the Hanse cities did not bear fruit, and they became redundant in 1867 when the Prussian-Japanese trade agreement of 1861 was extended to the states of the North German Federation whereby the Hanse cities were included in the agreement.

<sup>36</sup> Möring, *Martin Hermann Gildemeister*, p. 7; Glade, *Die Lebenserinnerungen des Martin Hermann Gildemeister*, p. 75, 78.



Having lived in a predominantly Dutch environment in Batavia, it must have been easy for Kniffler and Gildemeister to blend into the Dutch community on Dejima. They were initially accommodated by the Belgian-Dutch physician Dr Johannes Lijdius Catharinus Pompe van Meerdervoort (1829–1908), who was stationed on Dejima from 1858 to 1863 to provide medical care for the personnel of the Dutch trading colony, but they soon rented a warehouse belonging to the Dutch government and moved into it with all their wares. In due time, they set up a residence, also on Dejima, which subsequently housed both the European associates of the company and their Japanese servants.<sup>37</sup>

From well-versed tradesmen with a mastery of several languages – L. Kniffler & Co. communicated in German, Dutch, English, French and Japanese – and people with the expertise to rate the quality of products, especially raw silk, down to ordinary office clerks, warehouse workers and domestic servants, a multitude of employees with a variety of qualifications were required to keep an overseas trading company going. Unfortunately, only a fraction of the personnel of L. Kniffler & Co. are known by name. Among them is Wilhelm Gustav Heinrich Reddelien (1839–1912), who joined the company in 1860, was promoted to executive rank in 1862, and to partnership in 1866.<sup>38</sup> Carl Otto August Evers (1841–1904) joined the company in 1862, rose to executive rank in 1866 and became a partner in 1868. In 1873, he established his own company in Hamburg, Simon Evers & Co., which still exists today. Arthur R. Weber (b. 1841), entered the company in 1863.<sup>39</sup> Other employees of note included the Swiss silk inspector Hans Conrad Morf, who worked for Kniffler's Yokohama branch from January 1862, and Wilhelm Pardun from Krefeld, also an expert for raw silk, who came to Nagasaki in 1865. A certain Eugen Bohlens was hired in Nagasaki in 1861, followed by Emil von Leesen in 1865. Also, a person named A. v. Torp was among the early employees.<sup>40</sup>

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<sup>37</sup> Glade, *Die Lebenserinnerungen des Martin Hermann Gildemeister*, p. 81 f.; Möring, *Martin Hermann Gildemeister*, p. 8; Wichura, Max (1868): *Aus vier Welttheilen. Ein Reise-Tagebuch in Briefen*. Breslau: Morgenstern, p. 152.

<sup>38</sup> Beisenkötter, Rudolf (2001): „Gustav Reddelien und der Beginn des deutsch-japanischen Handels“, in: *OAG Notizen* 11, pp. 9-24 & 12, pp. 6-19; *The Japan Herald*, No. 55, 6.12.1862.

<sup>39</sup> Weber, *Kontorrock und Konsulatsmütze*, p. 86 f.

<sup>40</sup> Morf left the company in 1865 and established his own firm, H.C. Morf & Co., with branches in Yokohama and Kōbe; it expired in 1903. Pardun became an executive in 1868 and a partner in 1873 when he was put in charge of the Yokohama branch; in 1880 he left the company. Bohlens founded his own company in Nagasaki in 1865, returning to Bremen in 1877/78. Von Leesen was transferred to Kōbe in 1868; in 1873 he went from Yokohama to Nagasaki and was promoted to executive rank in the same year before dropping out of the company in 1874 (Möring, *Martin Hermann Gildemeister*, p. 33; FA CIC [Firmenarchiv C. Illies & Co., Hamburg], U 55).

In addition, numerous non-European staffers worked for the company, though we know very little about them. It was common practice that Japanese employees (*bantō*) who, unlike the foreign merchants, could travel the country freely, were sent out to visit a remote production facility or to make contact with producers and dealers but also to handle everyday communications with domestic business partners and government officials.<sup>41</sup> On 4 June 1859, for instance, Kniffler asked the authorities in Nagasaki for permission to send one of his Japanese employees to Yokohama by land, to attend the opening of the port.<sup>42</sup> Furthermore, a number of Japanese warehouse workers – about whose frequent acts of theft Gildemeister was busy complaining in the early years – were part of the company’s work force. Ditto the Chinese employees, for whom the company had to obtain official registration in February 1869 and of whom only the stock-keeper “Can Fatch” is known by name.<sup>43</sup>

Six months passed between Kniffler’s and Gildemeister’s arrival in Nagasaki in January and the start of international trade in July. Although a preliminary agreement allowed trading even before the official opening of the port, the terms of trade laid down therein were so unfavourable that no significant business activities were undertaken.<sup>44</sup> An early letter from Maclaine Watson & Co. in Batavia that was expedited to L. Kniffler & Co. on 14 May 1859<sup>45</sup> proves that Kniffler had made it known that he was now in Nagasaki and ready to do business, but it seems that Kniffler and Gildemeister used these first months in Nagasaki mainly to gather information.

It showed that their initial landlord, Dr Pompe, collected a vast knowledge base about Japan, including material that was also of interest for businessmen. He busied himself with Japan’s foreign relations, its trades, its agriculture, its science, and its postal services.<sup>46</sup> Furthermore, Dr Pompe may well have been, of all Europeans living in Japan in 1859, the one with the most numerous and intense contacts within the domestic population, as he operated an instructional hospital in Nagasaki

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<sup>41</sup> Weber, *Kontorrock und Konsulatsmütze*, p. 240.

<sup>42</sup> Tōkyō Daigaku Shiryō Hensanjo (ed.) (1985): *Dai-Nihon komonjo. Bakumatsu gaikoku kankei monjo* Vol. 23. Tokyo: Tokyo Daigaku Shuppankai, pp. 194–195, document no. 94.

<sup>43</sup> Glade, *Die Lebenserinnerungen des Martin Hermann Gildemeister*, p. 82; FA CIC, business correspondence Kniffler, Preußisches Konsulat (Nagasaki) to L. Kniffler & Co. (Nagasaki), 11.2.1869; *The Chronicle & Directory for China, Japan & the Philippines* (1865).

<sup>44</sup> Mathias-Pauer/Pauer (eds.), *Die Hansestädte und Japan*, p. 101 ff., Gildemeister (Nagasaki) to Senator Smidt (Bremen), 5.1.1860.

<sup>45</sup> FA CIC, business correspondence Kniffler, Maclaine Watson & Co. (Batavia) to L. Kniffler & Co. (Nagasaki), 14.5.1859.

<sup>46</sup> Dr Pompe summed up his knowledge in his extensive book *Vijf jaaren in Japan* which is rated as one of the most outstanding European publications about 19th century Japan.

commissioned by the Japanese government, in which he taught European medical science to more than 50 Japanese students and treated many Japanese patients. He even made house calls.<sup>47</sup> Soon enough, an extensive Dutch-Japanese social circle developed around Dr Pompe to which Kniffler and Gildemeister were admitted. Within this group, valuable information about the complicated domestic relationships in Japan circulated, the bulk of them provided by the doctor's student Matsumoto Ryōjun (1831–1907) whose father-in-law served as the shogun's personal physician.<sup>48</sup> In the eyes of the Prussian diplomat Max v. Brandt (1835–1920) who came to Nagasaki in 1860/61 with the Prussian East Asia expedition and who became the first Prussian Consul in Japan in 1862, Dr Pompe was the most interesting Dutchman in Nagasaki and also, “through his Japanese disciples, the most knowledgeable about the interior conditions of the country”.<sup>49</sup>

Indeed, Japan's domestic fabric at the time was not easy to grasp. The controversy about the opening of the country had caused a deep rift. The shogunate in Edo that had been exercising governmental power in Japan for approximately 250 years considered the opening up of the ports as no more than a concession to the Western powers that had forestalled an impending military intervention. Consequently, the foreign merchants were not particularly welcome; if anything, they were tolerated, even though the shogunate made use of their services from time to time. At the same time an opposition movement against the government developed, carried by powerful feudal lords (*daimyō*) in whose eyes the shogunate had finally forfeited the last remnants of its legitimacy by opening the country, after its authority had gradually eroded through several decades due to its inability to cope with a series of economic crises. The feudal lords rallied their samurai troops around their symbolic unifier, the Emperor, who dwelt in political insignificance in the seclusion of his palace in Kyōto; their aim was to abolish the shogunate and to bring about a restoration of imperial rule. There was a widespread conviction that this would have to go hand in glove with the

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<sup>47</sup> Molsen, *C. Illies & Co.*, p. 7; Möring, *Martin Hermann Gildemeister*, p. 7 f.

