

## **Acceptance of Foreign Capital, Immigrants, and Eco-Friendly Technology from Japan: The Case of Nanbei Takusyoku Co. Ltd. in Brazil**

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**Abstract:** The Nanbei Takusyoku Co. Ltd. was founded by Sanji Muto (1867-1934) in 1928, who was the former President of Kanegafuchi Spinning Co. Ltd. (Commonly known as Kanebo). Nanbei Takusyoku was promoting a Brazilian Amazon river basin business related to settling down of Japanese immigrants in Para Tome-Acu. It was carried out as a response to a request made by the Para Governor for development assistance from Japan. Presently agroforestry, which is done in Tome-Acu by Japanese and Japanese descents, is attracting worldwide attention as it has created both agricultural income and environmental conservation. This study aims to analyze the opportunities and challenges of emerging Asia, with special reference to accepting foreign capital, immigrants, and eco-technology from Japanese and Japanese companies. An emphasis was given to examine the relationship between the Muto's Kanebo management system and his immigrant settlement business in Brazil.

**Keywords:** *Immigrants, Agroforestry, Foreign Capital, Japan*

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### **THE PURPOSE OF THIS STUDY**

The Nanbei Takusyoku Co. Ltd. was founded by Sanji Muto (1867-1934) in 1928, who was a former President of Kanegafuchi Spinning Co. Ltd. (Commonly known as Kanebo). Nanbei Takusyoku was promoting the Brazilian Amazon River basin business related to settling down of Japanese immigrants in Para Tome-Acu from 1929. It was carried out on a request from the Para Governor for assistance from Japan. Presently, agroforestry, which is practiced in Tome-Acu by Japanese and Japanese descendants, is attracting worldwide attention as it has created benefits in terms of both agricultural income and environmental conservation.

The purpose of this study is to analyze the opportunities and challenges of inclusive growth in emerging Asia, using a case study of accepting foreign capital, immigrants, and eco-friendly technology from the Japanese and Japanese companies in Brazil. A special emphasis is given to examining the relationship between Muto's Kanebo management system and his immigration program.

### **THE LIFE OF SANJI MUTO**

Sanji Muto was born in Hirata-cho of Kaizu-shi in Gifu Prefecture, as the eldest son of Kunisaburo Sakuma in 1867. His father, Kunisaburo, served as a village headman, who also became a member of the House of Representatives. The Sakuma family, who were landlords, established the Sakuma real estate company. The company sold lands to farmers in the region on favourable terms. Muto, upon completion of education at the local elementary

school, entered the Keio Gijyuku Institute<sup>1</sup> (1880-1884) and received direct tutelage from Yukichi Fukuzawa. After his graduation, he went to America (1885-1887). On his return in 1887, he published a book titled “A Study of US Immigration (Beikokujiyuron)”. Due to the influence of his father and mentor Fukuzawa, he insisted on free civil rights and advocated draft evasion<sup>2</sup>. For this purpose, he also became an adopted son of the Muto family separating from his father’s Sakuma family.

In 1887, Muto opened a newspaper advertisement handling company, which was Japan’s pioneering company of this nature. He also set up an intellectually stimulating magazine company. In the same year, he joined the Japan Gazette, which was an English-language newspaper company. In 1888, he joined the Iris Chamber of Commerce, which was a trading company based in Germany. In 1893, he joined Mitsui Bank, and was then seconded to Kanebo Company in 1894.

Muto who was in the top management of Kanebo was regarded as “a manager with economic liberalism, spirit of independence and self-respect” due to the influence from Yukichi Fukuzawa. Besides, he was regarded as “a pioneer of the Japanese-style of management” because of the long-term employment that he practiced. In 1928, from dealings with the Kanebo management, he became the founder of the Nanbei Takusyoku Co., Ltd. which was a pioneering company of a Japanese immigration program in the Amazon River Basin of Brazil.

Muto was the leader of the Businessman-Party founded in 1923, which was renamed as the National Association Party in 1929, and a member of the House of Representatives (1924-1932). He was a central figure in enacting military relief law in 1917 and relief law for social welfare in 1929. He was the top manager of Jijishinpo, a newspaper company founded by Yukichi Fukuzawa, as well as a critic (1932-1934). Muto was the founder of the political education institutions called Kokumin Kaikan in 1933, which are still functioning actively.

