

THE FOREIGN TRADE OF CHINA

C. F. REMER

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This book, being an expansion of classroom outlines used in St. John's University, aims at studying the important problems of economics confronting China at present. It is divided into twenty-two chapters, each of which contains several selected articles written by leading Chinese, American, British, and other authors, and an interpretative comment by the author.

The topics discussed in this work are those subjects in which the public has a lively interest. It gives first-hand information about economic conditions in China and provides enough material to make possible constant comparison of the East with the West and of one Eastern country with another. It also furnishes a set of proposals of necessary reforms discussed and supported by well-known scholars.

As the author said in his preface: "It is this criticism of custom and tradition, this building up of a new economic organization in China, that gives to economic study in this country to-day its absorbing interest and its great usefulness."

The book will no doubt prove the very best reference as well as textbook on economics.

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OF CHINA**

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TO
MY MOTHER

PREFACE

There is presented in the following pages the result of a study of the foreign trade of China upon which I have been at work for some years. It was begun at St. John's University in Shanghai where I undertook to offer a course in the subject and it was completed at Harvard University. I have dealt with Chinese problems for so long a time now and I have discussed them with so many persons, Chinese and foreigners, that I can do no more than express the most general thanks to those who have been of assistance to me. I do feel, however, that I owe a special debt of gratitude to Professor F. W. Taussig, of Harvard, who has taken an unfailing, a lively, and a critical interest in the chapters which follow.

The task which I set myself was a straightforward and impartial statement of the chief facts concerning the foreign trade of China. I desired to avoid, on the one hand, the point of view of trade promotion, of a nationalistic interest in the increased sale of Western products in China and, on the other, the viewpoint of the apologist for China who is more interested in praising or blaming than in impartial investigation. In short, it is my hope that I have written as a student of the science of economics.

The history of the foreign trade of China is dealt with at some length and there is a parallel account of the important developments in the foreign relations of the country. The history of the trade is followed by an attempt to present the trade balances and the balances of international payments. This chapter on trade balances and the final chapter of the book taken together are an attempt to explain the foreign trade of China in terms of the theory of international trade as it is generally understood. It will be clear to the reader of the final chapter that the foreign trade of China does not

seem to me to present any problem which cannot be satisfactorily stated in terms of the accepted theory if the accepted theory is broadly interpreted.

This study of the foreign trade of China was begun with the opinion that it would be, in the first place, a study of the effect of changes in the gold price of silver upon the trade. This point of view was abandoned only after it seemed certain that other factors, such as the opening up of the country, the resistance of the Chinese to the spread of trade, and the remittances of emigrants to other lands, were of greater significance. The effects upon the trade of changes in the gold value of silver are being separately studied and it is hoped that this separate study may be completed in the near future.

The explanation of the foreign trade of China which is here offered may be surprising to the reader who comes to its examination with the idea that capital movements play a part of first importance. To the Westerner China is vaguely understood to be continuously looking for foreign loans and her laboring classes are known to be excluded from certain Western countries. Upon such scanty information there is based a picture of China as a borrower on a considerable scale and it is such borrowings which are supposed to account for the excess of imports. To the Chinese, on the other hand, the explanation which is here presented will hardly be so surprising. He is more likely to regard his country as a payer of indemnities than as a borrower. He knows that his countrymen are the merchants of eastern Asia and of the many islands of the South Seas. The great importance of remittances from Chinese oversea will be more easily accepted, I believe, by the Chinese reader.

In the theory of international trade as it is usually presented, movements of labor and of capital, together with the consequences of such movements, are usually dealt with as qualifications of greater or less significance. It will be found

that one of these qualifications has here been given considerable importance. This may well serve to introduce the general question as to the place of labor and capital movements in the trade between other countries. May it not be that these qualifications must be given special consideration in the study of trade between countries of markedly different degrees of industrial development? Is it not the assumption, probably a tacit assumption, of the usual statement of the theory that it concerns trade between countries at about the same stage of industrial development? If China and the Western nations were more nearly at the same stage of industrial development, would not changes in the gold price of silver have brought about a greater effect than they seem to have brought about? But in this field, as in so many others, it is easier to raise questions than it is to settle them.

A word may be added which is intended for the teacher who may use this book as a textbook in the subject of China's foreign trade. It will probably be found most satisfactory to use it during a second term or half year after some attention has been given to the general subject of international trade. There are now a number of textbooks available for such a half year upon international trade. I venture to suggest Professor Taussig's "Selected Readings in International Trade" for a college course in the field.

To Messrs. P. B. Sullivan and S. L. Pan, of the Department of Economics, of St. John's University, and other friends, who have been kind enough to see this book through the press and who have rendered assistance in other ways, I here offer my thanks.

C. F. REMER.

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THE FOREIGN TRADE OF CHINA

CHAPTER I

THE EARLY TRADE AND THE ESTABLISHMENT OF TREATY RELATIONS

The modern foreign trade of China began about four hundred years ago. During the earlier half of this period the trade was carried on in an uncertain and unsystematic manner. Separate trading ventures were made to various cities along the coast of China and these ventures were sometimes successful and sometimes quite the reverse. The traders of this early period usually hoped for the conquest of heathen lands as well as for gains by trade and they did not hesitate to make use of cannon and sword. The Chinese government, which had shown itself tolerant of trade in the past, grew to regard it with a degree of hostility and undertook steps to bring it under control. The trade was gradually confined to Canton and, by imperial edict in 1757, that port was made the only one at which Europeans were permitted to trade. The trade with Russia across the land frontiers of the north was not interfered with, nor was the considerable trade with Japan and other parts of Asia by means of junks brought under restriction. In the case of the trade with Japan there were restrictions, but these had been placed upon the trade by the Japanese.

✓ The trade which was confined to Canton was placed by the Chinese authorities in the hands of a close corporation

called the cohong. It is also referred to as the hong, or guild, and came to have a membership of thirteen Chinese merchants. On the side of the English, who had come to be the most important traders at Canton, the trade was in the hands of another monopolistic corporation, the British East India Company. The East India Company had established a factory in Canton in 1715. The word "factory" is to be understood as meaning the place of business of a "factor." The merchants of other nations established factories from time to time until the Dutch, the Swedes, the Americans, the French, the Spanish, and the Danes came to have places of business. Until 1834 the two groups of traders at Canton, one a group of Westerners and the other a group of Chinese, were the sole means not only of trade but of communication in general between China and the countries of Europe and America. It is true that there were attempts to establish diplomatic relations with China of the sort customary among the nations of Europe in their relations with each other, but these attempts accomplished little, though they did acquaint the Western nations to some extent with the organization of the Chinese Empire and with the attitude of the Chinese government and the Chinese officials towards all foreigners.

For at least four thousand years China had been the central fact in the affairs of the world as it was known to the Chinese. The power of the Middle Kingdom, which is the name the Chinese still give to their country, had extended in every direction and had come to embrace all regions worth taking in. Beyond the power of the great emperor, called by the Chinese the Son of Heaven, there were but seas and deserts and the regions of barbarians who were not yet under the sway of the civilization and culture of China. The viewpoint of the Chinese has been well expressed by an unknown

writer of the early part of the nineteenth century. China, he said, "knows no equal and in all her intercourse with foreigners proceeds on the principle that they are in every respect inferior to the inhabitants of the Celestial Empire. In her own view she is the sun and center of all and upon her all the kingdoms of the earth are dependent."¹

In 1834 the charter of the British East India Company expired. The British Parliament had refused to renew it and the British government felt obliged to make the attempt to put its relations with China upon a new basis. The *cohong* and factory system, which had endured for about a hundred years, was brought to an end. While it had made trade possible and had permitted the European and American traders to make handsome profits, the system had never been entirely to the satisfaction of the Westerners. It was a daily reminder of the feelings of superiority entertained by the Chinese officials and of Chinese exclusiveness. Moreover, the confinement of the foreign traders to a single spot and their helplessness had made it possible for a whole set of unjustifiable exactions and charges to grow up which the Westerners knew something about but were powerless to prevent. Two traditions of the trade with China were established under the *cohong* and factory system that influenced the later trade. To some extent they are powerful to the present day. These traditions are, first, that of foreign separateness and, secondly, that of honorable dealing. "There grew up side by side," says Morse, "a body of Chinese and of foreign merchants than whom there has never, at any time or at any place, been a more honorable; with never a written contract, with many an occasion of help in time of difficulty and with much sympathy and friendliness from one to the other."²

¹ *Chinese Repository*, Vol. III, p. 129.

² Morse, "The Trade and Administration of China," p. 307.

In 1834 three "superintendents" of British trade arrived in China. These men were not merchants and had been appointed in pursuance of the new British policy of maintaining in China diplomatic officers whose duties were the support of British interests and the conduct of official intercourse with the Chinese. The Chinese officials, however, insisted on regarding the intercourse as though it concerned trade only and in dealing with the British officers as they had dealt with the traders and merchants of the East India Company. The situation soon became impossible. Either the Chinese authorities had to accept intercourse with Great Britain on terms of greater equality, or the British had to surrender the attempt to deal with the Chinese according to the practice of European diplomacy. Not long after 1834 the Chinese government undertook to bring the smoking of opium and the trade in opium to an end suddenly and by coercion. In doing this the Chinese government undertook measures against the British merchants as well as others, that were, by Western standards, unjust and intolerable. The result was a war which has always been looked upon by the Chinese as a war over opium and by the British as a war fought to secure recognition of equality from the Chinese. The state of war was brought to an end in 1842 by the signing of the Treaty of Nanking. This treaty was the first step towards the recognition by the Chinese government of the equality of nations.

There followed a period of about twenty years during which the struggle for equality was continued by the Western powers. This struggle involved a second war, that of 1856-1858, and a joint English and French expedition against Peking in 1860. In the ten years after 1860 China entered into treaty relations with a large number of European powers. A treaty with Japan was signed in 1871. The treaties of

the period from 1842 to 1870 established the legal terms of the present relations between China and the nations of the West and it will therefore be worth while to examine the chief provisions of these treaties, especially such provisions as affect the foreign trade of China.¹

These treaties determined the broad outlines of the relations of China with other nations so far as these relations are dependent upon formal diplomatic documents. They must be viewed in the light of the general fact that, since 1860, the foreign powers have been, as Morse says, "masters of the situation and foreign trade has been conducted on conditions laid down by them and not by China."² The important provisions of the treaties may conveniently be dealt with under the following headings: diplomatic intercourse, extraterritoriality, the tariff, and the treaty ports.

¹ The treaties are the following :

- 1842 Treaty of Nanking with Great Britain ;
- 1844 Treaty of Wanghia with the United States ;
- 1844 Treaty of Whampoa with France ;
- 1845 Exchange of notes with Belgium granting her the right to trade under the procedure established by the existing treaties ;
- 1847 Treaty with Sweden and Norway ;
- 1858 Treaties of Tientsin with the United States, Russia, Great Britain, and France ;
- 1861 Treaty with Prussia for herself and the members of the German Zollverein ;
- 1862 Treaty with Portugal, ratification refused by the Chinese government ;
- 1863 Treaty with Denmark ;
- 1863 Treaty with the Netherlands ;
- 1864 Treaty with Spain ;
- 1865 Treaty with Belgium ;
- 1866 Treaty with Italy ;
- 1869 Treaty with Austria-Hungary ;
- 1871 Treaty with Japan ;

and later treaties with Peru, Brazil, Portugal, and Mexico.

² Morse, "The Trade and Administration of China," p. 309. Morse divides his study of "The International Relations of the Chinese Empire" into three parts, the first of which he calls "The Period of Conflict," 1834-1860, the second "The Period of Submission," 1861-1893, and the third "The Period of Subjection," 1894-1912.

Diplomatic Intercourse. By the Treaty of Nanking the representatives of Great Britain were given the right of communicating directly with Chinese officials. The treaties of Tientsin contained provisions whereby foreign envoys were permitted to reside at Peking. These provisions were among the chief reasons for the refusal of the Chinese government to ratify the treaties. In the Peking Convention, which was signed after British and French troops had marched upon Peking, it was definitely agreed upon that these provisions should be carried out and foreign envoys did actually enter into residence at Peking in March, 1861. Since this time, diplomatic officers have been sent to China regularly by the various foreign nations. In this respect, China since 1870 presents no difference from other nations, except in so far as the principle of extraterritoriality has increased the duties and the powers of these diplomatic officers and has made the consular officials of the foreign nations to some degree diplomatic representatives.