<sup>48</sup> Möring, *Martin Hermann Gildemeister*, p. 21.

<sup>49</sup> V. Brandt, *Dreiunddreißig Jahre in Ost-Asien*, Vol. 1, p. 141. Likewise, the man in charge of the Prussian East Asia expedition, Count Eulenburg, who met Dr Pompe in February 1861, observed that the doctor possessed information from the highest levels of government, thanks to his personal closeness to Matsumoto, which had eluded Eulenburg even though he had been negotiating directly with the Japanese government during the previous weeks and months. For example, it was only through Dr Pompe that Eulenburg became aware of the politically significant marriage of the shogun with one of the emperor's daughters even though it had taken place during his sojourn in Edo: “Of all the foreigners in Jeddo nobody knew anything about it” (Zu Eulenburg-Hertefeld, Philipp (ed.) (1900): *Ost-Asien 1860–1862 in Briefen des Grafen Fritz zu Eulenburg, Königlich Preußischen Gesandten, betraut mit außerordentlicher Mission nach China, Japan und Siam*. Berlin: Mittler, p. 171).

expulsion of the Western aliens who were seen as “barbarians”. Thus, the future of the foreign businessmen was intimately connected to the domestic developments, and it was therefore vital for Kniffler and Gildemeister to stay informed about the latest politics conducted in the far-removed capital of Edo.

Apart from politics, Dejima Island was also a place where first-hand intelligence about the state of Japan’s economic and technological development was to be found. Through Dr Pompe’s circle, Kniffler and Gildemeister met the Dutchman Hendrik Harde, who supervised the construction of Nagasaki’s new shipyard and iron foundry as head engineer.<sup>50</sup> He offered them some insight into the practical issues of technology transfer and the establishment of heavy-industrial production facilities in Japan. They were also told on Dejima that the construction of the shipyard in Nagasaki was not a unique development: in other places in the region of Kyūshū, too, some feudal lords had begun to build up “an army and fleet along European lines” and were doing “everything to introduce to their domains factories and the latest inventions in machinery and armaments”.<sup>51</sup> The business opportunities regarding the importation of capital and military goods that this implied probably did not elude Kniffler and Gildemeister and may have bolstered their commitment to pursuing their business strategy.

Another excellent source of information was Donker Curtius, since 1852 the director of the Dutch trading post, whose reports Kniffler had been reading while still in Batavia. He not only possessed excellent contacts to most eminent government circles but also had many years of experience in dealing with Japanese authorities and Japanese ways of negotiating; he had already counselled the U.S. and Great Britain in trade negotiations with the Japanese government and had personally participated in talks with that government which had resulted in the Dutch-Japanese trade agreement of 1858.<sup>52</sup> Donker Curtius’ assessment of the short-term opportunities offered by Japanese trade sounded not as promising as things had looked from Batavia. He anticipated that when the stipulations contained in the treaty agreements were put into practice, the Japanese authorities would create problems, as in his experience they tended to not always painstakingly adhere to treaties. It was his assumption that it

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<sup>50</sup> Wichura, *Aus vier Welttheilen*, p. 147.

<sup>51</sup> Mathias-Pauer/Pauer (eds.), *Die Hansestädte und Japan*, p. 77 ff., document no. 34, Gildemeister (Nagasaki) to Senator Smidt (Bremen), 25. 6. 1859.

<sup>52</sup> *Ibid.*, p. 91 ff., document no. 37, Gildemeister (Nagasaki) to Senator Smidt (Bremen), 30.7.1859.

would take several years and a number of contractual revisions until unfettered commercial activity would come to pass.<sup>53</sup>

In addition to the obstructionism of the Japanese authorities, it was obvious that the market situation as such was rather unfavourable as the Japanese merchants who had come to the treaty ports in order to do business with the foreigners were often poorly capitalised and could not afford to buy European import goods in large quantities, for many of which there was no big demand in Japan anyway.<sup>54</sup> As early as spring 1859, Kniffler and Gildemeister had collected enough information to arrive at a realistic assessment of the business opportunities that Japan offered in the short run. Gildemeister understood that the Japanese market, for the time being, had only a limited capacity for absorbing European products. He assumed that “in the first 4 to 5 years no golden threads will be spun in Japan yet. The Japanese must first become accustomed to the consumption of European products, as their country provides everything they need for their lives (though often in an inferior quality).”<sup>55</sup>

As trade in consumer goods was thus not very profitable, it must have seemed all the more promising to strike deals with the Japanese government over the import of military and capital goods that were highly coveted, just as they had planned right from the beginning. However, Kniffler and Gildemeister were, at least nominally, legally excluded from such contracts for the time being, as they were not nationals of one of the treaty nations, and they did not yet possess the necessary business relationships with pertinent European suppliers anyway. They were thus forced to acknowledge that the vision they had hatched in Batavia – to develop an import trade for European industrial products and armaments – could not be brought to bear immediately.

However, they were quick in adapting to the situation at hand, in that they sounded out the possibilities offered by Japanese trade with China, its most important foreign trading partner. Losing no time, Gildemeister took a trip to Hongkong in the spring of 1859 in order to explore the potential Chinese market for Japanese and European products. For this purpose he contacted the Hamburg-based trading company of Siemssen & Co., which had a branch office in Hongkong, laying the foundation for a

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<sup>53</sup> Wätjen, *Anfänge des deutsch-japanischen Handelsverkehrs*, p. 6.

<sup>54</sup> Partner, Simon (2018): *The Merchant's Tale: Yokohama and the Transformation of Japan*. New York: Columbia University Press, pp. 22-23.

<sup>55</sup> Mathias-Pauer/Pauer (eds.), *Die Hansestädte und Japan*, p. 72 ff., document no. 30, Gildemeister (Hongkong) to Senator Ferdinand Donandt (Bremen), 12.5.1859.

lasting and friendly relationship between the two companies which primarily served the purpose of exchanging information.<sup>56</sup>

In the early phase of their presence in Japan, Kniffler and Gildemeister thus focused their energy on setting up a general import-export business in Japan encompassing the Chinese trade; they started out by experimenting with various commodities. Yet they never lost sight of the capital goods and armaments business that were on the horizon.

### **Gaining a foothold in the Japanese market as a general import-export business (1859 – mid-1860s)**

After the Unequal Treaties were enacted, Kniffler opened branches or placed representatives of his company in any open port or city in Japan. Besides Nagasaki, where the headquarters of his company were located, Yokohama seemed particularly interesting. Louis Kniffler arrived at Yokohama on 1 July 1859, rented a building in the customs compound and established his business there on 16 July, as one of the very first foreign merchants in Yokohama to do so.<sup>57</sup>

With its proximity to the big city of Edo and two large silk and tea-growing areas, abundant space for the construction of a settlement for a community of foreigners, and a harbour that was well suited for large ships that were used in overseas trade, Yokohama quickly developed into Japan's most important international port. While in the year in which its harbour was opened more than half of Japan's foreign trade was still conducted via Nagasaki, Yokohama had already acquired three quarters of the country's foreign trade by 1862. Three years later Yokohama was far ahead of the other treaty ports, with a share of over 90 per cent.<sup>58</sup>

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<sup>56</sup> Möring, Maria (1971): *Siemssen & Co. 1846–1971* (Veröffentlichungen der Wirtschaftsgeschichtlichen Forschungsstelle e.V., Hamburg 33). Hamburg: Verlag Hanseatischer Merkur, p. 70.

<sup>57</sup> Saitō Takio (1999): *Yokohama kaikōji no bōeki jijō. Gaikoku shōsha no shinshutsu to kiito bōeki no hajimari*, in: *Yokohama kaikō shiryōkan kiyō* 17, p. 8 ff. In this makeshift office an inconspicuous deal was struck shortly after that was destined to hold significant implications for the cultural history of Japan. Fukuzawa Yukichi (1835–1901), a young samurai who had taken up Dutch studies in Nagasaki five years before and who was to become an important philosopher and educator contributing greatly to Japan's modernisation, visited the concession zone of Yokohama and found that the Lingua Franca spoken there was not Dutch but English. On the spur of the moment, Fukuzawa bought two Dutch-English dictionaries in Kniffler's trading post which he subsequently used for his autodidactic study of the English language (Fukuzawa Yukichi (1972): *The Autobiography of Yukichi Fukuzawa*. New York: Schocken, p. 97 ff.).