### **MUTO’S VISIT TO CALIFORNIA STATE AND PUBLICATION OF “THE STUDY OF US IMMIGRATION (BEIKOKUIJYURON)”**

In January 1885, Muto along with his classmates Toyoji Wada and Toraji Kuwahara went to San Francisco of the United States by the Pacific Mail Company steamship named “City of Tokyo”. The first group of about a thousand Japanese Hawaii immigrants dispatched under the bilateral-government agreement was also on board to Honolulu. This experience made Muto impressed about the immigration of Japanese people.

In San Francisco, Muto got experience as an apprentice worker in a tobacco factory while studying as a schoolboy. Later, in the fall of 1885, he entered the University of the Pacific, which was in San Jose (presently relocated to Stockton). While serving meals to the boarders in a hostel for one year, he learned English grammar and reading comprehension, arithmetic, American history, Latin, and so on. He worked in the Yamasa soy sauce factory in San Francisco, before his return to Japan in 1887.

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<sup>1</sup> Presently the Keio University, Japan

<sup>2</sup> ‘Draft evasion’ is an intentional decision not to comply with the military conscription policies of one’s nation.

In 1887 Muto published a book entitled “the Study of US immigration (Beikokujiyuron)” through Maruzen Publishing Company. It was recommended by Yukio Ozaki (a liberal Japanese politician). Its contents included reasons and the process of Muto’s visit to America, climate, agricultural, industrial, and commercial trends, and Chinese immigrants in California. The major point of this book was the need for the establishment of an immigrant settlement company, and to promote settlement rather than have unstable labor migration. The publication of this book was the origin of his immigration ideas and the subsequent sense of mission about his emigration to Brazil.

### **THE BACKGROUND OF THE ESTABLISHMENT OF NANBEI TAKUSYOKU CO. LTD.**

In 1923, Para-Governor Jionijio Bentesu requested the Japanese Ambassador to Brazil, Sitita Tatsuki for assistance for the Japanese settlers. This triggered the immigrant settlement business in Tome-Acu. In 1925, the Japan Ministry of Foreign Affairs dispatched Anpei Ashizawa to conduct a field survey in Tome-Acu. Around this time Muto, because of his interest in Brazil as a supply area of cotton, dispatched three Kanebo employees Hideo Nakano, and Kinzo Tomoda, Shonosuke Ota to Brazil. Nakano accompanied Ashizawa in the field survey as an interpreter.

In January 1926, Kanebo at the shareholders’ meeting passed a resolution to donate 80,000 Yen to the Ministry of Foreign Affairs for “the expense for the field survey of land development in Brazil”. At the time, emigration and settlement program was thought of as a solution for Japan’s overpopulation problem and food problem. Therefore, the donation was considered as a part of social responsibility activities of the company.

The Ministry of Foreign Affairs formed an investigation team of 12 people headed by Hachiro Fukuhara (1874-1943), one of the directors of Kanebo. From March 1926 to January 1927, the investigation team surveyed the Amazon River Basin and selected three suitable regions for settlement including Tome-Acu. Then, in September 1927, the Trade Bureau of the Ministry of Foreign Affairs published the “Report on Brazil Amazon River Basin Colonial Plan”.

Muto became the representative proposer of the establishment preparatory committee of Nanbei Takusyoku Co. Ltd. held during March and April 1928. Members of the establishment preparatory committee were, Takuma Dan (from Mitsui), Kusuyata Kimura (from Mitsubishi), Toyotaro Yuki (from Yasuda), Takeshi Shirahito (from NYK), Kaichiro Nezu (from Tobu), Gosuke Imai (from Katakura), Jyukuro Kadono (from Okura), Sutesaburo Hashizume (from Kanebo), Tokushichi Nomura (from Nomura), Hirokichi Yukawa (from Sumitomo), Keijiro Horii (from Osaka Merchant Ships), and Kinnosuke Kamino. Eiichi Shibusawa was also got involved and Fukuhara became the secretary. Kanebo and its officials and members of the establishment preparatory committee became the major shareholders.

### **BUSINESS PLAN OF NANBEI TAKUSHOKU CO, LTD.**

In the beginning, the business plan of Nanbei Takushoku Co. Ltd. was as follows. The capital value was 10 million Yen at 50 Yen per share amounting to 200,000 shares. The sites of land development were in Tome-Acu and other areas in Acara of Brazil Para, situated in the South-West about 115 kilometers straight-line distance from the state capital

of Belem. The development plan was one million hectares of land area in Acara to settle 150,000 immigrants. In the first phase of 10 years, 10,000 units were developed to settle about 40,000 immigrants. Among them, there were 5,000 units under direct management areas and another 5,000 sub-division units. Direct management areas were partly cultivated by the company in advance. Of the total revenue, 30% was company's revenue, and the balance 70% became the income of the farmers.