Extraterritoriality. The extraterritorial rights of foreigners in China are easily indicated in general outline, but they are by no means so easily understood in their full significance and in all their ramifications. The principle of extraterritoriality was, in some degree, recognized as early as 1689 when China's first treaty with a modern foreign power was made. It is probably correct to say, however, that the extraterritorial rights of the period after 1870 were created by the treaties of 1842 and 1870. The principle of extraterritoriality was implied in the provisions of the Treaty of Nanking but it was not clearly stated until 1844 when the Treaty of Wanghia with the United States was signed. The twenty-first article of this treaty is as follows :

“ Subjects of China who may be guilty of any criminal act towards citizens of the United States shall

be arrested and punished by the Chinese authorities according to the laws of China, and citizens of the United States who may commit any crime in China shall be subject to be tried and punished only by the Consul or other public functionary of the United States thereto authorized according to the laws of the United States; and in order to the prevention of all controversy and disaffection, justice shall be equitably and impartially administered on both sides."¹

Provision was made in the Treaty of Wanghia for dealing with civil suits, especially with those concerning the collection of debts, but it was not until later that the practice of more recent times found expression in the treaties. The clearest statement is that in article four of the Supplemental Treaty of 1880 between China and the United States.

"When controversies arise in the Chinese Empire between citizens of the United States and subjects of His Imperial Majesty which need to be examined and decided by the public officers of the two nations, it is agreed between the governments of the United States and China that such cases shall be tried by the proper official of the nationality of the defendant. The properly authorized official of the plaintiff's nationality shall be freely permitted to attend the trial, and shall be treated with the courtesy due to his position. He shall be granted all proper facilities for watching the proceedings in the interests of justice. If he so desires, he shall have the right to present, to examine, and to cross-examine witnesses. If he is dissatisfied with the proceedings, he shall be permitted to protest against them in detail. The law administered will be the law of the nationality of the officer trying the case."²

The extraterritorial jurisdiction that has been granted to the treaty powers in their treaties with China and by the

¹ Quoted in Morse, "The Trade and Administration of China," p. 203.

² *Ibid.*

operation of the so-called "most-favored nation" clause, is usually exercised by consular officials in the various parts of China and by diplomatic officials at Peking. In the case of Great Britain and in the case of the United States special courts have been created to exercise this jurisdiction. These courts are known as the British Supreme Court for China and the United States Court for China. When foreigners are plaintiffs in Chinese courts an official called an "assessor" represents the nationality of the plaintiff. Cases of this kind are most frequent in Shanghai and the court in which cases are heard by Chinese officials and foreign assessors has come to be known as the International Mixed Court.

What has been said will help to make clear the position of the foreigner in China since the Chinese government entered into treaty relations with the foreign powers. Extraterritoriality is as broad as the whole subject of China's foreign relations. It is usually presented as a political and legal matter, and no doubt it is so fundamentally. At the same time, it has had important effects upon the trade of China and, more recently, upon the industrial development of the country.

✓ *Treaty Ports.* The treaty ports of China are those cities where foreign powers have the right to open consulates and where foreign merchants have the right to reside and engage in trade. The ports of China that were open to foreign trade in 1870 were sea and river ports. Other cities have from time to time been opened to foreign trade, some of them inland cities, but the name of "treaty port" has been applied to all of them. Similarly, cities have been opened to foreign trade by the voluntary act of the Chinese government, Yochow in the province of Hunan for example, and such cities have been, and are, to-day, called treaty ports though they have not been opened as the result of treaty provisions.

The history of the trade at Canton before 1834 and the principle of extraterritoriality explain the limitations that have always been placed upon the residence of the officials and merchants of foreign nations and upon the trade with foreign countries. These limitations must be borne in mind in any study of the foreign trade of China, for by the treaty port system the trade has been confined to certain channels to which it might not have been confined if there had been greater freedom and for the further reason that the opening up of additional treaty ports is a rough measure of the penetration of foreign trade and of the foreign merchant into the interior of the country.

The later history of China's foreign trade may well be anticipated at this point in order to emphasize certain things about the treaty ports. The treaty ports have frequently been classified in such ways as to make for confusion rather than clarity. There are two points of view from which they may be regarded : the extent of the trading rights at the ports, and the nature of the rights of the foreign residents. From the point of view of the extent of the trading rights, there are, first, the treaty ports themselves, at which there is full right to trade, at which consulates may be established, and at which there is a customshouse ; secondly, there are ports opened to trade, that is, cities at which there is usually no customshouse, there are no consulates, and where foreign traders are not supposed to reside permanently ; and, thirdly, there are certain places along the Yangtze and West rivers which are known as ports of call. At some of these, steamers owned by foreign corporations may call for freight and passengers, and at others they may call for passengers only.

From the point of view of the nature of the rights of foreign residents we have a classification as follows : In the first place, there are certain places along the coast of China

that have been ceded outright to foreign powers. These places are Hongkong and Macao. In the second place, there are certain leased areas which are foreign territory for the duration of the lease. These are Kiaochow, while it was in the possession of Germany, Port Arthur and Talien (Dairen), which were leased to Russia originally but have been in the possession of Japan since the Russo-Japanese War of 1904-1905; Kwangchowwan, in the province of Kwangtung, which was leased to France in 1898; and Weihaiwei, in the province of Shantung, which was leased to Great Britain in the same year. In the third place, there are concessions which are areas under the control of a single power, but which are invariably small districts at the treaty ports. Strategic and political considerations have not entered into the securing of concessions; they are not fortified but are trading places under the control of a single power in each case. At Tientsin, a treaty port, there are no less than eight different concessions. In the fourth place, there are international settlements. These may in turn be classified, as they are by Grünfeld,¹ but such further classification is of interest chiefly to the student of the legal aspects of China's international relations. The best-known example of the international settlement is that at Shanghai. Here there is some division of authority between the Chinese government and the governments of the various treaty powers, as there is in all the international settlements with the possible exception of those, such as the one at Tsinan in Shantung, which have been opened voluntarily by the Chinese government. The land tax, for example, in Shanghai is paid to the proper official of the Chinese government.

¹ Dr. Ernst Grünfeld, "Hafencolonien und kolonieähnliche Verhältnisse in China, Japan, und Korea," Jena, 1913.

The Tariff. A common complaint of the foreign merchants during the days of the cohong and factory system was that the charges upon trade and shipping were exorbitant and uncertain. The fiscal system of China, the relations of the Chinese merchants and officials to the trade, the ignorance of the foreigners as to what the proper charges ought to be, and the monopolistic position of the foreign and Chinese traders made a system of exactions and unregulated charges almost unavoidable. Complaints on the part of the foreign traders had been frequent and, accordingly, we find that the subject is dealt with in the Treaty of Nanking. Article ten of that treaty provided that China was to establish "a fair and regular tariff of export and import customs and other duties, which tariff shall be publicly notified and promulgated for general information."¹ This "fair and regular tariff" was proclaimed at Hongkong in 1843 within a few days of the exchange of ratifications of the Treaty of Nanking. This tariff was upon the general principle of a five per cent ad-valorem duty upon both imports and exports. Many of the rates were made specific, however, presumably because the collection of specific duties was simpler and involved fewer possibilities of difference of opinion between the merchant and the representative of the Chinese government charged with the duty of enforcing the tariff. Thus it has come about that a tariff on the principle of a five per cent rate has really consisted in a large measure of specific duties calculated so as to be, at the time of bringing them into force, a five per cent charge on the value of the commodities. It follows that changes in the prices of goods without corresponding changes in the specific duties will make the rates less or more than five per cent according as the prices rise or fall. Changes in prices

¹ "Customs Treaties," Vol. I, p. 355.

have been the chief reason for tariff revision since the inauguration of the treaty tariff.

The first revision took place before the beginning of the period after 1870. The reason for the revision, which was provided for in the Treaty of Tientsin with Great Britain in 1858 and brought into operation in November of that year, was stated in the treaty to be the fact that "the fall in value of various articles of merchandise" had been found "to impose a duty upon these considerably in excess of the rate originally assumed to be a fair rate."¹ In the case of exports no attempt was made in 1858 to establish what has in later time been called an effective five per cent. The export duty on silk, for example, remained unchanged though the rate of the specific charge was considerably below five per cent. The chief reason was the objection of France to any increase. The export duty on tea remained unchanged as well, though in this case the specific charge was at a rate well above five per cent. Another important provision of the tariff of 1858 was the legalization of the trade in opium.

In 1870 the tariff of China had become a part of the treaties between China and the various foreign nations and it may well be referred to as the treaty tariff. This treaty tariff and the absence of tariff autonomy which it involves makes an important difference between China and the nations of the West, a difference that must be borne in mind when China's foreign trade is under discussion.

Closely associated with the tariff are two other matters to which brief reference must be made. These are the system of commuted transit dues or duties and the inspectorate of customs. The origin of both is to be found in the period before 1870.

¹ "Customs Treaties," Vol. I, p. 411.

The system of commuted transit dues gives to foreign merchants the right to send imported goods to any inland city in China upon the payment of a single charge and to bring Chinese produce which is to be exported from any city in China to a port upon the payment of a single charge. This system of transit dues removes imports and exports from the operation of certain of the internal taxes of China. The chief of these taxes is a tax that has come to be known as *likin*. It is a tax upon goods that are being transported from place to place within China and is paid at certain "barriers" set up along the main routes of trade. *Likin* began as a means of collecting money to defray the expenses of suppressing the Taiping Rebellion (1862-1864), but it has been continued and has become an important source of local revenue. *Likin* is not the only tax upon internal trade in China, for there were taxes in operation in 1842 that made the transit duty system important when the Treaty of Nanking was made. The system was applied to imports only in 1842, but in 1858 it was extended to exports. The Treaty of Tientsin with Great Britain contains a clear statement of the principle, but its actual operation has been the cause of a considerable amount of friction between China and the foreign powers. Article twenty-eight of this treaty reads as follows in part :

"It shall be at the option of any British subject, desiring to convey produce purchased inland to a port, or to convey imports from a port to an inland market, to clear his goods of all transit duties by payment of a single charge. The amount of this charge shall be leviable on exports at the first barrier they may have to pass, or on imports at the port at which they are landed ; and on payment thereof a certificate shall be issued which shall exempt the goods from all further inland charges whatsoever.

"It is further agreed that the amount of this charge shall be calculated as nearly as possible at the rate of

two and a half per cent ad valorem, and that it shall be fixed for each article at the conference to be held at Shanghai for the revision of the tariff.

"It is distinctly understood that the payment of transit dues, by commutation or otherwise, shall in no way affect the tariff duties on imports or exports, which will continue to be levied separately and in full."¹

It will be readily seen that this system of commuted transit dues presents diplomatic and administrative difficulties. The effects that are more directly upon the trade are those which have made the treaty ports centers of trade removed from the internal taxation of trade in China, and the further effect upon the industrial development of the country which is the result of the fact that foreign goods have been subjected, in some cases, to a smaller amount of taxation than Chinese goods manufactured in China and transported from place to place within the country.

The second matter connected with the tariff is the inspectorate of customs. The inspectorate of customs began when, during the Taiping Rebellion, there was for a time no authority in Shanghai to collect the customs revenue. The consuls of the foreign powers undertook to see that the revenue was collected and after a time nominated three inspectors who were appointed by the Chinese government to assist in the enforcement of treaty agreements and in customs regulations. In 1863, Robert Hart, later Sir Robert Hart, became inspector general and for forty-five years he served the Chinese government in this capacity. The inspector general and his staff have practically created the present customs organization, and this has been done with little feeling on the part of foreigners or Chinese that the customs service has been anything but an instrument of the Chinese government. The

¹ "Customs Treaties," Vol. I, pp. 412, 413.

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inspectorate began the issuing of reports upon the trade of China in 1864 and the statistical information that is available for the study of China's foreign trade is largely that provided by the inspectorate.