<sup>58</sup> Seno Seiichirō (1984): *Nagasakiken no rekishi* (Rekishi shiriizu 42). Tokyo: Yamakawa Shuppansha, p. 216.

In the port of Hakodate, it did not make sense for L. Kniffler and Co. to operate a branch, as a mere seven per cent of Japan's foreign trade went through that port in 1859, a small share that was to shrink further in the years to come.<sup>59</sup> Only the seasonal trade in marine products reached an appreciable volume there. As a consequence, L. Kniffler & Co. did business in Hakodate only through a trade office. This was managed by Conrad Gaertner, an employee of the company, who went to Hakodate in 1861 and set up his own business there no later than 1863. In 1865, at the latest, he established the Wilkie & Gaertner company with an American partner; it continued to serve as an agency for Kniffler.<sup>60</sup>

The terms of trade under which international companies operated in Japan were decidedly advantageous. Thus, the Unequal Treaties could not be unilaterally terminated by the Japanese. They contained most-favoured clauses, established the principle of consular jurisdiction and accorded Japan no customs sovereignty, proscribing low import and export duty rates of five per cent for most merchandise (20 or 35 per cent respectively in exceptional cases). On the other hand, several restrictions applied: foreign businesses were not allowed to locate outside the concession zones and foreigners were given only a radius of about 40 kilometres to move around in.<sup>61</sup> They were deprived of access to the Japanese inland, and thus of the chance to order directly from the manufacturers of coveted export products.

While the legal situation was very favourable for the foreign merchants, doing business in Japan was far from risk-free. The growth of the Japanese trade was subject to intense oscillations during the first months and years. Periods of heightened activity alternated with protracted slack periods. In the beginning, business in Nagasaki was "so dead for months that some were already hatching the idea of closing down the business here and leaving the country", whereas the Yokohama branch was able to register good profits right in the first year.<sup>62</sup> This may have had to do with the so-called "gold rush" which started immediately after the enactment of the trade agreements. Large quantities of Japanese gold coins were exported to China, to be sold there at a profit of 50 per cent,<sup>63</sup> and Louis Kniffler was among those who partook in the gold

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<sup>59</sup> Ibid., p. 216.

<sup>60</sup> Tanabe Yasuichi (2004): *Buna no hayashi ga katari-tsutaeru koto*. Kitahiroshima: Kitahiroshima Kyōdoshi Kenkyūkai, p. 12.

<sup>61</sup> The first of these "unequal treaties", the agreement between Japan and the U.S.A., is reprinted in Gubbins, John Harrington (1971): *The Progress of Japan 1853 – 1871*. New York: AMS Press, p. 269 ff.

<sup>62</sup> Glade, *Die Lebenserinnerungen des Martin Hermann Gildemeister*, p. 83 f.

<sup>63</sup> McMaster, *The Japanese Gold Rush*, p. 279.

trade out of Yokohama.<sup>64</sup> Although the Japanese government banned this trade after a few weeks in order to stop the currency drain that it entailed, it can be assumed that it helped increase the company's seed capital markedly.

After the end of the gold rush, however, it became evident that Japan was short on products available for export in large quantities. Conversely, the demand for European industrial products that had initially been sold in certain quantities dropped as the markets were soon saturated, as was to be expected.<sup>65</sup>

It seems that Louis Kniffler left Yokohama as early as in spring 1860, when the gold rush was over and large-scale business was not in sight.<sup>66</sup> It is probable that during the next two years L. Kniffler & Co. did not operate a place of business in Yokohama. What we know from the records is that Hans Conrad Morf, the silk expert, came to Yokohama in January 1862, as a representative of the company,<sup>67</sup> which indicates the upswing in the silk trade.

The trade in silk, however, showed strong ups and downs. In 1863, the shogunate curbed the silk trade in order to appease radical samurai who wanted to expel the foreigners, which meant that by the summer of 1864 the silk trade in Yokohama came to a temporary halt. Instead, the cotton trade gained some momentum. In the course of the American civil war, the price for cotton on the world market rose dramatically in 1862/63, as the North blockaded the South's export harbours. As a consequence, Japanese cotton was bought up by the foreign merchants in large quantities between the end of the year 1863 and during 1864, mainly to be exported to England. Then, in June 1865, the shogunate lifted the ban on the export of silkworm eggs, which created a new business opportunity as the European silkworm population had been wiped out by a parasite.<sup>68</sup> All of the above were export goods, and in fact, the value of exports from Japan constantly exceeded the value of imports until the mid-1860s.<sup>69</sup>

The most important export item was raw silk which accounted for 50 to 80 per cent of trade volumes. Its sales yielded profits of around 100 per cent. Next on the list were tea, silkworm eggs, raw cotton, seafood, rapeseed oil and copper. The seafood bracket encompassed, above all, seaweed, which could be sold to China seasonally at a profit

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<sup>64</sup> Hall, Francis (2001): *Japan Through American Eyes. The Journal of Francis Hall. 1859 – 1866*. Boulder, Colorado/Oxford: Westview Press, p. 45.

<sup>65</sup> Mathias-Pauer/Pauer (eds.), *Die Hansestädte und Japan*, p. 101 ff., Gildemeister (Nagasaki) to Senator Smidt (Bremen), 5.1.1860.

<sup>66</sup> Saitō, *Yokohama kaikōji no bōeki jijō*, p. 14 f.

<sup>67</sup> FA CIC, business correspondence Kniffler, Bourjau, Hübener & Co. (Shanghai) to Morf (Kanagawa), 2.1.1862.

<sup>68</sup> Partner, *Merchant's Tale*, pp. 91-103.

<sup>69</sup> Kanagawa Prefectural Government (ed.), *The History of Kanagawa*, p. 178.



of 100 to 400 per cent. Other valuable export goods were the so called “chow-chow items”,<sup>70</sup> yielding profits in the 75 per cent range, as well as pit-coal which could be bought in Japan for 4 1/2 Mexican silver dollars per metric ton and fetched ten to eleven Mexican silver dollars in Hong Kong. In the import category, cloths topped the list with a share of 40 to 50 per cent; they yielded profits of 100 to 150 per cent. They were followed by metals such as zinc, lead and iron as well as cotton yarn.<sup>71</sup>

The product assortment handled by L. Kniffler & Co. corresponded by and large to the general trends of the trading market while at the same time reflecting the experimental character of many business ventures. Thus, Kniffler’s company exported chiefly coal, vegetable wax and camphor as well as, in smaller amounts, beeswax, silk, mushrooms, umbrellas, tobacco, brooms, soy sauce, sake, lacquerware, tea pots, washbasins, etc., all these to Batavia; small volumes of silk and coal were sold to Shanghai. Among the goods that the company imported – mainly from Batavia during this period – were pharmaceuticals, cloths and sappanwood as well as, in smaller quantities, clocks, betel nuts, rifles, other weapons and leather goods.<sup>72</sup>

Up until the spring of 1862, the business connections of L. Kniffler & Co. were largely limited to South East Asia (Manila, Batavia) and China (Hong Kong, Shanghai). Its relationship with Pandel & Stiehaus in Batavia was and remained of outstanding importance. In Shanghai, Kniffler worked with Siemssen & Co., whereas a newly initiated business relationship with the Shanghai branch of the German trading firm of Bourjau, Huebener & Co. proved less productive.

Before long, however, Kniffler & Gildemeister greatly extended the range of their business connections. It was probably in November 1860 that Kniffler travelled to Hong Kong<sup>73</sup> and from there on to Europe where he worked through 1861 at further developing his company by recruiting personnel and initiating business contacts. After he returned to Japan in the spring of 1862,<sup>74</sup> it was Gildemeister who undertook an extended European trip from December 1863 to May 1865, visiting England, the

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<sup>70</sup> “Chow-chow items” was a generic term for foodstuffs used in the Chinese cuisine, especially dried fish and dried mushrooms.

<sup>71</sup> McMaster, *The Japanese Gold Rush*, p. 279; Werner, *Die preussische Expedition nach China, Japan und Siam*, p. 379 ff.; Hayakawa Hironaka et al. (1987): *Nihon bōeki nyūmon*. Tokyo: Hakutō Shobō, p. 9.