It should be noted that applications for the public offering of 10,000 capital shares were oversubscribed by 28 times. Starting at 2.5 million Yen at the time of its establishment in 1928 (i.e. ¥12.50 per share), for the second time, only one million Yen (¥5 per share) was paid for the capital in 1934 by the shareholders. After that payments were not paid by the shareholders due to a slump in business.

It was expected to establish an ideal rural village in the colony by constructing roads, school, hospital, accommodation, supply plants for daily necessities, colonial house, the auditorium and the like. Details of planned benefits to the directly managed colonization areas were as follows.

- (1) Travel expenses were to be covered by an immigrant travel subsidy given by the Japanese government.
- (2) The company builds a habitat and lends it for free.
- (3) 25 hectares would be assigned per colonial unit, of which 10 hectares is to lend and cultivated by the company in advance.
- (4) The company lends farming tools and seeds for farmers.
- (5) The company improves cultivation by placing the agricultural experiment station, disinfection and prevention of pests, and making nursery supply.

#### **THE ESTABLISHMENT OF THE NANBEI TAKUSHOKU CO. LTD. AND THE LOCAL COMPANY IN BRAZIL**

In August 1928, the inaugural meeting of Nanbei Takushoku Co. Ltd. was held. The Head office was located in Minami Katsushika-gun of Sumida-cho in Tokyo Prefecture. It was located in the same area of Kanebo. The President was Hachiro Fukuhara and the Board of Directors were Yoriyasu Arima (Earl), Kyuemon Kozu, Saburosuke Suzuki (from Ajinomoto), Tomochika Hori, Kota Nozaki, Hisakichi Maeyama, Saburoji Nakamigawa, and Saburo Chiba. The corporate auditors were Kanji Someya, Yoshifumi Murota, and Kokichi Yagi. Muto's principle was to get involved only in one business, which was Kanebo. Though Nanbei Takushoku was a subsidiary of Kanebo, he did not concurrently serve as a director of Nanbei Takushoku. After he retired from Kanebo in January 1930, and from the political world, he was appointed as an advisor of Nanbei Takushoku in July 1932.

In August 1928, at the Imperial Hotel in Tokyo, a farewell party was held for the President of Nanbei Takushoku Company, Fukuhara and others before they headed to Brazil. At that time, President Fukuhara spoke of his aspirations "to be successful within five years". Then, Muto said, "because of the large size of the business, it does not seem to be successful within 5 or 10 years, but expect it 20 years ahead". Just after World War II, due to the

pepper boom which occurred in Tome-Acu, the long-term aspirations of Muto were realized.

The local company's name of Nanbei Takushoku Co. Ltd. was the Companhia Nipponica de Plantasao do Brazil S/A (Brazil farming Japanese company) founded in December 1928. The headquarters were located in Para Belem. Although the capital value of this endeavor was one million Yen (4000 Contos) at the time of establishment, only about one-tenth of the capital value (100,000 Yen) was invested by Nanbei Takushoku Co. Ltd. Almost all the shares were owned by Nanbei Takushoku Co. Ltd. Nanbei Takushoku built roads, houses, agricultural facilities, hospitals, schools, and other various facilities through the local company.

### **BUSINESS POLICIES OF MUTO AND KANEBO FOR NANBEI TAKUSHOKU CO. LTD.**

Thinking behind the immigration program of Muto could be seen in the introduction of "Situation of Brazil" edited by "Research Department of Businessman Party" in 1928. The following are the main highlights.

Since Muto was an economic liberalist, he was opposed to the establishment plan of the Ministry of Colonial Affairs, as he thought it was a waste of money just to provide new posts of a minister, parliamentary secretary, and participation officer. He thought that cost of the Ministry should be incorporated in immigration incentives.

In addition, Muto considered that the immigration program should be carried out by private capital along with the migrants rather than as a government involvement. He thought that incentives of the government should be given as subsidies to the migrants themselves and their travel expenses. He mentioned that the Ford Company also had an investment plan for the land development of the Amazon. He embraced the idea of the danger of company management under the national policy and insisted immigration program and development projects should be performed by private entities. Penetration of economic liberalism was also considered to lead building of peace.

In addition, according to "Nan Taku colonial guidance fast facts" the company's management policies were originating from "Kanebo principle". By solid gradual progress principle, the company set goals, such as, to:

- ① Ensure that there was no anxiety on health during colonization
- ② Achieve a stable life as possible.
- ③ Enhance the education of colonial children.