CHAPTER II

THE COURSE OF THE TRADE BEFORE 1870

It is difficult to get a clear picture of the foreign trade of China as it was during the period before 1867. The one broad generalization that can be made with some assurance is that the Europeans and Americans wanted what the Chinese had to sell more than the Chinese wanted what the Westerners had to sell. Some qualification of this statement is necessary, as will be seen, when silver and opium are brought into consideration.

The chief reasons for the indifference of the Chinese towards the commodities that the West had to offer may well be mentioned because they are in themselves interesting and because they must be taken into account in the discussion of the modern trade. In the first place, there is the attitude which the Chinese felt towards all foreign relations and towards foreign trade as one aspect of such relations. The arrival in China of Lord Napier in 1834 and his attempts to enter into official relations with the Chinese on terms of equality brought out a whole series of memorials, edicts, and other communications which have come down to us in translations made at the time. In one of these communications, a letter from the governor of Kwangtung province, in which Canton is situated, to the hong merchants, the governor, after remarking that the "broad cloths and camlets" of the English are "unimportant and of no regard" to the Chinese, adds this characteristic comment: "But the tea, the rhubarb, and the raw silk of the inner dominion are the sources by which the said people live and maintain life." In a memorial to the emperor the governor makes a similar

statement, saying that "the rhubarb, tea, chinaware, and raw silk of the inner land are things absolutely necessary" to the English.¹ Statements of a similar sort could be given in considerable numbers. There is a touch of the rhetorical about many of them, but they are none the less an expression of the real feelings of the Chinese towards the products of the West.

In the second place, the Chinese were satisfied with their own goods; they had learned to like what was procurable within the borders of their extensive empire and to trust the great system of trade and transportation that brought these products to them. They were conservative and not without reason. A Western writer upon China said, as late as the year 1900: "Chinese have the best food in the world, rice; the best drink, tea; and the best clothing, cotton, silk, and fur. Possessing these staples and their innumerable native adjuncts, they do not need to buy a penny's worth elsewhere."² If a foreigner in China could come to have this viewpoint, it is not unreasonable to believe that the Chinese entertained the same feelings. Another British student of Anglo-Chinese relations has said much the same thing from another point of view: "The economic self-sufficiency of China was the most formidable barrier which we have as yet [in 1884] encountered in our career of industrial and commercial expansion."³

In the third place, there is the fact that the people of Great Britain and of the West in general learned to use the tea of China in a remarkably short time. Tea was hardly known in England before the last twenty years of the seventeenth century. In 1678, the British East India Company

¹ *Chinese Repository*, Vol. III, pp. 236, 330.

² Sir Robert Hart, "These from the Land of Sinim," p. 61.

³ Sargent, "Anglo-Chinese Commerce and Diplomacy," p. 225.

began the importation of tea into England with a shipment of about five thousand pounds, a quantity, we are told, "which seems to have glutted the market for several years."¹ It is estimated that the import of tea into Great Britain averaged about twenty thousand pounds per year at the end of the century. So rapidly did tea come into general use that in 1745 the East India Company was threatened with limitations in its charter if it did not see to it that the London market was supplied with sufficient tea at reasonable prices.² By the end of the eighteenth century the rate of the consumption of tea in England exceeded an average of two pounds per person annually. While the English were becoming a tea-drinking people, the other peoples of the West learned to use tea in considerable quantities. In 1828 the West is said to have used about seventy million pounds, the whole of which came from China. In 1867 China supplied about ninety per cent of the one hundred ninety million pounds that the West consumed.³ Among the imports into China there was none, until opium was introduced, for which the Chinese taste grew so rapidly as did the taste for tea among the peoples of the West.

A fourth reason for the indifference of the Chinese towards Western products was the confinement of the trade to a single port throughout most of the period under consideration. Foreign products entering China through Canton could hardly become generally known to the Chinese of the vast stretches of country far from this southern city. The foreign merchants resident in China before 1842, and especially the British merchants, felt that trade with ports more northerly than Canton would serve to remove this limitation.

¹ "Encyclopædia Britannica," 11th ed., Vol. XX, p. 476.

² F. P. Robinson, "The Trade of the East India Company," pp. 122-124.

³ Morse, "The International Relations of the Chinese Empire," Vol. II, p. 404.

This feeling was one of the reasons for the demand that other ports be opened to foreign trade, which was agreed to by the Chinese government in the Treaty of Nanking. This factor in the foreign trade of China has grown progressively less important since 1842 and it need be given little consideration for the period after 1870, but there is little doubt that it was important in the earlier trade.

An excellent illustration of the difficulty which the foreign traders and manufacturers faced in attempting to introduce into China a product of the West is to be found in the efforts of the British East India Company to introduce British woolens into China. There is no need to recount the attitude of the British merchants, the British public, and the British government towards the development of the British woolen industry and the export of woolens during the years when the East India Company was flourishing. Throughout the seventeenth and most of the eighteenth century the relation of the East India Company to the trade in woolens was hotly debated. The Company made every effort to bring about the sale of woolens in the East and after the trade with China became important it made these efforts in Canton. In the instructions sent out to the East the agents of the Company were told to make every effort to find a market for British manufactures. Such instructions finally became "stereotyped in the standing orders printed for the benefit of supercargoes at Canton. They are to make it their business to inquire as to the possible extension of the market for English manufactures, and more particularly woolens."¹ These instructions were made the more emphatic since it was felt that an increase in the Chinese demand for British goods would decrease the amount of silver annually being sent to

¹ Sargent, "Anglo-Chinese Commerce and Diplomacy," pp. 9, 10.

China. So desirous was the East India Company of increasing "the vent" of English woollens that it accepted an annual loss upon the woollens sent to China. The Company stated in 1793 that it had, during the years 1780-1790, incurred a loss of about £200,000 on its Chinese trade in woollens and metals.¹ In 1820 the Court of Directors of the Company stated before a committee of the House of Lords that "their net loss on English products shipped from London to Canton in the preceding twenty-three years had been £1,688,103 or an average loss of £73,400."² Those who have looked into the history of the British East India Company do not doubt that every effort was made to promote the sale of British woollens in China, nor is there much doubt that a real loss was incurred by the company in making these efforts.

What was the result of these efforts? It has already been indicated by the fact that the trade was conducted at a loss. If the woollen trade of the whole period of trade under the Company and down to the year 1870 is to be described in a single word, that word must be "failure." The reason for this failure is a simple one; the Chinese refused to alter either the material or the style of their dress. They preferred their own materials and the style to which they were accustomed. This preference of the Chinese usually moved Westerners who commented upon it to reflections upon the conservatism of the Chinese and their dislike of improvement. Sometimes the comment was of another sort. Sir Robert Hart, for example, thought the Chinese showed sense in their preference for their own cottons, silks, and furs. In any case, the fact remains that a hundred years of effort on the

¹ Robinson, "The Trade of the East India Company," p. 131.

² Morse, "The Provision of Funds for the East India Company's Trade of Canton During the Eighteenth Century," reprinted from the *Journal of the Royal Asiatic Society*, April, 1922, p. 238.

part of the East India Company failed to develop any considerable demand for British woolens in China.

It has been said that silver and opium in the trade of China before 1870 require separate consideration. This will now be attempted. Any account of the movements of silver into and out of China and of the place of opium in the trade must of necessity be a complicated narrative, but such an account will show certain things about the trade of China that can be shown in no other way.¹

It is known that the Portuguese and the Spanish in the early days of their trade brought to China a considerable amount of silver, but there is no information as to the approximate amounts of such importation. From the beginning of its trade the British East India Company brought considerable quantities as well, but any attempt to approximate the amounts is hardly worth while. By the terms of its charter the British East India Company was required, during the early years of the eighteenth century, to carry from England at least one tenth of the value of its cargoes in goods "the growth produce or manufacture of the Kingdom." This the Company succeeded in doing, but with difficulty, until 1730 when the attempt was abandoned and for some years the cargoes of the ships of the Company outward bound from England consisted of from ninety to as high as ninety-eight per cent of the value of the particular cargo in silver. The value in English money of the silver bullion and coin sent

¹ The statistics and the statements of fact in connection with opium and silver are taken from the following: Morse, "The International Relations of the Chinese Empire," Vols. I and II; Morse, "The Provision of Funds for the East India Company's Trade at Canton During the Eighteenth Century," reprinted from the *Journal of the Royal Asiatic Society*, April, 1922. Other works will be referred to, but any statement that is made without particular reference will be found in Morse. The facts and statistics are subjected to an analysis different from that of Morse and the conclusions are not to be laid at his door.

to the whole of the East during the years 1601-1620 was £548,090; and for the fifty years, 1710-1759, it was £26,833,614.¹ These sums were sent out for the greater part in Spanish dollars. We have no way of knowing how many of these dollars found their way to China.

From 1754 to 1774 there is, unfortunately, a gap in the records of the British East India Company. During these years the practice of sending out supercargoes with each ship was abandoned and the Company established permanent agents at Canton, among other places. When records are available again, conditions seem to have changed. During the first half of the eighteenth century the East India Company seems to have had little difficulty in securing sufficient silver to make its shipments to the East. This seems to be true in spite of the fact that the demand for tea in England was growing. But after 1775 the available supply of silver in Europe seems to have decreased. War and the disturbed state of Europe during the closing quarter of the century are the probable reasons. It will be pointed out presently that when peace came in 1815, the nature of the trade with China had changed.

It happens that the power of the British East India Company over the revenues of its territorial possessions in India increased during this period and this enabled the Company to procure in India some of the silver required for its Canton trade, but the sums made available in this way do not seem to have been great.

Moreover, in 1784 a reduced tax upon tea in England came into effect, and this reduction, by decreasing the amount of tea smuggled into England, increased the demand for tea supplied by the East India Company.

¹ A slightly different figure is given by Robinson, "The Trade of the East India Company," p. 149, who quotes a contemporary document.

In this situation it is not surprising that the East India Company tried various plans for the procuring of silver in sufficient quantities for the Chinese trade. Among the devices was the granting of permission to private traders to send goods from India to China in the ships of the Company, for which service they agreed to pay in silver in Canton. Another device was the permission given to the "servants" of the Company to carry goods from England or India in the Company's ships, in return for which privilege they were required to send the proceeds of their trading home to England in "certificates" calling for the payment of certain sums in English money in London. These certificates were really bills of exchange on the East India Company's London office. The actual silver paid in at Canton was used by the agents of the Company in the purchase of tea. In 1790 the amount received in Canton for such certificates was about 300,000 Spanish dollars.

At about the same time the Company undertook to sell bills of exchange to the merchants of England and India engaged in the so-called "country" trade, that is, the trade between India and China, and to the merchants of other nations as well. In 1779, for example, the Company's agents at Canton received 1,145,379 Spanish dollars in exchange for 365-day bills on London and 990,171 dollars in exchange for 730-day bills. The rate for 365-day bills was 5s. 2d. per "new milled Mexico dollar." This sale of bills seems to have been the most important source of silver after it was once established.

The silver that was paid in for these bills came in part from the "country" trade. This trade was growing, especially that side of the trade which involved the sale to China of opium and raw cotton. The sale of bills to the "country" merchants, however, involved no more than the transfer of

silver already in China. New silver came from the Spanish colonies of America and, chiefly, from Mexico. These dollars were sent to the East at the order of the Spanish government or for the Spanish trade on the galleons that sailed from Acapulco to Manila. From Manila they reached Macao and Canton.

During the early years of the nineteenth century the United States came to take an important part in the Chinese trade at Canton. The Americans were free to trade when and where others found it difficult to do so on account of the Napoleonic Wars. The people of the United States had a taste for tea and there was some demand in the United States for the silks of China. The Americans built up a trade which was conducted by sending out American products upon their own ships sailing to Europe or, in some cases, to the South Sea Islands. After a sufficient supply of Spanish dollars had been procured, these dollars were taken to Canton and exchanged for Chinese goods. It is estimated that sixty per cent of the value of the goods brought to China by the Americans from about 1800 to 1834 was in the form of silver and that for the first years of the nineteenth century this percentage of silver was as high as seventy-five. These dollars, brought to China on American ships, were paid over by the Chinese to the "country" merchants for Indian products and were exchanged by the "country" merchants for bills upon London issued by the East India Company. In this way the East India Company secured the silver necessary to effect its purchases of tea.