<sup>72</sup> FA CIC, business correspondence Kniffler.

<sup>73</sup> FA CIC, business correspondence Kniffler, Pandel & Stiehaus (Batavia) to L. Kniffler & Co. (Dejima), 15.12.1860.

<sup>74</sup> Mathias-Pauer/Pauer (eds.), *Die Hansestädte und Japan*, p. 165 ff., document no. 16, Kniffler (Nagasaki) to Syndicus Merck (Hamburg), 20.3.1862.

Netherlands, France, Switzerland and Germany and forging further new contacts along the way.<sup>75</sup>

As a result of this considerable expansion of their business network, the company conducted ever more business with companies based in Europe while at the same time focusing its efforts on particularly profitable export goods such as seaweed, coal, silk and tea, and on the import of fabrics. The Yokohama branch started sending out market reports and price quotes about silk to companies in Lyon and Marseille, two of the most prominent centres of the European silk trade. After Hans Conrad Morf had come to the Yokohama branch office in January 1862, a first shipment of silk was sold in the summer of that year via Bourjau, Huebener & Co. in Shanghai to Rosenburger & Cie. in Marseille; the latter company represented the business interests of L. Kniffler & Co. in Marseille and offered to extend this representation to Paris, Lyon and other markets in France.<sup>76</sup> L. Kniffler & Co. sold tobacco to G. H. & F. Wulff in London, while the Bremen-based company of Gildemeister & Ries received a shipment of fish oil, stag hides, tea and silk. In addition, the company put out feelers to the USA, exporting tea to the Hellmann Brothers firm in San Francisco. In April 1862, a business association was forged with the firm of H. C. Bock in Hamburg, whose speciality was the international trade in fabrics;<sup>77</sup> this connection continued for at least 10 years. From Bremen, the company of Joh. Lange Sohns Witwe & Co. shipped rifles.

In Asia, Batavia continued to be an important market which L. Kniffler & Co. now supplied primarily with high-quality goods such as camphor, copper and raw silk and from where in return it obtained pharmaceuticals. Out of Hong Kong came quinine, and Shanghai, where a new business connection to Telge Nölting & Co. was opened, was supplied with coal, silk, wood, dried fish and rifles. Shanghai was also an important market for seaweed (*konbu*), which was a popular grocery in China and which Conrad Gaertner got from Hakodate in large quantities. The trade in seaweed yielded particularly nice profits for L. Kniffler & Co. As early as autumn 1863, Louis Kniffler had ordered a shipment valued at 40,000 Mexican silver dollars from Hakodate for the Chinese market, hoping to make a profit of approximately 20,000 Mexican silver

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<sup>75</sup> Möring, *Martin Hermann Gildemeister*, p. 4.

<sup>76</sup> FA CIC, business correspondence Kniffler, Rosenburger & Cie. (Marseille) to L. Kniffler & Co. (Yokohama), 26.6.1862.

<sup>77</sup> In 1862, Carl Jacob (1833–1880), who had taken part in the Prussian East Asia expedition as commercial consultant, became a partner in H.C. Bock and set out to expand the company's export business to Eastern Asia (Hohnsbehn, Harald (2007): *Die Bocks. Eine Familie im Strom der Zeit*. Neumünster: Wachholtz, p. 33, 85). Presumably, initial contacts to L. Kniffler & Co. had already been forged during his sojourn in Japan.

dollars.<sup>78</sup> At the start of the seaweed season of 1865, Kniffler again sold a large shipment of 3,000 piculs (approximately 181 metric tons) to the Chinese merchant Tookchai in Shanghai for four Mexican silver dollars per picul. His purchasing price in Hakodate had been 2.85 Mexican silver dollars per picul; therefore, we can assume that this deal also yielded a handsome profit.<sup>79</sup>

Although Kniffler's and Gildemeister's vision of creating an import house for European industrial products, machinery and armaments could not immediately be fulfilled, their flexible approach to business enabled them to gain a firm footing in Japan and to achieve growth. As early as 1863, the Prussian consul Max v. Brandt lauded the company as "the biggest German firm, indeed one of the most prominent firms in Japan".<sup>80</sup>

### **The position of honorary consul as a door-opener to government contracts (1862–1870s)**

The company owed its successful trajectory in the unpredictable establishment phase to at least one other factor, namely the appointment of Louis Kniffler as Prussian honorary consul in Japan. In 1863, a trade agreement between Kniffler's home country of Prussia and Japan was enacted, as a result of the Prussian East Asia expedition under Count Eulenburg two years earlier. This led to the legalisation of L. Kniffer & Co., which shed its Dutch cover and from now on did business as a Prussian firm.

Louis Kniffler adeptly used the establishment of diplomatic relations between Japan and Prussia to his company's advantage. In the course of his trip to Europe in 1861, he had paid the Foreign Office in Berlin several visits to recommend himself for the office of a Prussian honorary consul in Japan, an office that, however, had yet to be created.<sup>81</sup> His natural character may have helped him to achieve this goal. In the judgement of his contemporaries, Louis Kniffler was not only a very determined and energetic person<sup>82</sup> but, as a "born Rhinelander", he was also equipped with "all the

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<sup>78</sup> Hildebrandt, Eduard (1888): *Professor Hildebrandt's Reise um die Erde. Nach seinen Tagebüchern und mündlichen Berichten erzählt von Ernst Kossak*. Berlin: Janke, p. 353.

<sup>79</sup> FA CIC, business correspondence Kniffler, contract between L. Kniffler & Co. (Nagasaki) and Tookchai (Nagasaki), 8.9.1865; Wilkie & Gärtner (Hakodate) to L. Kniffler & Co. (Nagasaki), 8. 10. 1865.

<sup>80</sup> GStA PK, III HA, 2.4.1. II Nr. 5100.

<sup>81</sup> GStAPK, Rep. 120 CXIII 18 No. 11. In anticipation, his brother Carl Kniffler (b. 1817) had sent, on behalf of Louis, an application for the post of an honorary consul in Japan to the Prussian Department of Trade and Commerce (GStAPK Rep. 120 CXIII 18 No. 7, Vol. 1).

<sup>82</sup> Molsen, *C. Illies & Co.*, p. 20.

pleasant characteristics of this merry and alert race of men”<sup>83</sup>, which means that he must have possessed the gift of easily charming people. Furthermore, he proved to be a very skilful negotiator, so much that Donker Curtius praised him as “a true diplomat”.<sup>84</sup> It can be imagined that his personal demeanour, together with the successful development of his company, convinced the Prussian authorities to award him the title he desired.

When the Prussian government decided in June 1862 to install a non-salaried vice consul in Nagasaki, in addition to a career consul in Yokohama, Louis Kniffler was selected for the post. Count Eulenburg endorsed his appointment in recognition of the good reputation L. Kniffler & Co. enjoyed, because of the friendly reception that Gildemeister had accorded the members of the Prussian expedition in Nagasaki, and not least because Kniffler was the only Prussian-born German operating a business in Nagasaki. At the end of 1862, Kniffler was appointed vice consul in Nagasaki; the Prussian consul Max v. Brandt took Kniffler’s certificate of appointment with him when he embarked for Japan, and handed it to him probably in the autumn of the same year when he stopped over in Nagasaki for several days, lodging in Kniffler’s residence on Dejima.<sup>85</sup> In the autumn of 1863, Louis Kniffler moved into a mansion in the concession zone of Ōura, one of the districts of Nagasaki, possibly to underline his new status as an honorary consul.<sup>86</sup>

The office of honorary consul not only brought its holder a bonus in terms of his social prestige but also enhanced his business opportunities. Merchants from Europe and the USA often preferred to do business with a company headed by an honorary consul, as such a title underlined the good reputation of the company and seemed to guarantee trustworthiness. Even more important were the advantages enjoyed by the holder of such a title in Japan. Within the Confucian four-class order that was the backbone of the Japanese feudal society, merchants occupied a place at the very bottom. The title of “Consul” made for a considerable enhancement of a merchant’s social status, giving him a chance to interact with Japanese officials, who belonged to the samurai class, on an equal level. Therefore, the company of L. Kniffler & Co. now found itself in the favourable situation that its owner regularly conversed with Japanese

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<sup>83</sup> Hildebrandt, *Professor Hildebrandt’s Reise um die Erde*, p. 353, 357.