Kanebo established a mutual aid association system in 1905 that was the first such system carried out by a private company in Japan. Welfare measures including medical care, job education and training, etc. were well-established, thus the company received a good reputation.

## **SITUATION OF THE IMMIGRATION PROGRAM FROM THE START UNTIL THE END OF WORLD WAR II**

On July 24, 1929, 189 first time settlers (39 families and nine singles) were aboard the “Montebideo Maru”, a ship starting from the port of Kobe. Then, over 22 times until 1937, 352 families (2104 people) were settled in Tome-Acu called Acara colony.

However, Nannbei Takusyoku failed in cocoa cultivation in 1933, as well as the mineral resources development since March 1934. Muto died in March 1934. In 1935, Fukuhara returned home as the person responsible for the poor management. The pre-war business was not successful, and nasty malaria was also rampant. As a result, from 1935 to 1942, 276 families (1603 people) gave up cultivation.

Further in relation to the United States involvement in World War II in January 1942, the Brazilian government broke off diplomatic ties with Japan. In October 1943 even liquidation laws for the local companies having axis powers<sup>3</sup> were enacted. As a result, the Companhia Nipponica de Plantação do Brasil S/A was requisitioned. Axisian foreigners of Acara colony were brought under house arrest in Northern Brazil. Up to this point, the total development area of Acara colony was 2862 hectares.

## **BUSINESS DEVELOPMENT IN TOME-ACU AND KANEBO OF BRAZIL AFTER WORLD WAR II**

After World War II, particularly in the early 1950s, Tome-Acu became prosperous due to a pepper boom. Muto's expectation of the prospect of settlement success was realized after 20 years. Makinosuke Usui (1895-1993), who was working in Kanebo and Nanbei Takushoku purchased seedlings of pepper from Singapore in 1933 and brought them to Tome-Acu. However, in the latter half of the 1960s, because of a disease, pepper cultivation received a devastating blow. In addition, today, because of utilization of forest area in the Amazon River Basin to make ranches and farms, about 17% of the forests have been destroyed.

As a remedy for the risks of monoculture, and a measure for forest regeneration, agroforestry has been attempted. The advocator was Noboru Sakaguchi (1933-2007), who devised such a system referring to the sustainable “Satoyama” agriculture and forest conservation practices in Japan, and to the simple but diversified farming systems of local people in Brazil.

Agroforestry is a sustainable agricultural and forestry system as it captures the diversity of nature, continues to reclaim the forest, and is less burdensome to the environment. Specifically, as a shrub pepper, banana (which can be harvested in about seven years), and cocoa (which can be harvested from the third year); as a medium tree, acai, and tapereba, and as a large tree, mahogany, etc. were planted alternately in rows. After about 15 years, cocoa was grown under the large trees. Shade is needed for the cultivation of pepper and cocoa, and even when engaging in farm work. Therefore, it can be said that agroforestry is tender of the plant and human beings.

Fruits including the acai are processed into frozen juice, jam or the like at the processing plant of the Tome-Acu agricultural cooperatives. They are consumed by local people and

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<sup>3</sup> The "Axis Powers" is defined as the group of countries that signed the Tripartite Act in 1940, consisting of Germany, Italy and Japan.

foreigners in countries like Japan. Not only agricultural production, processing and export but also sixth-order industrialization<sup>4</sup> aimed at high-value-addition is implemented. For example, frozen juices are exported to Japan in cooperation with Furutta Furutta Company; cocoa is used in collaboration with Meiji Seika Co. Ltd. and sold as agroforestry chocolate.

Furthermore, from the fact that there was a pre-war stepping stone to Brazil through the business of Nanbei Takushoku; after World War II in 1955, Kanebo established Kanebo Brazil Textile Co. Ltd. (which was renamed as Kanebo Brazil Co. Ltd. from the next year) in Sao Paulo. It has become one of the pioneers of Japanese companies moved into post-war Brazil. Kanebo also established Brazil Kanebo Chemical Co. Ltd. in 1964, a joint venture with Takasago International Corporation and Tome-Acu Multi-purpose Agricultural Cooperative for the purpose of extraction of oil from pepper.

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<sup>4</sup> “The sixth industrialization refers to combining projects covering agriculture, food processing, and retail to create new products by using agricultural products to increase consumption of the agricultural products. In Japanese, primary industry is called industry No. 1, secondary industry is called industry No. 2, and tertiary industry is called industry No. 3, and 6 is the number which multiplied these three numbers. That is why the combination projects are called sixth industrialization (Nakano, 2014)”