✓ A change set in during the first quarter of the nineteenth century as the Chinese demand for opium continued to grow. The result was that more than sufficient silver was paid over by the Chinese to meet the requirements of the East India Company for tea, and silver began to flow from China

to India. The available statistics of the trade show that during the sixteen years, 1818-1834, fifty million dollars in silver was carried from China by British ships. Most of this silver went to India. During the same years it is estimated that the Americans brought to China at least sixty million dollars. From about the beginning of the nineteenth century China began sending out silver in her British and Indian trade, but the amounts so sent from Canton were more than covered by the amounts of silver brought in on American vessels.

The years 1826 and 1827 were marked by the next steps. During these years there was a distinct increase in the import of opium into China. The average of the total shipments to China for the period 1811-1821 was 4,494 chests. The average of the years 1826-1828 was about 10,000 chests and for the seven years, 1828-1835, the average was nearly 19,000 chests. The opium trade became so profitable that for a time the Americans came to take some share in it. The significant change in the American trade, however, took place in the method of making payments. Imports of silver into China by American ships became much smaller after the year 1827. The American merchants were now able to make use of the increasing imports of opium into China — and of increasing exports from the United States to Europe — for the financing of their purchases in Canton. This they did by sending bills of exchange on London to Canton where the proceeds of the sale of these bills were used for the purchase of Chinese goods. It is recorded that American merchants in Canton sold bills on London to the value of \$2,480,871 in 1832 and \$4,772,516 in 1833. The indebtedness in London was met, presumably, by the export of American goods to England.¹

¹ Morse, "International Relations," Vol. I, p. 84. The statistics of the shipments of silver from the United States to China are from Homans, "Historical and Statistical Account of the Foreign Commerce of the United States," p. 181.

Thus by successive steps the situation of China in international trade was changed by the growth of the Chinese taste for opium. In the early eighteenth century silver was sent from Europe to buy the Chinese goods that the West wanted. This silver came from the mines of the Spanish colonies in America. The road that this silver took on its way to China varied from time to time, but the direction of the flow was always the same. As the Chinese taste for opium grew, it became possible, first, for the Indians, next, for the British as well, and, finally, for practically all of the Westerners, to make use of the opium imports into China to secure the Chinese commodities they wanted. If the opium traffic had not grown up, China might have continued to be an absorber of silver from the West ; but by 1834 opium had, to a very considerable extent, taken its place.

The period from 1834 to 1870 is a period of disturbance in the foreign relations of China and in the internal affairs of the country. During this period two wars took place and there was in addition a military expedition against the capital. These resulted in the treaties of 1842, of 1858, and of 1860. The Taiping Rebellion, which began in 1852, spread over the central provinces of the country in the succeeding years. It brought devastation and ruin to great sections and was not put down until 1864. It is not surprising, therefore, that it is difficult to follow the movements of trade during this period. This difficulty is felt in any attempt to trace the course of the opium trade and the shipments of silver.

The opium trade continued to grow until 1839. In 1836 a proposal that the trade be legalized was made by certain Chinese officials and the discussion of this proposal throws some light upon the traffic of the time. It has been shown that by 1834 the import of opium had grown to such proportions as to make it possible that an export of silver would take

place if the trade continued to grow. In a memorial upon this proposal for legalization a Chinese official maintained that silver was actually being sent out of the country, to the amount of "ten and some odd millions" of ounces annually.¹ The translator of the memorial points out more than one inaccuracy of statement in it, but he does not question the statement that silver was flowing from China. In the controversy over opium this seems to have been accepted on both sides. It does not follow that it is true, but there is a presumption that it was true for the years from 1834 to 1839. Morse is inclined to doubt that any net export of silver took place.² In any case the conditions were much the same as during the years immediately preceding 1834. The foreign traders were securing increasing quantities of tea and silk for small but growing amounts of foreign goods and for large and increasing quantities of opium. Foreign opium continued to be imported, but the rate of the increase in the import became less during the later years of the period. The new factor in the situation was not a decrease in the Chinese demand for opium but the great increase in the amount of opium raised within the borders of China.

It is known that during the Taiping Rebellion considerable quantities of silver were sent to Shanghai; the known import for the year 1857 was \$14,443,389.³ It may be conjectured that there was some small net export of silver during the first few years of the period, but that during most of the period the movement of silver was toward China.

It has been said that the consideration of silver and opium would make necessary some qualification of the statement that throughout the period before 1870 China wanted Western

¹ *Chinese Repository*, Vol. V, p. 404.

² Morse, "The Trade and Administration of China," pp. 357, 358.

³ Morse, "The International Relations of the Chinese Empire," Vol. I, p. 467.

goods less than the West wanted Chinese goods. The qualifications can now be stated. In the first place, China, during the early years of her foreign trade, showed a desire to accept silver that was greater than her desire for Western merchandise. In the second place, China after 1800 demanded such quantities of opium that the import of silver gradually diminished until it practically ceased for a few years. After ¹⁸⁰⁰ this the Chinese demand for opium was met by increasing supplies of the drug produced within the country so that some import of silver was a characteristic of the trade throughout the remaining years of the period.

There remain certain other commodities of less importance than those already dealt with, but important enough to require separate mention. Among the exports these are: silk and cotton goods; and among the imports: cotton goods, raw cotton, and metals. China has been known in the West as a producer of silk since the days of the Roman Empire. During the early period of China's modern trade with the West raw silk was at all times one of the exports from China. The average annual shipments during the last five years of the British East India Company's monopoly were 4,314 piculs. During the first years of freedom of trade there was some increase in the amount of raw silk exported. After the opening of Shanghai to foreign trade, in November, 1843, the export of silk increased rapidly; it was about 16,000 piculs, in 1850. An interesting fact is that the Taiping Rebellion increased the export of raw silk from China instead of reducing it, as might have been expected. For the district about Shanghai the chief reason for this was the destruction of the looms at the silk-weaving centers, such as Nanking. There was also the desire of the producers to have silver instead of silk, since silver could be more easily hidden. During the years immediately before 1860 the average export of raw silk from

Shanghai was about 60,000 piculs annually. France has always been an important purchaser of Chinese raw silk for the extensive French silk-weaving industry. During the closing years of the period before 1870 Japanese silk entered into competition with Chinese silk in the Western markets. During the year 1870 the value of silk exports from China was about one third of the value of all exports, and tea and silk together represented about five sixths of the total value of exports. It is difficult, if not impossible, to state the value of the exports of woven silk, called silk piece goods, in the customs reports, before 1867. In 1870 the export of raw silk was about twenty-one million taels and the export of silk piece goods about two million taels.

The movements of raw cotton, and cotton goods, into and out of China during the period are worth noting. The most important fact is that during the earlier years of the trade the movement of cotton goods was from China to the West, in the shape, as Morse says, "of nankeens to provide small-clothes for our grandfathers."¹ For a time the movement was both ways. The first samples of Manchester cottons were sent to China in 1786, but they met with no approval.² It was not until about 1840 that the British exports of cotton goods to China became more important than the export of woolen goods. It is fairly certain that by this time the import of cotton goods into China was greater than the export. Cotton piece goods grew rapidly in importance and in 1870 represented thirty-one per cent of the total value of the imports of China, being exceeded by opium only. Raw cotton was an important import into China during the early years of the nineteenth century. It

¹ Morse, "The Trade and Administration of China," p. 310.

² Morse, "The Provision of Funds for the East India Company's Trade of Canton During the Eighteenth Century," p. 240.

formed a considerable part of the cargo of the "country" ships. The import continued down to the years of the American Civil War, when for a few years it stopped and did not again assume great importance during the few years before 1870. Exports of raw cotton assumed some temporary importance during the years of the American Civil War, but the interesting movements of raw cotton took place after 1870. In recent times this trade has been connected with the industrial development of the Far East.

The import of metals was of some importance during the whole of the period of regular trade before 1870. Lead, tin, and quicksilver were important in the earlier trade and lead and tin were the chief metals imported in 1870. In addition to the commodities that have been mentioned there has always been a trade, both in imports and exports, in articles that may be termed curiosities. The fans, the lacquer ware, the carved ivory, and similar products of the Chinese have been sought by Westerners, and the mechanical contrivances of the West, such as watches and clocks, have always been sought by the Chinese.

Some mention must be made of the increasing importance of Shanghai as a trading center after its opening to foreign trade in 1843. By 1846 Shanghai was contributing one seventh of the total exports from China, by 1851 this share in the export trade had grown to one half, and after 1851 it was never much less than a half in spite of the great growth of the tea trade at Foochow, which dates from 1854 and 1855. The dominant position of Shanghai in the trade of the period after 1870 must be borne in mind. Among the effects of the Taiping Rebellion upon Shanghai was the loss of the Spanish dollars, which were the money of the city and the money by which foreign trade transactions were financed. The dollar of the period before 1857 was the Carolus dollar, or the

"pillar" dollar, as it is called in China to this day, from the fact that it bears a representation of the Pillars of Hercules. So scarce did this dollar become and so insistent were the Chinese upon having it that the situation which developed after 1854 forms an interesting example of the effect of custom on exchange rates. In 1856 coins of identical silver content were worth, in exchange for English money, 4s. 11d. in Canton and 7s. 9d. in Shanghai. Another way of saying the same thing is to say that 374½ grains of fine silver in the form of a Carolus dollar were worth 696 grains of fine silver in the form of sycee, or shoes of silver, such as are commonly used in China.¹ In 1857 Carolus dollars were no longer findable and the foreign merchants of Shanghai adopted as a money of account a modification of the Chinese ounce. This unit is called the Shanghai tael and may be said to represent 525 grains of fine silver. From 1857 it became the money of account for all transactions in foreign trade at Shanghai.

The Shanghai tael is not to be confused with the Haikwan tael, which is the unit of account used by the Maritime Customs. The Haikwan tael represents 583.3 grains of fine silver and the merchant at Shanghai who has to meet a customs charge of Haikwan taels 100 pays to the customs authorities Shanghai taels 111.40.

¹ Morse, "The International Relations of the Chinese Empire," Vol. I, p. 469.

CHAPTER III

THE FOREIGN TRADE OF CHINA DURING THE PERIOD 1871-1884

The foreign trade of China during the period now under consideration presents many of the characteristics of the period before 1870. It has been said that throughout the period before 1870 the Chinese looked upon foreign trade as unimportant and that they showed less desire for what the West had to sell than did the Westerners for the products of China. Of the period 1871-1884 it may be said that it marks the beginning of the acceptance of foreign trade on the part of the Chinese, the beginning of the general use in China of a very few Western products. The Westerners, in their turn, began during this period to buy certain characteristic Chinese products in other Eastern markets as well as in China. These differences and others that will be pointed out did not in this period become so great as to constitute a fundamental change in the nature of China's foreign trade, but they are important nevertheless, since they indicate what is to be expected at a later time.

The State of Affairs Within China. Before proceeding to the detailed discussion of the trade of the period it will be necessary to say something about the condition of affairs within China and something as well about the foreign relations and the treaties of these years. During the whole of the period, but especially during the earlier years, the country was recovering from the effects of the Taiping Rebellion and of the rebellions and uprisings that followed the suppression of the Taiping Rebellion in 1864. Of these further rebellions the more important were the Mohammedan rebellion in the

northwest and the rebellion in Yünnan province in the southwest. The great famine of 1877-1878 checked the progress of restoration and reconstruction. It is estimated that no less than nine and a half million deaths were due to the famine alone. Of the Taiping Rebellion Morse says that it had "devastated a dozen provinces, with an area equal to that of western and central Europe; it had directly killed in battle, by outrage and massacre, and by famine, twenty millions of human beings; it had reduced the country to extreme poverty, and had brought the dynasty near to extinction."¹ Nevertheless, the dynasty was restored to actual power and the central government was able to reassert itself and to win back most of its power over the provinces. This result was due in no small measure to the resoluteness, the boldness, and the capacity for intrigue shown by Empress Tzū Hsi, known to the Western world as the Empress Dowager. In her attempts at restoration and centralization she was aided by the Manchu, Prince Kung, and by a group of Chinese officials. Of these Chinese officials the first and perhaps the greatest was Tseng Kwo-fan, who died in 1872. One of his followers, Li Hung-chang, was his successor, and the group whom Li Hung-chang gathered about him have been powerful in China down to the present day.