<sup>84</sup> StaHH [Staatsarchiv Hamburg], Cl. VI No. 14e Vol. 1 Fasc. 1b.

<sup>85</sup> GStA PK, Rep. 120 C XIII 18 Nr. 11; v. Brandt, *Dreiunddreißig Jahre in Ost-Asien*, p. 313.

<sup>86</sup> Weber, *Kontorrock und Konsulatsmütze*, p. 109; Nagasaki Kenritsu Toshokan (ed.) (2002): *Bakumatsu· Meiji ni okeru Nagasaki kyoryū gaikokujin meibo* (Kyōdo shiryō sōsho 2). Nagasaki: Nagasaki Kenritsu Toshokan, p. 32.

authorities, in his official capacity, and was able to recommend himself and his firm for government contracts. In addition, his privileged access gave his company an information head start over the competition, as many news reports from all over the world were made available to the consulate early on.

Even before becoming honorary consul, Kniffler regularly invited guests to dine with the workforce of the company – German merchants, members of the Dutch community on Dejima, educated globetrotters or scholars passing through. Some of these found accommodation in the Kniffler residence for a longer while.<sup>87</sup> The news, stories and rumours that were shared in conversation around the dinner table were undoubtedly of interest from a business perspective, all the more at a time when there were not yet any international newspapers circulating in Japan nor international telegraph connections.

The position of an honorary consul facilitated the gathering of information from distant marketplaces. For officers serving on warships, a visit to the consulate of their respective country was obligatory, but also many captains of merchant ships and many individual travellers made a call to the consulate their first priority upon arrival. Also, nobody had more current information about the business developments at different trade venues than the consuls, as it was part of their official duties regularly to send detailed trade reports, shipping lists and import-export statistics to the trade ministry of their home country. For this purpose they collected, in collaboration with the local Japanese customs authorities, a great amount of data about the business dealings of the trade companies of their nationality, which probably allowed them now and then to catch a glimpse of what their competition was doing.<sup>88</sup> Finally, an honorary consul also enjoyed the privilege, within the framework of the applicable consular jurisdiction, to extend a protective hand over his own business should the eventuality occur that a complaint was filed against it. In this case the consul would absurdly be sitting in judgement upon his own company.

Until the time when the German honorary consulates in Japan were generally replaced by official consulates, this role was always filled by managing partners of L. Kniffler & Co. at the various locations; the benefits inherent in this situation were continuously milked for the sake of the company's business. As early as 1866,

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<sup>87</sup> Hildebrandt, *Professor Hildebrandt's Reise um die Erde*, p. 357 f.

<sup>88</sup> Weber, *Kontorrock und Konsulatsmütze*, p. 199, 238, 319. Louis Kniffler wrote two reports on Nagasaki for the years 1863 and 1864 (GStA PK, III HA, 2.4.1. II Nr. 5100).

Hermann Gildemeister had become the first German honorary consul in Yokohama.<sup>89</sup> In 1868, August Evers was installed as honorary consul of the North German Federation in Kōbe, succeeded by Carl Illies who held the office from May 1871 until June 1872.<sup>90</sup> Emil von Leesen was nominated for the office of honorary consul in Nagasaki in 1873, and he must have got the job, for in 1876 Hermann Iwersen volunteered to fill in as his replacement during his absence.<sup>91</sup> This practice, however, was not exclusive to L. Kniffler & Co. Other German companies, too, managed to install their owners or senior employees as honorary consuls.

Before long, Kniffler could use the contacts he and other senior employees made as honorary consuls with Japanese authorities in order to do business with the Japanese government or feudal domains. In the course of the 1860s, the conflicts between the shogunate and the antagonistic feudal lords in the imperial camp intensified, finally leading, in 1868, to a restoration of the imperial rule under Emperor Meiji. Louis Kniffler closely observed the pertinent activities of his competitors and was aware early on of the business opportunities created by these domestic developments. Already in mid-September 1863, he and his companions at the dinner table in Nagasaki discussed the arrival of a steamship from the USA, with a shipment of revolvers that were sold to Japanese customers at steep prices.<sup>92</sup> In the aftermath of two campaigns that the shogunate undertook against the renegade feudal domain of Chōshū, the armaments business gained substantially in significance in the subsequent years 1864 and 1865. In the military confrontations of those years, both camps employed modern weaponry on a large scale, imported from Europe and the United States. Among others, canons manufactured by Krupp were shipped to Japan for the first time in 1864, although they were procured by the Dutch trading colony on Dejima.<sup>93</sup> As early as summer 1865, Japanese delegations embarked for Europe in order to source weapons directly, lured by the delivery of free samples by the French government.<sup>94</sup> This probably moved Louis Kniffler to return to Germany in the late summer or early autumn of 1865<sup>95</sup> where he established a branch office in Düsseldorf,

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<sup>89</sup> Möring, *Martin Hermann Gildemeister*, p. 35; Glade, *Die Lebenserinnerungen des Martin Hermann Gildemeister*, p. 70, 87.

<sup>90</sup> *Ibid.*, p. 33; FA CIC, U 55; GStA PK, Rep. 120 C XIII 18 Nr. 11.

<sup>91</sup> BArchB [Bundesarchiv, Berlin], R 901/52876, p. 86, 92, 115.

<sup>92</sup> Hildebrandt, *Professor Hildebrandt's Reise um die Erde*, p. 357.

<sup>93</sup> HAK, WA 3/26, pp. 59–63.

<sup>94</sup> Mathias-Pauer/Pauer, *Die Hansestädte und Japan*, pp. 247–249, document no. 16, Gildemeister (Yokohama) to Syndicus Dr. Merck (Hamburg), 6.7.1865.

<sup>95</sup> GStA PK, Rep. 120 CXIII 18 No. 11.

in September 1866,<sup>96</sup> which served as a purchasing hub for the Japan business and as a centre for coordinating contacts to European companies. The import business that he had originally envisioned was gradually taking shape, and he certainly wanted to make sure that this terrain would not be ceded to his competitors.

### **Expanding the import business (1866 – 1879)**

Starting in the mid-1860s, the company was able to benefit from a major general upsurge in the Japan trade. In June 1866, the Japanese government concluded a customs agreement with the treaty nations which stipulated flat customs fees of five per cent for imports as well as exports.<sup>97</sup> These favourable changes furthered the development of Japanese foreign trade, making it all the more attractive for German merchant companies. Also, after Japan's trade agreements with Prussia had been extended to the states of the North German Federation in 1867, the ships of the great Hanseatic merchant fleet were permitted to enter Japanese ports. At the same time, the travel distance between Europe and East Asia was almost cut in half thanks to the opening of the Suez Canal in 1869, which made it worthwhile to establish direct shipping routes between the German states and Eastern Asia. Already from 1871 onwards, the freight and passenger ships of the *Deutsche Dampfschiffs-Rhederei* (Kingsin Line) travelled regularly between Hamburg and China; twelve years later, their service was extended to Japan.<sup>98</sup> All this had the effect of boosting the volume of trade between Germany and Japan substantially.

This trend was amplified by the fact that the Japanese demand for products of European industry rose markedly. The growth in the import trade was mainly based on a rising demand for armaments on the eve of the Meiji restoration. Kniffler was prepared to meet this demand from the branch office in Düsseldorf, which he had established in 1866.

At the same time, in Japan, a new managerial team was installed, consisting of Gustav Reddelien who became a partner in 1866 and headed the Nagasaki branch, and Carl Illies, the future owner of the company, who had entered the company in

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<sup>96</sup> Zielke, *Konsul Louis Kniffler*, p. 10.

<sup>97</sup> The text is reprinted in Gubbins, *The Progress of Japan*, pp. 298–304.

<sup>98</sup> Seiler, Otto J. (1988): *Ostasienfahrt. Linienschiffahrt der Hapag-Lloyd AG im Wandel der Zeiten*. Herford: Mittler & Sohn, p. 29 ff.

1866,<sup>99</sup> was promoted to executive rank and took over the leadership of the Yokohama branch from Gildemeister, after the latter's retirement in 1868. Illies was co-opted as a partner in January 1873, together with Wilhelm Pardun.<sup>100</sup> Around that time, probably in the late 1860s, the Yokohama branch was designated to be the company's new headquarters, as Yokohama had by then become Japan's most important international port.