During the progress of the Taiping Rebellion the representatives of the various Western nations in China and the foreign residents in the country had shown themselves sympathetic towards the efforts of the central government to bring about the suppression of the rebels. The defeat

¹ Morse, "The International Relations of the Chinese Empire," Vol. II, p. 111. For varying estimates of the number of deaths brought about by the famine and the rebellions, see W. W. Rockhill, "An Inquiry into the Population of China"; Annual Report of the Smithsonian Institution for the Year ending June 30, 1904, reprinted in C. F. Remer, "Readings in Economics for China."

of the Taipings was due in considerable measure to the assistance rendered to China by foreign military leaders. It is an illuminating commentary on Chinese public finance at the time that no great foreign loans were sought by the Chinese government. At other times, also, during the period, the imperial treasury was in need of money, but there was a persistent refusal to borrow until after the war with Japan in 1894-1895.

Foreign Relations and Treaties. In 1867 the Chinese government took an important step towards entering into full diplomatic relations with the foreign powers. A mission to the various nations of the West was approved by the Chinese authorities and sent out under the leadership of Anson Burlingame, who had represented the United States in Peking since 1861. The immediate results of the Burlingame mission were not great. Burlingame did not live to complete his task and his rhetorical assurances of change in the attitude of the Chinese towards Westerners and Western ideas lost much of their force in the face of the spread of anti-foreign and anti-missionary demonstrations in China, culminating in the massacre of Roman Catholic nuns and the French consul at Tientsin in 1870. Nevertheless, Burlingame did secure for China a sympathetic hearing among those in powerful places in the Western nations and did plead so eloquently for noninterference in the affairs of China that the policies of later times may well have been due in some measure to his labors. The finest statement of the case against the policy towards China proposed by Burlingame was made by Burlingame's successor as minister of the United States at Peking. The alternative policy proposed may be called the policy of strenuous insistence.

It is worth while to quote from this statement of the policy of strenuous insistence because it will help to make

clear the attitude of the Western powers during the period under consideration and because it is in itself as good a statement, probably, as can be made in defense of attacks upon the self-sufficiency of China. It is to be found in a reply from J. Ross Browne to an address presented by the English and American merchants of Shanghai :

“ Believing our civilization to be superior to theirs we should endeavor to elevate the Chinese to our standard. But, surely, that can never be done by an unqualified acceptance of their claim to the independence enjoyed by Christian states. They do not possess it in point of fact, and there is no wisdom in proceeding on false premises. If they were independent, they would cease to hold relations which give them perpetual trouble, and break down, one by one, the barriers of isolation which have so long enabled them to maintain their peculiar and degenerate form of national existence. Before they can hold a position of equality in the community of civilized nations, they must cease to cripple all intercourse; they must throw open the country; adopt the improved systems of industry and means of communication urged upon them by the Western world; and thus, by coöperation elevate themselves to an actual equality. Such an advance seems to me to be an essential condition of friendly intercourse. We have no right to compel them to construct railroads or telegraphs, or to extend steam navigation, open coal mines, or accept any of our modern inventions for saving time and developing material resources; but we have a perfect right to compel them to observe their treaty obligations, and, if in doing this all the rest becomes necessary to their continued existence as a nation, and their elevation as a people, it will be all the better for China. I question whether it is good policy to proclaim, in the solemn form of a treaty, that we will not interfere in the internal affairs of the empire, when our very presence is an interference; or whether anything is to be gained by an unconditional admission .

of the right of the Chinese government to determine the time and manner of introducing improvements."¹

One of the reasons for the sending of the Burlingame mission had undoubtedly been the anticipation of the treaty revision which was provided for at the end of ten years upon the demand of either party to the British treaty of Tientsin. The British government did not ask for revision, however, upon the expiration of the ten years; revision was to be delayed until the young emperor should have attained his majority. As a matter of fact full revision was not undertaken until after the Boxer rising. Certain matters, however, were dealt with in a convention signed in Peking in 1869. This convention was the first treaty based on the principle of bargaining. Something was given for what was obtained. It aroused a storm of protest. It was defended as a good bargain and as an application of the principle of avoiding unnecessary interference. It was attacked by the British merchants in China and protested against by the merchants of Great Britain who were interested in the trade with China. It was not ratified by Great Britain. Though it need not be considered in detail since it was never brought into force it serves to bring out the attitude of the merchants who "demurred at paying a price for what, they considered, should be theirs by right."²

The sole treaty of importance negotiated during the period was the Chefoo Convention. It is true that treaties were made with Germany and with the United States in

¹ Morse, "The International Relations of the Chinese Empire," Vol. II, p. 432. The whole of the "Reply" is reprinted as Appendix C of this volume. The policy advocated by Burlingame is dealt with at greater length in F. W. Williams, "Anson Burlingame and the First Chinese Mission to Foreign Powers," New York, 1912, pp. 134-139, 150.

² Morse, "The International Relations of the Chinese Empire," Vol. II, p. 217. For the opinions of a Chinese student upon these negotiations, see C. S. See, "The Foreign Trade of China," New York, 1919, pp. 184-187.

1880, but little of any significance to China's trade is found in them. The American treaty prohibited the opium trade absolutely, but this had nothing to do with the British trade and applied to Americans only. The Chefoo Convention, however, was to some extent a revision of the Treaty of 1858. The occasion for the negotiations was the murder of a British diplomatic official who had gone to the border of Yünnan province and Burma to meet a party that had been sent out to explore a possible route of communication from Burma into China. The negotiations themselves serve to bring out the fact that the powers now began to find it difficult to work together. This jealousy was, in 1876, to some extent the expression of mere superficial exasperation with the manner in which the British minister conducted the negotiations; but it had also a deeper aspect and one which was to show itself during the closing years of the century.

The Chefoo Convention, which was signed in September, 1876, and ratified by the Chinese government during the same month, was drawn up in three sections and the third of these sections dealt with trade. The provisions of chief importance were: that which opened as treaty ports Ichang, in the province of Hupeh, Wuhu, in the province of Anhwei, Wenchow, in the province of Chekiang, and Pakhoi, in the province of Kwangtung, and six ports of call for steamers on the Yangtze River; and that which provided for the simultaneous collection of duty and likin on opium. Other provisions defined the area of exemption from likin charges at the treaty ports as the area actually rented by foreigners, regulated the issue of transit passes, provided for the opening of Chungking, in the province of Szechwan, when steam navigation should have reached the city, and provided for a joint commission to consider trade between Hongkong and Chinese ports. The administrative provisions of the treaty were of the sort that

had been suggested by Sir Robert Hart¹ and it is probable that his influence is seen in the unratified convention of 1869 as well. The ratification of the Chefoo Convention was opposed by the same groups as had opposed the ratification of the earlier convention and upon much the same grounds. Ratification was delayed until 1885, and when the British government did finally ratify the convention it included supplementary articles which fixed an import duty of 30 taels upon opium and a further likin duty of 80 taels.

During the period China recognized Japanese jurisdiction over the Liuchiu Islands and shortly after the close of the period Tonkin and Annam were ceded to France. In 1886 Chinese control of Burma was practically given up. Korea had been opened to trade in 1882 and in 1885 a clash between China and Japan over Korea was scarcely avoided. The close of the war with France in 1885 ushered in a period of peace which was not to be disturbed until the war with Japan.

Reasons for Beginning the Detailed Study of the Trade with the Year 1871. The year 1871 has been taken as the one with which to begin the detailed study of the foreign trade of China. The precise year has been arbitrarily selected, but the considerations that are now to be taken up will, it is hoped, establish the reasonableness of beginning at about 1870.

The first of these considerations is the importance of the opening of the Suez Canal and of the establishment of telegraphic communication between China and the West. The formal opening of the Suez Canal was celebrated in November, 1869. During the year 1870 half a million tons of shipping passed through the canal and by 1884 the tonnage

¹ "Proposals for the Better Regulation of Commercial Relations," reprinted in his "These from the Land of Sinim," pp. 182-251.

increased to about six million. By 1880 the trade of China with Europe is said to have passed almost entirely through the canal.¹ In June, 1871, telegraphic communication was established between Shanghai and London and through London between Shanghai and the commercial centers of the United States.² It is hardly worth while to consider the effects upon the trade of China of each of these changes separately. It is certain, however, that the effect of the two was great. The Suez Canal shortened the distance from Hongkong to London by 25.6 per cent and from Shanghai to London by 24.1 per cent of the length of the earlier route around the Cape of Good Hope.³

The shortened distance by the Suez Canal and the nature of the route made it more advantageous to use steamers rather than sailing vessels. The annual returns of trade of the Chinese customs show that during the years 1868 and 1869 the number of steamships and the number of sailing ships in the trade, both foreign and domestic, under the control of the customs were about equal. The number of ships of each sort was about 7,000. By 1875 the number of steamships had increased to about 11,000, with a tonnage of more than 8 million; and the number of sailing ships had fallen to about 5,500, with a tonnage of 1.5 million. By 1884 the number of steamers was four times that of the sailing ships, with a tonnage seventeen times as great. Not all of this change is to be considered as due to the Suez Canal, since there was improvement in the steamships and a more general

¹ The statement is to be found in a letter from a merchant in the East quoted in Joseph Rabino, "The Statistical Story of the Suez Canal," *Journal of the Royal Statistical Society*, vol. 50, Pt. III, p. 531.

² Morse, "The International Relations of the Chinese Empire," Vol. II, p. 264.

³ Rabino, "The Statistical Story of the Suez Canal," p. 526. Slightly different figures are given by J. Charles-Roux, "Le Canal de Suez," *Le Revue de Paris*, 6 yr., no. 121, p. 129.

use of iron hulls. Nevertheless, the fact that noticeable change began to take place when it did is undoubtedly due to the use of the canal. The effect of this change was especially important, as will be seen, in the Chinese tea trade.

A second effect of the Suez Canal was to increase the direct trade between China and the Continent of Europe or, as one writer puts it, to bring about the "decline of the warehouse distribution system of England."¹ During the period under consideration silk came to be shipped directly to Marseilles, tea for Russia came to be shipped directly to Odessa, a trade in Russian kerosene sprang up between the Black Sea ports and China, and the beginnings were made of the direct trade with Antwerp, Bremen, and Hamburg. A frequent comment in the trade reports of the customs is that the trade with Great Britain is declining. The opening of the Suez Canal brought to a close the period of Europe's practically entire dependence upon Great Britain, for the tea and silk of China.

A third change that followed the opening of the Suez route and the establishment of telegraphic communication was a change in the position of the foreign merchants in China. The merchants of the early days may be described as merchant princes. They owned ships and warehouses, they were in the possession of considerable stocks of goods at all times, they bought Chinese products and European goods outright, they made great gains and kept up residential establishments in a grand manner at the various treaty ports in China. Of course, not all of them were able to do this, but those who were not hoped to be able to at some future time. The princely merchant was the standard and goal of ambition.

¹ J. A. Fairlie, "Economic Effects of Ship Canals," *Annals of the American Academy of Political and Social Science*, Jan., 1898; reprinted in Senate Doc., No. 20, 58th Congress, 1st Session, Washington, 1903.

"It seemed," says Michie, "as if the repute of a merchant lacked something of completeness until he had got one or more ships under his orders."¹ These standards could be maintained only by such remoteness from the field of European trade as to give some of the advantages of monopoly. The telegraph and the tramp steamer brought this happy state to an end. The execution of orders upon commission became more common and the first steps were taken towards making the merchant in China the agent of a corporation in the West accountable for his transactions to his principals and enjoying a comparatively small amount of freedom. Other steps in this change in the position of the merchant will be pointed out during the account of later periods in the trade. The period from 1871 to 1884 was one during which the Western merchants in the China trade complained almost continuously of reduced profits. In the customs reports the complaint was recorded year after year. "During the last twenty years," we are told in 1880, "profits have been steadily becoming less while the value of commerce has been as steadily increasing."² In the change that has been noted we have a partial explanation of these complaints, though they are probably due as well to the decline in prices which was a characteristic of the period.

A general effect of the opening of the canal and of the telegraph cable was the increase in the quickness and the certainty of trade. The feeling of nearness to Europe and to the United States that these improvements brought must have had results that are difficult to measure.³

¹ Alexander Michie, "The Englishman in China," Vol. I, p. 218.

² "Chinese Maritime Customs Reports on Trade," 1880, p. 4.

³ A discussion of the effects of the Suez Canal and the telegraph on economic conditions is to be found in D. A. Wells, "Recent Economic Changes," New York, Appleton, 1899, pp. 29-35.

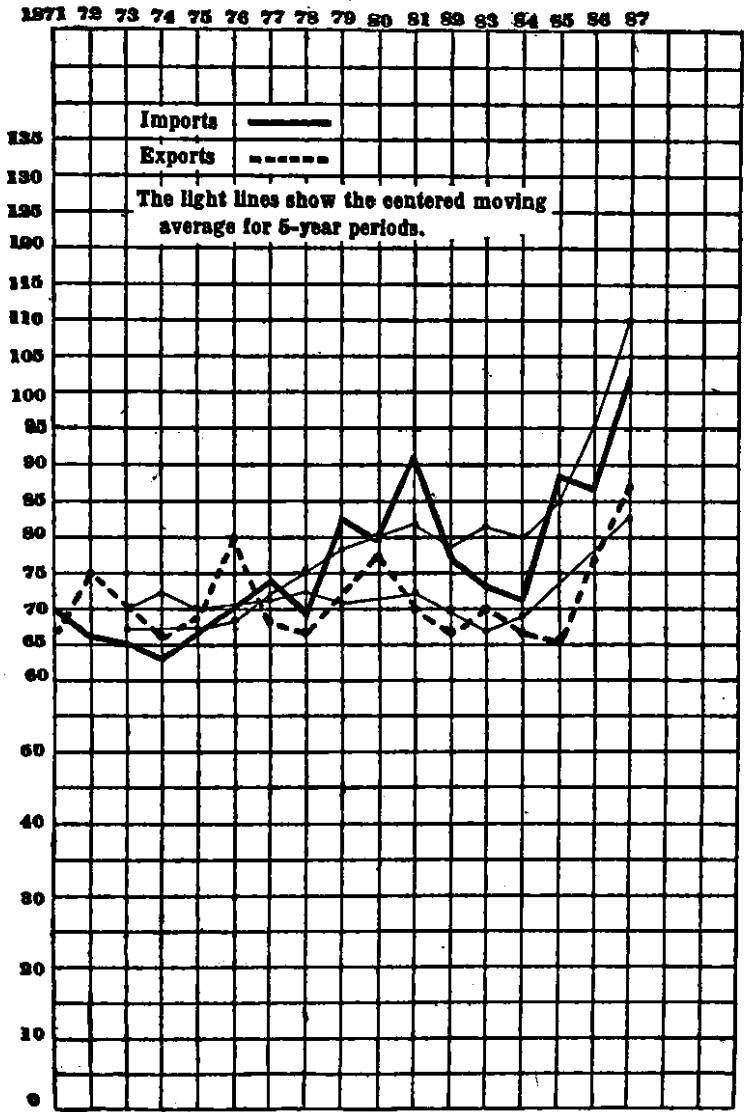
The second of the reasons for beginning the detailed study of China's foreign trade in the early seventies is the fact that the long and great decline in the gold value of silver began at this time. Throughout the early trade the value of an ounce of bar silver of standard fineness had fluctuated little in the London market. In 1872 the average quotation on the London market was $60\frac{5}{16}$ English pence and for fifty years the price had been about 60 pence. In 1872 the Ha-kwan tael of silver was worth \$1.60 in United States specie and 6s. 7½d. in English money. There had been no great fluctuations of more than local and temporary importance in these or in corresponding rates for whatever sort of silver currency happened to be in use, within the memory of the merchants then in China. The rates of exchange at Shanghai during the Taiping Rebellion before the adoption of the Shanghai tael as the money of account are an exception of local importance only. In 1873 there began a fall in the gold value of silver and in the exchange value of Chinese money. This fall in the value of silver is familiar. Its effect upon the foreign trade of China is one of the reasons for the study of the foreign trade of China and it was necessary to begin the study at least as early as the beginning of the change.

A third reason for beginning the detailed study of the trade in the early seventies is that useful statistics are available from this time. The Chinese Maritime Customs began the publication of the annual "Returns of Trade" for China in 1859. The publication of the annual "Reports on Trade" was begun in 1864. These two publications were combined in 1882, and since 1882 the two reports together have been known as the annual "Returns of Trade and Trade Reports." Before 1882 the two reports were issued separately. The "Returns of Trade" were collections of statistics with no comment or interpretation. They consisted of a brief

abstract of statistics followed by the detailed statistics of each of the treaty ports. The "Returns of Trade" were improved in 1864 and in 1867. In 1875, for the first time, all values were stated in Haikwan taels and the calculations were carried back to 1873 for most of the items. The values for the period before 1873 were stated in local taels, which vary from port to port. They cannot be reduced to Haikwan taels in all cases. This makes the statistics less useful before the year 1873. The annual "Reports on Trade," which were published separately to the year 1882, consisted, from 1864 to 1874, of a report from each of the treaty ports bound together in a single volume. They were the comment upon the statistical information in the "Returns of Trade." Beginning with 1875 the statistical secretary of the Chinese customs, a foreign official under the inspector general, wrote an introductory report upon the trade of China in general. These general reports continued to form the introductory chapter of the "Reports on Trade" until 1882. Some of these reports contain illuminating comment on the nature of China's trade and on its economic significance. They are of uneven value, however. One secretary presents tables that he believes to be useful and his successor often fails to carry on the work in such a way as to make the tables comparable. One secretary gives attention to one aspect of the trade, as, for example, the trade in opium, while another emphasizes a different aspect. These general reports on the trade of China became in 1882 the introductory pages of the "Returns of Trade and Trade Reports" and they have been continued to the present day. The space given to the general reports was much reduced when the two publications were combined in 1882. Taken together, the reports on the trade of China from the year 1875 are the best source of information of an interpretative sort that is available. These reports, with the

statistical abstracts which they comment upon, are the record upon which every account of the trade of China must be based.

The statistics published by the Chinese customs are not a complete record of the foreign trade of China. The customs, for instance, took no account for many years of the movements of gold and silver because of the fact that they were free of duty. Furthermore, there was always a trade with certain foreign countries carried on in Chinese junks which were not under the control of the inspectorate general. This is especially true of the earlier trade with the islands of the Pacific and with Siam and the Malay Peninsula. The chief difficulty has always been the situation of Hongkong. Hongkong is a distributing center for the foreign trade of southern China, but at the same time it is a British colony and its trade is included with the foreign trade of China. Throughout the period from 1871 to 1884 most of the trade of China with Hongkong escaped the control of the inspectorate general because it was carried in small boats sailing under licenses issued by the so-called "native" customs authorities. In 1887 two customshouses were opened for the express purpose of collecting duties from the trade between Hongkong and Macao on the one hand and the mainland of China on the other. The difficulty presented by the situation of Hongkong is more general, however. Hongkong publishes no statistics showing the origin of its imports or the destination of its exports. When the Chinese customs was able to present a record of the trade between China and Hongkong it was by no means possible to arrive at conclusions as to the distribution of trade among countries, for example, or the trade in precious metals, that were more than conjectural. Attempts have been made to avoid this difficulty, but it must be remembered and taken into account.



**Imports into China and Exports from
China in Millions of Haikwan Taels, 1871-1884**

See Appendix, Tables 2, 3, 4, and 5, for statistical information.

There has been progressive improvement in the form and completeness of the statistics published by the statistical secretary's office of the inspectorate general of customs in China. Before the early seventies, however, these statistics were not of the sort that may be used for comparison and useful study. There is, then, this practical reason for not making the attempt to carry the detailed study of the trade back to an earlier date.

General Course of China's Foreign Trade, 1871-1884.
The general course of the foreign trade of China during the period from 1871 to 1884 shows that the total trade of the country was about the same at the end of the period as it was at the beginning. This conclusion is the result of the observation of the total trade as measured in Haikwan taels. This measure of China's foreign trade is the simplest and most familiar and it will at all times be presented first and dealt with as a standard for comparison with any other measures that may be applied. The total foreign trade was about 137 million Haikwan taels in 1871 and about 140 million Haikwan taels in 1884. The total trade did not remain the same throughout the period. There were three upward movements during the period followed by three downward movements. The high points were reached in 1872, in 1876, and during the years 1879-1881. The years 1874, 1878, and 1884 mark the low points.

If now we turn to the consideration of the values of the exports and net imports we find that the merchandise imports and exports were about equal to each other at the beginning and at the end of the period, and that throughout the period trade balances were not great. These balances were sometimes "favorable" and sometimes "unfavorable." We have no such great balances to account for as will be found for later periods.

A further observation of the values of exports and imports brings out the fact that the rise in the total value of the foreign trade in 1872 was entirely a rise in the value of exports, that the rise in the total value of the trade for 1876 was almost entirely a rise in the value of exports, and that the rise during the years 1879 to 1881 was a rise in both exports and imports, though imports rose more continuously and to a higher level than did exports. The difference between the course of the movements of the values of imports and exports can be stated in another way. Throughout the period now under consideration, the exports from China maintained a level except for certain sharp rises in 1872, 1876, and 1880. The course of imports was different. Imports fell slowly during the early years, rose rather gradually to the year 1881, and then fell during the remaining years of the period.

The trade of the period continued to be a trade in a small number of commodities. Among the exports from China the value of the exports of tea and silk together formed about 92 per cent of the total exports in 1871, about 83 per cent in 1877, and about 78 per cent in 1884. Among the imports into China the value of the imports of opium and cotton goods (including cotton yarn) together formed about 76 per cent of the total imports in 1871, about 67 per cent in 1877, and about 66 per cent in 1884. Sir Robert Hart, in the proposals which he made in 1876 for the better regulation of commerce, already referred to in this chapter, selects for separate treatment eight commodities, the few, he says, in which foreign commerce is really interested. Among the exports these commodities are: tea, silk, sugar, and raw cotton. Among the imports they are: cotton goods, woolens, metals, and sugar. The trade in other commodities, included under the general heading of "sundries" in the statistics of both imports and exports of the customs, did grow somewhat

as the percentages given above show, but the great growth in this trade in sundries belongs to a later period.

The Export Trade and the Chief Exports. It has been pointed out that the total value of the exports from China in Haikwan taels did not increase during the period under consideration and that a fairly level course was maintained except for certain rather sharp rises in 1872, 1876, and 1880. We have now to consider the chief exports in order to find out how the sharp rises are connected with increases in the export of particular commodities. Certain significant changes in the export trade will be brought out also.

In the first place, the export of tea began its fall from the high place in the trade of earlier times. The days of the rivalry in the building of sailing ships and of the great tea races came to an end during this period. It is true that the international rivalry and the races between American and British clippers had come to an end in the fifties, but races among British ships were kept up until the early seventies.¹ The fact that the tea races were continued after the opening of the Suez Canal and the telegraph made them pointless accounts for some of the troubles that were felt by those interested in the tea trade. The merchants did not for some years see that there was little advantage in getting tea to England by the first ship of the season when, by means of the cable, it was known what ships were due to arrive and when they were to be expected. Steamers, we are told, made the journey through the canal two months sooner than sailing vessels made the journey by the Cape. The tea was piled up in London early in the season and in

¹ For an account of these races and ships and for an especially good account of the great tea race of 1866, see Basil Lubbock, "The China Clippers," 2d ed., Glasgow, 1914.

1876 it was said that "a better assortment of teas and at far lower prices is obtainable in London than in China."¹

But it was not only the Suez Canal and the telegraph that brought about difficulty. The tea trade would have adjusted itself to these new conditions, as indeed it did. A more serious change became important during the period. This change was the growth of the tea trade between India and England and between Japan and the United States. As early as the season of 1874-1875 the United States, for the first time, imported more green tea from Japan than from China.² It was shortly after the close of the period that the United Kingdom dropped from first place to second place among the importers of Chinese black tea. The place of Great Britain was taken by Russia. The changes of the period may be summarized as follows: a great decrease in the export of black tea of good quality to the United Kingdom, some increase in the amount of black tea of poor quality exported to the United Kingdom, a great increase in the export of black tea of good quality to Russia, a considerable decrease in the export of green tea to the United States. The general change was an increase in the quantity of tea exported but a decrease in the value of the total exports of tea.