The armaments trade, however, was concentrated in Nagasaki. The warring parties sent representatives to the foreign trade companies based there, with the mission to acquire modern weaponry,<sup>101</sup> and L. Kniffler & Co. was among the companies benefiting from this development. Within just a few months, the firm won numerous weapons contracts; for instance, in March 1866 it sold 475 Westley Richards rifles for the price of 60,000 *ichibu* (approx. 20,000 Mexican silver dollars); in February 1867 it landed an order for rifles to the tune of 16,000 *ichibu* (approx. 5,300 Mexican silver dollars), in April 1867 for 400 muskets worth 3,800 *ichibu* (approx. 1,300 Mexican silver dollars), and in May 1867 for 150 Enfield rifles priced at 9,000 *ichibu* (approx. 3,000 Mexican silver dollars). All in all, L. Kniffler & Co. in 1866 and 1867 supplied about 5,000 firearms to various warring parties, including the feudal domains of Fukuoka, Hizen, Hosokawa, Kokura, Kubota (*Akita*), Nakatsu, Ōmura, Satsuma, Sendai, Tosa, Wakayama (*Kishū*), Yanagawa and Yonezawa.<sup>102</sup> Only Glover Trading Co., the largest armaments dealer in Japan, could boast of a higher sales volume.<sup>103</sup> In 1867 L. Kniffler & Co. also shipped Krupp guns to Japan – probably as a result of activities undertaken by Louis Kniffler after his return to Germany.<sup>104</sup>

The armaments trade yielded high profits, as the strong demand for modern weaponry enabled suppliers to exact hefty prices; on the other hand, this carried a high risk, too. Many deals were made on credit, and more often than not payments were a long time in coming, as warfare became ever more expensive for the parties involved the longer the fighting continued. This could have fatal consequences for foreign merchants, as was demonstrated by the example of Glover Trading Co. which was forced into bankruptcy in 1870 by the insolvency of its customers.

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<sup>99</sup> FA CIC, business correspondence Kniffler, Gildemeister (Yokohama) to Carl Illies (Shanghai), 11.5.1866.

<sup>100</sup> Molsen, C. *Illies & Co.*, p. 50; FA CIC, GL-Rundschreiben 1873 – 1922.

<sup>101</sup> Seno, *Nagasaki no rekishi*, p. 216.

<sup>102</sup> Rauck, *Beziehungen zwischen Japan und Deutschland*, p. 434; FA CIC, Nagasaki Kenritsu Toshokan, document 14, 34–7.

<sup>103</sup> Shigefuji Takeo (1967): *Nagasaki kyoryūchi to gaikoku shōnin*. Tokyo: Kazama Shobō, p. 458.

<sup>104</sup> HAK, WA IV 548, p. 170.



L. Kniffler & Co. was spared this fate as the company did a lot to avoid problems by evaluating information and knowledge about the various warring parties. As the weaponry deals concluded by L. Kniffler and Co. show, the firm knew a great deal about the economic situation of the individual feudal domains they were dealing with, and did its best to shun any high-risk credit-based deals. Instead, it returned to the principle of bartering weapons against products for whose particular quality the domain in question was known. In this way it reduced its dependency on the customers' solvency while at the same time procuring stocks of valuable trading goods, for which there was an international demand. Thus, in 1866 and 1867 L. Kniffler & Co. delivered a total of 1,300 rifles plus accessories, uniform fabrics and a steamship valued at approx. 250,000 Mexican silver dollars to the feudal domain of Tosa. Presumably, this was the biggest single contract that the company had gained until then. In return, Tosa agreed to deliver an annual amount of 180 metric tons of camphor worth approx. 44,000 Mexican silver dollars to L. Kniffler & Co. from 1866 to 1871. This was equivalent to 64 per cent of Japan's total camphor export volume in 1966, and to 72 per cent of the total value of all camphor exported via Nagasaki (61,000 Mexican silver dollars annually). However, not even this strategy offered a full guarantee against a customer's inability or unwillingness to pay. The domain of Tosa fulfilled its contractual obligations only in the first year; thereafter, when the price of camphor rose substantially, its representatives tried to wrangle more advantageous terms of trade, after the fact. In protracted and tough negotiations with Iwasaki Yatarō (1834–1885), the director of the trading agency of the Tosa domain in Nagasaki (who later founded Mitsubishi and was to make history as one of Japan's most distinguished entrepreneurs), Gustav Reddelien finally persuaded the domain to agree to a graded repayment scheme. Thus, while the camphor deal had generated an enormous profit in 1866, two years later it was prematurely terminated with a "meagre settlement".<sup>105</sup>

Other weapons deals were fashioned along the same lines. Kniffler's employee Arthur R. Weber who established his own company Weber, Leysner & Co. in Niigata in 1869,<sup>106</sup> and proceeded to represent the business interests of L. Kniffler & Co. there,

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<sup>105</sup> Kasai Masanao (1993): „Bakumatsu · ishinki ni okeru Kunifuraa Shōkai no bōeki katsudō. Doitsu · Irisu Shōkai zenshi“, in: *Shōgaku ronshū* 1, p. 68 ff; Weber, *Kontorrock und Konsulatsmütze*, p. 132 f. The well-known Japanese writer Shiba Ryōtarō (1923-1996) incorporated the deal between L. Kniffler & Co. and the feudal domain of Tosa into one of his best-selling historical novels. In *Ryōma ga yuku* [“Ryōma marches forward”], Louis Kniffler makes an appearance in the shape of the Prussian adventurer and merchant “Kinepuru” who pleads with the negotiator for Tosa to adhere to their agreement, threatening that he would otherwise send the Prussian East Asia fleet [!] from Shanghai to Tosa (Shiba Ryōtarō (1975): *Ryōma ga yuku*, Tokyo: Bungei Shunjū, Vol. 7, p. 106 ff.).

<sup>106</sup> Möring, *Martin Hermann Gildemeister*, p. 34.

attempted late in 1869 to sell the steamship “Vulcan” on behalf of L. Kniffler & Co., proposing that the interested parties should pay for it in “rice and other products”.<sup>107</sup> The rice grown in the Niigata region is rated as being one of the best in quality. The same calculus was applied in a contract with the feudal domain of Yanagawa which, in May 1871, settled part of its liabilities with L. Kniffler & Co. in Nagasaki by delivering a shipment of rice.<sup>108</sup> On the other hand, the records do not reveal how the feudal domain of Kishū that owed L. Kniffler & Co. a goodly sum for a shipment of needle-guns supplied in 1872 met its payment obligations.<sup>109</sup>

In the pursuit of its armaments dealings, the company’s Nagasaki branch expanded considerably. Additional storage facilities were acquired,<sup>110</sup> until finally, by November 1869, L. Kniffler & Co. covered about one quarter of Dejima’s acreage. It now was the biggest trading firm on Dejima Island, a fact which at a time when Yokohama had long since become Japan’s most important trading place was entirely due to the armaments business. After the domestic stabilisation of the country, L. Kniffler & Co. finally closed down its operation in Nagasaki, probably in 1874.<sup>111</sup>

In this time of civil war, the ports of Niigata and Kōbe and the city of Osaka were opened in January 1868. While Arthur R. Weber with his firm was in a good enough position to represent the interests of L. Kniffler & Co. in the small and remote town of Niigata, the establishment of a branch in Kōbe, which was close to Osaka, Japan’s commercial centre, promised a significant extension of business opportunities.<sup>112</sup> It seems that the opening of Kōbe was so important to Louis Kniffler that he travelled back from Germany to attend the opening of the port<sup>113</sup> and to observe the establishment of a branch there, managed by August Evers, who at the same time became a partner in the company.<sup>114</sup> In fact, for the German merchants Kōbe soon gained great significance. In April 1872, about one third of the concession zone was occupied by German companies, who were responsible for a major part of the total import business conducted there. Most of the ships entering the harbour sailed under

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<sup>107</sup> FA CIC, business correspondence Kniffler, Weber Leysner & Co. (Niigata) to L. Kniffler & Co. (Yokohama), 22.12.1869.

<sup>108</sup> FA CIC, Nagasaki Kenritsu Toshokan, document 14, 34–7.

<sup>109</sup> Kasai, *Bakumatsu · ishinki ni okeru Kunifuraa Shōkai no bōeki katsudō*, p. 65 f.

<sup>110</sup> FA CIC, Nagasaki Kenritsu Toshokan, document 14, 34–7.