A comparison of the annual statistics showing the total value of the exports from China with the statistics of the export of tea brings out the fact that the rise in the total value of exports in 1872 coincides with a rise in the total value of the tea exports. There is the same coincidence in 1880, but there is no such coincidence in 1876. In 1871 the value of the export of tea in Haikwan taels was 54 per

¹ "Chinese Maritime Customs Reports on Trade," 1876, p. 35.

² For the season referred to the exports from China to the United States were 20 million pounds; from Japan, 22.3 million pounds. "Chinese Maritime Customs Reports on Trade," 1876, p. 36.

cent of the total value of the exports from China, in 1877 it was about 49 per cent, and in 1884 it was about 44 per cent.

The most important consideration in the explanation of the change in the tea trade of China is undoubtedly the growth of competition in other Eastern countries. There is no need to enter upon a discussion of the reasons for the success of China's competitors. Those who were interested in the trade of China at the time ascribed it to the fact that improved methods of tea culture and preparation under the supervision of Westerners were introduced into India and Japan.

The second of the Chinese exports to be considered is raw silk. This trade had grown from the opening of Shanghai as a treaty port. About 74,000 piculs of silk were exported, in 1871, 77,000 in 1877, and 116,000 in 1884. The value of the silk export in Haikwan taels presents rather a different aspect, however. The value of the total export of silk in 1871 was about 25.5 million taels, in 1877 it was about 23 million taels, and in 1884 it was about 23 million taels. In 1871 the value of the silk exported was about 38 per cent of the total value of exports, in 1877 it was about 24 per cent, and in 1884 it was about 35 per cent. Silk is reported under a variety of headings in the reports of the Chinese customs. If we separate the two items, raw and thrown silk, on the one hand and silk piece goods on the other, we find that the quantity of each of these sorts of silk increased during the period, but that the increase was somewhat greater in the case of silk piece goods. The export of manufactured silk has always held a high place in the export trade of China.

A comparison of the annual statistics showing the total value of the exports from China with the statistics showing the value of the export of silk brings out certain interesting facts. The sharp rise in the total value of exports in 1872 coincides with an increase in the total value of silk exports, as does

the sharp rise in 1882 ; but the rise in 1876 is almost entirely due to the fact that the value of the exports of raw and thrown silk rose enormously. There was a fever of speculation in silk during the year and the price is said to have fluctuated between 260 taels per picul and 400 taels.¹

During the period under consideration the export of raw silk from Japan began to grow. A memorandum upon the trade in raw silk was made public by a British firm in Shanghai at about the end of the period. In this memorandum it was pointed out that during the season 1877-1878 the raw silk exported from central China represented 52 per cent of the export of raw silk from the East and that during the season 1885-1886 the export from central China represented about 26 per cent of the total amount of silk exported from the East.² The change in the percentage of raw silk from China was the result of the great growth in the export of raw silk from Japan. In the case of silk as well as in the case of tea we find the growth of competition.

Sugar was an export of but moderate importance during the period under discussion. In rank among the exports sugar followed silk, but it usually represented no more than two or three per cent of the total value of China's exports. It is worth considering, however, for it shows one aspect of the transit duty problem. Sugar appears as both an export and an import in the statistics of the trade for the period. In part the export of sugar was an export to Hongkong and the import of sugar was an import from Hongkong. The same sugar figures in the tables of imports and of exports. Sugar was sent to Hongkong from the provinces of the southern coast of China, refined in Hongkong, and sent back to China frequently to the northern ports. The reasons for the growth

¹ "Chinese Maritime Customs Reports on Trade," 1876, p. 31.

² *North-China Herald*, May 26, 1888, p. 489.

of the sugar-refining industry in Hongkong are many, but one of them is certainly the fact that sugar on its way to Hongkong, a British colony, and on its way into the interior of China from Hongkong could take advantage of the commuted transit duty and was free from all other duties or taxes.¹ This trade from Chinese port to Chinese port by way of Hongkong does not explain the whole of the trade in sugar. China was to some extent a real exporter of sugar during the period. The trade grew fairly consistently during the period. The years 1876, 1880, and 1883-1884 marked considerable increases. After the close of the period sugar exports from China declined rapidly. There has been no recovery; on the contrary, sugar imports began to assume some importance and they have continued to grow. Sugar presents certain similarities to tea and silk. Sugar, as an export, showed some increasing importance during the years from 1871 to 1884, but its importance declined with the growth of the sugar industry in other countries.

Two other export commodities may be mentioned, since they increased greatly in importance during the period. These are straw braid and cowhides. Straw braid, which is plaited straw prepared for the manufacture of such articles as straw hats, was hardly worth mentioning as an export in 1871. In that year less than 3,000 piculs were exported. The export increased to 25,000 piculs worth 620,000 taels by 1877 and to about 80,000 piculs valued at 1.9 million taels by 1884. The export of cowhides was but 300 piculs in 1871. There was a considerable increase in 1877, since many cattle were killed during the great famine which began in that year. After 1877 the export increased more gradually. In 1884 about 88,000 piculs were exported at a value of about one million taels.

¹ For further comment, see "Chinese Maritime Customs Reports on Trade," 1875, p. 33.

The Import Trade and the Chief Imports. Imports into China, measured in Haikwan taels, declined from a total of 70.1 million taels in 1871 to 64.4 million taels in 1874. From 1875 to 1881 there was a gradual and fairly continuous increase until the highest point of the period was reached in 1881 when the total imports were 91.9 million taels. After 1881 there was a rapid decline until 1884 when the total was 72.8 million taels. The course of the trade shows a slight decline, a gradual rise, and then a rapid decline.

At the beginning of the period and at its end opium and cotton goods each represented about one third of the total imports. Woolen goods, metals, and sundries, the three other classes of imports recognized in the customs tables, formed the other third. It is by no means true, however, that the relative importance of opium and cotton goods remained the same throughout the period. During the earlier years of the period opium increased while cotton goods were decreasing in importance. In 1878 opium represented over 45 per cent of the total value of imports, and cotton goods had fallen to about 23 per cent. The customs report for 1876 pointed out that whatever gain there had been in imports for some years was due to "the increased importation of opium and of products of Eastern origin."¹ During the later years of the period an increase in opium imports coincided with an increase in the imports of cotton goods, and this coincidence accounts for the high point in 1881. After 1881 opium and cotton goods declined together.

Opium remained the chief single factor in China's imports throughout the period. Opium was more important than cotton goods at all times, except at the beginning and at the very end of the period. The temporary fluctuations in the

¹ "Chinese Maritime Customs Reports on Trade," 1876, p. 5.

total imports of opium, such as the decline in 1880, were usually connected in the reports of the customs with the nature of the opium crop in China at the time.¹ The spread of opium cultivation in China was so extensive during the period as to threaten the continued prosperity of the import trade. Serious proposals were made by those interested in the trade that the duty upon opium should be greatly increased. It was hoped by this means to bring about more effective prohibition of the cultivation of opium within China. This strange proposal to increase the import of opium by greatly increasing the import duties rested upon the opinion that the central government of China would find it fiscally advantageous to stamp out cultivation and allow imports to increase.

Any comment on the import of opium during this period must be read with an understanding of the difficulties of measuring the trade caused by the junk traffic between Hongkong and the mainland of China. This traffic did not come under the control of the Maritime Customs until after 1887. The reported opium imports of the period from 1871 to 1884 must, therefore, be looked upon as no more than a large fraction of the total imports. This state of affairs was frequently commented upon in the annual reports of the Maritime Customs and on more than one occasion attempts were made to calculate the true total of China's imports of opium. The usual result of the calculations was the addition of from 15,000 to 19,000 piculs to the total reported by the customs.² For the year 1879 the customs reports state the import of opium to have been 83,051 piculs, valued at 36.5 million taels. The suggested additions for the Hongkong junk traffic make the total 102,970 piculs, valued at about 45 million taels. Such

¹ For instances, see "Chinese Maritime Customs Reports on Trade," 1876, p. 24; 1880, p. 9; 1881, p. 7.

² For examples of such calculations, see "Chinese Maritime Customs Reports on Trade," 1876, pp. 25-27; 1880, p. 10.

calculations as these are of value in the study of the trade balances of China for the period, but their necessity makes it inadvisable to state more than the general facts about the trade in opium during the period. These undoubted general facts are: that the trade in opium was of great importance throughout the period, that opium imports varied with the domestic opium crop, and that the import of opium declined during the closing years of the period.

The trade in cotton goods — the term includes cotton yarn — shows that the Chinese import declined from 1871, when the total was about 27 million taels to 1878, when the total was about 16 million taels. This decline was followed by a rise, until in 1881 the total import was about 26 million taels. By 1884 the import had fallen off to 22 million taels. The customs reports of the period usually contain comments upon the failure of the imports of cotton goods to increase. The reasons ordinarily given are that the Chinese find their own product better suited to their needs, that imported cotton cloth is an article of use among the wealthy in China and not of general use among the Chinese people, and that the failure of the import trade to increase is connected with the practice of "sizing" cotton cloth, which was looked upon by the customs officials and by the merchants in China as adulteration.

It is a significant fact that the cotton yarn imports differ from the imports of cotton goods in general. The rapid development in the trade in cotton yarn began after 1878 when the total import was about 100,000 piculs. The import of cotton yarn increased rapidly and steadily through the remaining years of the period. It did not decline after 1881, and in 1884 the total import was over 260,000 piculs.

It was during the years 1879, 1880, and 1881 only that the course of the trade in cotton goods was looked upon as

satisfactory by the merchants who were interested in it and by the customs officials who have always given it a considerable amount of attention. The customs report for 1879 makes the following comment on the increase in the import trade in general and the import of cotton goods in particular. "A desire, in fact, to take advantage of Western arts and sciences is surely, if slowly, gaining ground among the Chinese."¹ The usual comment was of a gloomy sort, however, and at the close of the period there was no expectation of such development as was shortly to be seen in this trade.

The import of woollens requires no comment. It changed very little during the period and it usually represented about 6 per cent of the total imports measured in Haikwan taels.

The import of metals increased from 2 to about 5 million Haikwan taels, but at no time did the value of these imports represent much more than 6 per cent of the total value of imports. There was a slow growth in the import of iron, steel, and unmanufactured copper, but the total imports were not of sufficient size to make close study useful. Tin and lead continued during the period to be the chief imports among the metals. Tin is used in China for a variety of purposes. It is wrought into domestic and temple utensils, and tin foil is extensively used as a covering for the paper imitations of money that are strewn upon graves in China.² Lead is used for the lining of tea chests. The fact that these metals were more important imports than iron or steel or copper during the period under consideration shows that little change was taking place in the industrial life of China.

Certain significant "sundries" remain to be mentioned. There was an increase in the total import of sundries from

¹ "Chinese Maritime Customs Reports on Trade," 1879, p. 114.

² A list of the uses of tin is to be found in the "Encyclopædia Sinica," p. 374.

about 10 million taels to more than 16 million taels. Measured as a percentage of the value of total imports the increase was from 15 to more than 20 per cent. Such commodities as kerosene, oil, matches, and coal were imported in increasing amounts and, in addition, certain food products from the seas around Japan and the Pacific Islands.

The growth of the trade in kerosene shows the progress of the Chinese import trade in some of its interesting aspects. The customs statistics are by no means satisfactory, but it seems certain that this trade did not assume real importance until 1878. From 1878 to 1884 the average annual import was over 5 million U. S. gallons. We are told in 1879 that "the Chinese have at last discovered that kerosene not only gives a better light, but costs in reality much less than the bean and tea oil that they have hitherto been in the habit of using."¹ The rapid growth of the trade is shown by the fact that no less than 14 million gallons were brought to Shanghai directly from New York in 1885. The attitude of the Chinese officials toward this growing import shows the conservatism that had to be overcome before any new product could be sold in China. During the year 1881 the officials at Ningpo showed some disposition to prohibit the trade in kerosene oil as dangerous.² At as late a date as 1888 a high official maintained that kerosene was worse than opium "because opium is slow" and, on account of certain conflagrations in Chinese cities, advocated the restriction of imports.³ Comparison with Japan shows that in 1881 Japan imported three times as much kerosene oil as did China. The statistical secretary of the Chinese Maritime Customs estimated in 1881 that one household in six in the Chinese

¹ "Chinese Maritime Customs Reports on Trade," 1879, p. 44.