<sup>111</sup> In *The Japan Gazette Hong List and Directory* (1876), only Amandus Reddelien, one of Gustav Reddelien’s brothers, is listed as an agent for L. Kniffler & Co. in Nagasaki.

<sup>112</sup> *The Chronicle & Directory for China, Japan & the Philippines* (1871).

<sup>113</sup> *The Japan Times Overland Mail*, 4.1.1868, Shipping list.

<sup>114</sup> Möring, *Martin Hermann Gildemeister*, p. 33; FA CIC, U 55.

the German flag.<sup>115</sup> The city of Osaka was not that attractive as a location because its harbour remained off limits for foreign merchants. L. Kniffler & Co. did open a branch in Osaka,<sup>116</sup> but apparently it was closed towards the end of the 1870s.<sup>117</sup> In Tokyo, which was opened up to foreign merchants one year later, in January 1869, the foreigners had no access to the port, either. In spite of this, it seemed wise to set up at least a representation in the concession zone, located in the district of Tsukiji, not least because of its proximity to the government district of the new Meiji government. Oscar Heeren (1840–1909) became the chosen representative. He had worked for L. Kniffler & Co. in Yokohama since 1869 before setting up shop in Tokyo as an independent merchant in 1870.<sup>118</sup>

In the years after 1866 a great number of new business connections to Europe were initiated, undoubtedly as a result of the activity undertaken by Louis Kniffler after his return to Europe. The company of L. Kniffler & Co. then corresponded much more frequently with firms based in Europe than with trading partners in Asia, a fact from which we can conclude that the focus of its business operations was being shifted to Europe.

In Hamburg, the time-honoured relationships with Bollenhagen and with the Laeisz shipping company were still intact; the volume of business done with H.C.Bock was sizeably augmented. In Bremen, Fritze & Gerdes emerged as new business partners. For the first time, L. Kniffler & Co. worked with Swiss firms, as well as with companies in Amsterdam and Rotterdam. French customers and suppliers were located in Paris, Lyon and Reims. Connections were forged to London as well as Edinburgh. In the USA, the company worked with firms in San Francisco and New York, while Candamo y Cía. represented the business interests of L. Kniffler & Co. in Lima.<sup>119</sup> In Asia, Pandel & Stiehaus in Batavia remained important business associates, while the company of Telge, Nölting & Co. turned into L. Kniffler's most important trading partner in Shanghai. Saigon was connected to the Kniffler network via an association with the trading firm

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<sup>115</sup> GStA PK, Rep. 120 C XIII 18 Nr. 11.

<sup>116</sup> *The Chronicle & Directory for China, Japan & the Philippines* (1871).

<sup>117</sup> *The Chronicle & Directory for China, Japan and the Philippines* (1880).

<sup>118</sup> For more about the twisted ownership history of the lot on which the representation was located, see Kawasaki Seirō (1985a): "Tsukiji kyorūchi 31ban • 32ban (I): Tōkyō ni okeru saisho no gaikoku shōnin no kyōjūchi", in: *Toshi mondai* Vol. 76 No. 8, pp. 69-92; idem (1985b): "Tsukiji kyorūchi 31ban • 32ban (II): Tōkyō ni okeru saisho no gaikoku shōnin no kyōjūchi", in: *Toshi mondai* Vol. 76 No. 9, pp. 62-84; idem (1985c): "Tsukiji kyorūchi 31ban • 32ban (III): Tōkyō ni okeru saisho no gaikoku shōnin no kyōjūchi", in: *Toshi mondai* Vol. 76 No. 10, pp. 81-98.

<sup>119</sup> Kawasaki, *Tsukiji kyoryūchi 31ban · 32ban (II)*, p. 78.

of Hauschild & Sörnsen based there.<sup>120</sup> Thus, by the mid-1870s the trading network of L. Kniffler & Co. had spread out to four continents.

In addition to the weaponry trade that mainly consisted in the import and export of rifles, lead and saltpeter and for which Telge, Nölting & Co. in Shanghai was the most important conduit, the major staples on which the company's business rested between 1866 and 1876 were silk and fabrics. Silk was exported, among others, to Scheibler & Coenen in Lyon, France. In the correspondence papers of the company, the silk trade does not stand out prominently, yet it must have been of major importance, given that Louis Kniffler's brother Carl owned one of the largest weaving mills for silk fabrics in Krefeld.<sup>121</sup> In fact, Kniffler exported 542 bales of raw silk from Yokohama between 1867 and 1869, which made it the biggest German exporter of raw silk in that period. However, this amount was less than a third of what the biggest exporter, the British company Aspinall, Cornes & Co. sold overseas, and Kniffler was ranked in 18<sup>th</sup> place among the biggest 20 silk exporters in Yokohama.<sup>122</sup>

Hamburg, Bremen, Amsterdam, Paris and London were the main sources for fabrics, primarily cotton cloths (muslin), imported by the company's Asian branches. Its main provider in Hamburg was again H. C. Bock, although the Japanese demand for this fabrics lapsed in 1872. John Simonin & Cie. in Paris started supplying particular cotton fabrics in 1869 printed with designs suited to the Japanese taste, for which L. Kniffler & Co. had provided templates. From Aug. Seydoux, Sieber & Co., also based in Paris, the company purchased merino and cashmere fabrics between 1868 and 1872, which were an easy sell.<sup>123</sup>

An extraordinary trading item at this early stage was the telegraphy equipment that Louis Kniffler shipped to Japan out of Düsseldorf in 1870 on behalf of the Siemens Corporation.<sup>124</sup> This was Siemens' first Japanese contract, and it was a harbinger of Kniffler's future commitment to infrastructure development, a field that would become one of the company's trade marks in the 1880s.

## **The beginnings of the company's dealings with the Meiji government (1870s)**

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<sup>120</sup> FA CIC, business correspondence Kniffler.

<sup>121</sup> "Eine der ältesten Seidenstoffwebereien – Kniffler-Siegfried vor hundert Jahren und heute", in: *Wir im Werk – Werkszeitschrift für die Betriebsgemeinschaften der Verseidag*, Mai 1937, Nr. 18, p. 297–298.

<sup>122</sup> Davies, Peter N. (2008): *The Business, Life and Letters of Frederick Cornes: Aspects of the Evolution of Commerce in Modern Japan, 1861-1910*. Folkestone: Global Oriental, p. 46.

<sup>123</sup> FA CIC, business correspondence Kniffler.

<sup>124</sup> Takenaka Tōru (1996): *Siemens in Japan. Von der Landesöffnung bis zum Ersten Weltkrieg* (ZUG-Beiheft 91). Stuttgart: Steiner, p. 47.

Some of L. Kniffler & Co.'s business relations with feudal domains before 1868 translated into business relations with the new Meiji government after 1868. In the early 1870s, L. Kniffler & Co. laid the foundation for its dealings with the Meiji government, which were destined to become one of the mainstays of its activities in the decades to come. After the Meiji restoration, the new Japanese government pronounced the modernisation of the country – under the slogan “rich country, strong army” (*fukoku kyōhei*) – its supreme objective. The state played a major part in the development of the Japanese economy, particularly with regard to the build-up of a modern infrastructure and modern armed forces. Because the number of contracts placed by state agencies increased, Louis Kniffler and Carl Illies consciously sought and cultivated contacts to high-placed government officials who could help initiate business deals.

Some of the earliest government contracts that L. Kniffler & Co. landed in the 1870s can be traced directly to the opportunities for direct contact offered by the office of honorary consul. Thus, the first business deal on record between the company and the Meiji government, an order of Enfield rifles, was struck by the company's sales representative Oscar Heeren in Tokyo, who evidently had unlimited access to the Ministry of Military Affairs (*Hyōbushō*), having been appointed Spanish deputy consul in the spring of 1871.<sup>125</sup> In the same year Carl Illies, in his capacity as honorary consul in Kōbe, gained access to Mutsu Munemitsu (1844–1897), one of the most influential Japanese officials during the three decades to come.<sup>126</sup> In 1871, Mutsu was the principal of the German Sergeant Carl Köppen (1833–1907), who had been employed by the domain of Kishū as a military instructor since 1869.<sup>127</sup> Köppen introduced Mutsu, who had travelled together with him to Kōbe, to the officers of the Prussian frigate *Medusa*, who had earlier been welcomed by Illies at the pier in his consular capacity. Somehow a connection with L. Kniffler & Co. must have been forged out of this encounter, because when Köppen returned from a trip to Germany in February 1872, Mutsu, who had since gained the office of Governor of Kanagawa prefecture, had left

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<sup>125</sup> Kawasaki, *Tsukiji kyoryūchi 31ban · 32ban (II)*, p. 70; FA CIC, business correspondence Kniffler, Oscar Heeren (Tokyo) to L. Kniffler & Co. (Yokohama), 16. 2. 1871 and 27. 3. 1871.

<sup>126</sup> He would later serve as ambassador to the USA (1888–1890), Minister for Agriculture and Trade (1890–1892) and as Foreign Secretary (1892 – 1896).

<sup>127</sup> Mehl, Margaret (1987): *Carl Köppen und sein Wirken als Militärinstrukteur für das Fürstentum Kii-Wakayama (1869 – 1872)*. Bonn: Förderverein "Bonner Zeitschrift für Japanologie", p. 123, 125, 128.

a message for him at the office of L. Kniffler & Co. in Yokohama.<sup>128</sup> Presumably, the company had, in the meantime, delivered needle-guns to Kishū and signed a contract for 20 Krupp canons, a contract which even after the abrogation of the feudal domain was acknowledged and carried over by the Meiji government, as part of its effort to build a modern army.<sup>129</sup>

On a more personal level, too, Louis Kniffler applied the title of “consul” to his company’s advantage after his return to Germany. Thus, he offered his services in accompanying the so-called Iwakura Mission, an extraordinary group of high-ranking government officials under the leadership of the court aristocrat and Vice Prime Minister of Japan, Iwakura Tomomi (1825–1883) which toured the USA and various European countries between 1871 and 1873 with a large entourage of officials and scholars. During the trip, the members of the commission gained a first-hand impression of the extent of the Western countries’ military, technological and economic superiority, enticing them to press ahead with the modernisation of their country with even more urgency after their return. From 7 March to 29 March 1873, the delegation travelled in Germany where they visited the production facilities of the Krupp corporation in Essen before proceeding to Berlin.

As early as 11 August 1872, more than six months before the delegation was due in Germany, Kniffler had offered the Reich Chancellery that he would accompany the “expected emissaries of the Emperor of Japan as a guide and interpreter in the interests of the German industry in the event that they visit chemical factories and industrial facilities”. Max v. Brandt, who by now had risen to the office of ‘minister resident’ for Japan, supported Kniffler’s proposal on 27 August 1872, pointing out that the man was “the head of the biggest German merchant firm based in Japan” and was in command of the Japanese language and the country’s mores. This obviously convinced Bismarck, and he agreed that Kniffler be commissioned to accompany the delegation even though its itinerary had not been finalized at this juncture.<sup>130</sup> Conceivably, it was Kniffler’s letter that prompted the Mission’s visit to Krupp in the first place.

Kniffler was the only businessman within the honorary escort (consisting of only four) that met the Japanese delegation at the German border when it arrived from the

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<sup>128</sup> Ibid., p. 122 f., 129.

<sup>129</sup> Kasai Masanao (1987): “Meiji zenki heiki yunyū to bōeki shōsha. Rikugun kōshō to no kanren ni oite”, in: *Keizai kagaku* 4, p. 384.

<sup>130</sup> GStA PK, Rep. 120 C XIII 18 Nr. 7, Vol. 4.

Netherlands on 7 March 1873. He was listed as a “Consul” in the Mission’s log. He travelled in the company of the group to Berlin via Essen,<sup>131</sup> where the headquarters of Krupp were located, and certainly had every opportunity to present himself and his company in a favourable light not only to the Japanese officials but also to the Krupp management. This event became part of the collective memory of the company. Even as late as 6 December 1940, Robert Koops, then a partner in the company, in a ceremony on the occasion of Carl Illies’ hundredth birthday, referred to “Prince Iwakura as a facilitator of the business operations of the Kniffler/Illies company”.<sup>132</sup>

Another sustained business relationship evolved with the financially well-funded colonisation authority of Hokkaidō (*Kaitakushi*). The initial contact was probably made through Horace Capron (1804–1885), an agronomist who worked for the authority in the early 1870s. L. Kniffler & Co. had made a bid to Capron for Peruvian guano in November 1874. In the ensuing correspondence between L. Kniffler & Co. and C. Illies & Co. respectively and the colonisation authority, various business prospects were discussed, such as the purchase of sea otter pelts or the sale of tin sheets, firearms and ammunition. In September 1875, L. Kniffler & Co. even offered the authority a steamboat that had been disassembled, with the parts stored in the company’s warehouses in Yokohama. In 1880/ 81, C. Illies & Co. supplied physical instruments to the Agricultural College in Sapporo (Sapporo Nōgakkō) which was linked to the colonisation authority and whose mission was to train experts for the development of Hokkaido.<sup>133</sup>

In 1880, Louis Kniffler retired from active duty, probably because of deteriorating health, and Carl Illies took over the company. Louis Kniffler remained an associate partner and the purchasing agency in Düsseldorf retained his name until it was renamed C. Illies & Co. on 1 January 1888. Soon after the name change, Louis Kniffler died at the age of 61 on 20 March 1888.<sup>134</sup> He lived long enough to see that his successor continued to develop the business further in the way that he had envisioned when he established the company in Nagasaki.

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<sup>131</sup> Kume Kunitake (2002): *Die Iwakura-Mission. Das Logbuch des Kume Kunitake über den Besuch der japanischen Sondergesandtschaft in Deutschland, Österreich und der Schweiz im Jahre 1873*, München: Iudicium, p. xxxvii, 26, 56, 68, 75.

<sup>132</sup> FA CIC, folder 69, Gedenkfeier C. Illies Sr., 6.12.1940, appendix 2: Ansprache Robert Koops.

<sup>133</sup> Hokkaidō Daigaku Fuzoku Toshokan (University of Hokkaidō, Library), Hoppō Shiryōshitsu (Northern Studies Collection), correspondence L. Kniffler & Co./C. Illies & Co. – Kaitakushi (Colonisation Authority).

<sup>134</sup> Zielke, Erich (1980): „Konsul Louis Kniffler. Der Pionier des deutschen Japanhandels“, in: *Zeitschrift für Unternehmensgeschichte* 1, p. 10 f.; Molsen, C. Illies & Co., p. 51; FA CIC, GL-Rundschreiben 1873–1922.

## Conclusion

When Louis Kniffler established his company in Nagasaki in 1859, it was far from certain that it would survive the following years, let alone exist for more than 160 years. Right from the start, the firm pursued the clearly defined business model of an import house for European industrial commodities, armaments and capital goods for large infrastructure projects. This idea was based on an accurate assessment of information about the economic and political situation of Japan that Kniffler and Gildemeister had acquired in the Dutch communities of Batavia and on Dejima. Other than trade in tea and silk, which was done with private Japanese business partners, Kniffler's business model required excellent contacts with the feudal domains, and, after the Meiji restoration, with the new Japanese central government and its local authorities, who were the major purchasers for the goods that Kniffler wished to sell. The office of honorary consul, which Kniffler actively applied for when he travelled to Berlin in 1861, elevated his and his company's status beyond that of a mere merchant and put him in regular, direct contact with Japanese authorities. Moreover, it facilitated contacts not only within Japan but also in Europe, where Kniffler established a large network with major manufacturers, including Krupp and Siemens, that enabled him to procure those goods that were in demand in Japan.

Besides this so-called government business, which became more and more important for the company since the 1870s, L. Kniffler & Co. was also active in the general import-export business. Here, as well as knowing which commercial goods would be profitable, information that was as up-to-date as possible and as exclusive as possible concerning supply and demand in foreign markets and concerning the current level of ever-fluctuating transport costs could bring crucial advantages. At first such information was acquired in the main through contacts among the staff of the long-standing Dutch trading post in Nagasaki as well as through international business correspondence with partners in Asia and Europe. Subsequently, during the 1860s and 1870s, a key role in getting hold of information about markets was yet again played by the office of honorary consul, which Louis Kniffler, Carl Illies, and other senior employees of the firm occupied in the various commercial centres of Japan.

The long-term success of the company L. Kniffler & Co. / C. Illies & Co. was certainly caused by various factors, not all of which could be influenced by the leading members of the company themselves. However, the fact that Louis Kniffler gave it a clear and



realistic business vision, which he sought to realise by means of extensive networking with relevant individuals, institutions and companies, coupled with a thorough gathering of market information, helped in laying a solid foundation for the further development of the company.