² *Id.*, 1881, p. 13.

³ *North-China Herald*, Feb. 24, 1888, p. 211.

city of Shanghai used kerosene in preference to the native vegetable oil, though kerosene was at the time one third cheaper.¹ By 1884 the Chinese had not yet learned to use the cheap conveniences of the West, though in some cases these conveniences were cheaper than the commodities to which the Chinese people were accustomed.

The Distribution of the Trade. It is difficult to present satisfactorily the facts about the distribution of trade among the various countries trading with China because of the position of Hongkong as a distributing center. The percentage of China's trade which was with Hongkong increased during the period from 24.4 per cent in 1871 to 33.8 per cent in 1884. We have estimates as to the destination of the exports that left China through Hongkong and the origin of the imports through Hongkong.² It is not necessary to deal at length with these estimates for the period under consideration because the general facts as to the distribution of trade are clear enough. These general facts are: First, that there was a considerable decline in the direct trade with the United Kingdom; secondly, that there was a considerable increase in the percentage of trade with the continent of Europe, which was but another aspect of the decline in the direct trade with the United Kingdom; thirdly, that there was some increase in the percentage of trade with Japan; and, finally, that there was no change worth notice in the percentage of trade with the United States. The trade of China during this period was largely a trade with the British Empire, and much of the trade that was not with the British Empire was through two great centers of distribution within the British Empire, namely, Hongkong and London. This general

¹ "Chinese Maritime Customs Reports on Trade," 1881, p. 13.

² Estimates for the year 1867 are to be found in Morse, "The International Relations of the Chinese Empire," Vol. II, pp. 399, 403.

statement is of importance, not only for an understanding of China's trade but for an understanding of the foreign relations as a whole. The period of international rivalry and jealousy among the foreign nations did not begin until certain significant changes had taken place in the distribution of China's trade.

Shipping. The available information about shipping in the foreign trade of China makes it desirable to deal with the subject from two different viewpoints. In the first place, the total tonnage of foreign shipping engaged in the foreign trade of China will be examined for the purpose of finding out whether the statistics support the statements that have been made as to the course of the merchandise trade. The annual reports of the Maritime Customs state that the "total tonnage under foreign flags in the import and export trade to and from foreign countries" was 1.9 million tons in 1872. The tonnage declined to the year 1874. In 1875 it began to increase and reached a high point in 1880, when it was about 4 million tons. It did not rise much above 4 million tons until after the year 1885. These statistics show a general agreement with the outstanding facts brought out by the study of the total value of the trade in Haikwan taels.

In the second place, we have to do with the total tonnage of all the shipping in the whole of the trade of China which came under the view of the Chinese Maritime Customs. This tonnage includes that which has already been dealt with and in addition it includes the whole of the large tonnage of foreign-owned ships that carried on the river and coastwise trade of the country as well as certain Chinese ships, largely steamships, which were under the control of the customs. This tonnage shows the importance and the influence of the different nations in the domestic as well as the foreign trade of the country. The growth of this tonnage, the building of

warehouses, and the establishment of agencies and business connections had in later periods much to do with the establishment of industrial enterprises under the control of foreigners in the various treaty ports of China.

The statistics of this total tonnage must be understood in relation to the tonnage engaged in the actual foreign trade if false conclusions are to be avoided. An example will serve to bring this out. During the period, the French established a steamship line, the Messageries Maritimes, which was important enough in its effects to bring out rather extended comment in the customs reports. At the same time, German shipping was represented by a number of much smaller ships, most of which were in the coastwise and river trade. The German ships plying from port to port were counted frequently by the customs authorities; while the French ships, after touching at a single port, made the journey to France and back before they came under the view of the customs again. In the same way, a small vessel plying between Hongkong and Canton outweighs in the statistics a ship many times as large engaged in the trade between Shanghai and London or San Francisco.

The total tonnage of all shipping under the view of the Maritime Customs was 7.3 million in 1871, 11.9 million in 1877, and 18.8 million in 1884. The tonnage under the British flag was 45 per cent of the total in 1871. British tonnage continued to grow in importance. In 1880 British tonnage was more than 60 per cent of the total and it remained above 60 per cent during the remaining year of the period. Japanese ships first appeared in the records of the customs in 1872, and Japanese ships participated for the first time in the coasting trade of China in 1876. The tonnage under the Japanese flag was extremely small throughout the period, but it showed a steady growth. It was never over 1 per

cent of the total. German tonnage varied from 4 to 7 per cent of the total and it was about 1 million tons in 1884. French tonnage, which was about 2 per cent of the total until 1876, declined during the later years of the period to less than 1 per cent.¹ The greatest change in the tonnage under the various flags is the growth of the Chinese tonnage and the decline of American tonnage. American tonnage was 43 per cent of the total tonnage in 1871. The decline was rather gradual until 1876 when the percentage was 24. In 1877 American tonnage dropped from 2.5 million to .5 million, from 24 per cent to 5 per cent. What took place was the sale of the steamers of the Pacific Mail Steamship Company to the Japanese government and the sale to a Chinese corporation of the fleet of the Shanghai Steam Navigation Company, an American corporation.² These ships were transferred to the American flag temporarily during the war between France and China, but by 1886 the total tonnage under the American flag was not more than 1 per cent.

The increasing Chinese tonnage shows the earliest evidence of the growth of a "desire to take advantage of Western arts and sciences." A corporation of Chinese merchants who proposed to enter the steam shipping trade of China was formed in 1872. This corporation became in 1874 the China Merchants' Steam Navigation Company. The company hoped to secure a monopoly of the trade with ports not open to foreign commerce, but it did not succeed in doing so. It was supported by Li Hung-chang and other high officials and obtained the privilege of carrying much of the tribute rice from the Yangtze valley to the north of China. By 1880 the company owned some thirty ships of about

¹ This decline is noticeable after allowance is made for the fact that France and China were at war during the last five months of 1884.

² "Chinese Maritime Customs Reports on Trade," 1876, p. 99.

29,000 tons. The company aroused great interest during the early years of its existence because it was felt that it might drive the English and European shipping companies out of business, but it came to take its place as one of the great shipping companies in the coast and river trade of China.¹ The formation of this corporation explains the sudden growth of Chinese tonnage in 1877 from 1.4 million tons to 3.9 million tons, from 14 to 33 per cent of the total tonnage.

Industrial Development. The period from 1871 to 1884 saw the first attempts to make use of modern machinery in China in industries other than shipping. The beginnings of railway projects for China may be traced back to this period.² The telegraph was established within China in 1881.³ A woolen mill at Lanchowfu, the capital of Kansu province, is mentioned in the annual report of the customs for 1880. Among the unsuccessful ventures was that of the Shanghai Cotton Spinning and Weaving Company. A match factory at Kowloon, near Hongkong, was attempted. Riots were reported in 1881 near Canton and attacks upon silk filatures using "machinery of the foreign type."⁴ The Chinese government throughout the period successfully maintained that foreigners had by treaty no right to establish industrial plants in China and it was not until after the war with Japan that this right was conceded by China. The various attempts to make use of the industrial equipment of the West met with little success. In general it may be said that China in 1884 was without power-driven machinery except in her coastwise and river shipping, which was largely in the hands of foreigners.

¹ Information about the China Merchants' Steam Navigation Company is to be found in the annual reports of the Chinese Maritime Customs during the seventies and in the "Encyclopædia Sinica," pp. 7, 101, 102.

² Morse, "The International Relations of the Chinese Empire," Vol. III, pp. 75, 76.

³ *Id.*, Vol. II, p. 337.

⁴ "Chinese Maritime Customs Reports on Trade," 1881, Canton, p. 9.

The trade balances of the period are reserved for treatment later when they will be dealt with for the whole of the period from 1871 to 1921. The attempt in this chapter has been to present the course of the merchandise trade of China together with the significant facts in connection with it. The general conclusion may be stated somewhat as follows: China's foreign trade did not grow during the period from 1871 to 1884. There was, however, within the period a distinct upward movement during the years 1879 to 1881. This was in large part an increase in imports.

CHAPTER IV

THE FOREIGN TRADE OF CHINA DURING THE PERIOD 1885-1898

The chief facts about the foreign trade of China before 1885 are brought out by looking at China as a country whose import trade was checked by certain barriers against the entrance of goods from other countries, and whose export trade suffered neglect by reason of the indifference of officials and merchants. The barriers against imports were chiefly custom and tradition and the indifference toward exports was in large measure due to ignorance of the progress of events in other countries. The foreign trade during the years now under consideration presents a real change, though by no means a complete one, from these earlier conditions. The Chinese during this period learned to make general use of certain Western conveniences and to buy them in much greater quantities. There were some among the Chinese who began to see that the exports from China were entering the markets of the West in competition with the products of other countries and to take some interest in the improvement of the export trade. Finally, the development of modern industry in India and Japan became so great as to bring about certain changes in Chinese trade, and China, herself, began at the end of the period to look with more tolerance upon plans for introducing into the country the railways and industrial equipment which were characteristic of the West.

The State of Affairs Within China. The years from the close of the war with France in 1885 to the opening of the war with Japan in 1894 were years of peace. It is true that China suffered from drought and flood, but it is probable that there

was some growth in the population. In 1888 the Yellow River broke its banks and flooded nearly the whole of Honan province. The loss of life from this cause is estimated at two million. During the winter of 1892-1893 and during the year 1894 the whole of northern China suffered from drought and famine. The loss of life is estimated at one million. The suppression of a Mohammedan rebellion in the province of Kansu during the years 1894-1895 cost the lives of about a quarter of a million and left the province in a disturbed state.¹ It is worth noting that the statistics of the import of rice into China from foreign countries show unusually large imports in 1888, and in 1893-1895. These few facts will, it is hoped, serve as some indication of the condition of the mass of the people during the period. The widespread poverty and the great population make such events as flood and famine more productive of death and suffering in China than in most other countries.

Early in the period the young emperor, Kuang-hsi, took over the actual government. A Chinese historian points out that before the accession of Kuang-hsi to the throne certain great Chinese statesmen were influential in the counsels of the court but that after this event, in 1889, the conservative and Manchu party became more powerful.² It is true that there were antforeign riots in the valley of the Yangtze during the year 1891, but it is doubtful how far the conservative tendencies of the Manchu leaders brought on the war with Japan. After the defeat of China by the Japanese the two parties came more clearly into opposition. During the years 1895-1898 a reform party led by a group of young

¹ For the sources of these estimates, see W. W. Rockhill, "An Inquiry into the Population of China," Annual Report of the Smithsonian Institution for the year ending June 30, 1904.

² Li Ung Bing, "Outlines of Chinese History," the Commercial Press, Limited, Shanghai, 1914, p. 381.

Chinese from southern China succeeded in bringing the young emperor under their influence. The result was a succession of reform edicts in 1898 which stirred up the opposition of the conservatives throughout the country. The empress dowager brought the reform movement to a close by making the emperor a prisoner in one of the pavilions of his palace. He was never again allowed to take the reins of government into his hands. A general antiforeign movement followed this vigorous suppression of reform and it brought on the Boxer Uprising, which took place in 1900, and was an attempt to sweep the foreigners and everything foreign from the country.

Two important documents of the time enable us to understand something of the attitude of the Chinese towards conditions within their country and towards foreign relations. The first of these is an article written for a London periodical by Marquis Tseng.¹ Marquis Tseng was China's most respected diplomat. He was recalled to China from London in 1886 and before leaving London he collaborated with Sir Halford Macartney in the writing of the article referred to, which was published under the title, "China: The Sleep and the Awakening."² In this article the marquis faced the actual condition of his country and the state of its relations with the rest of the world. He looked forward to the development of industry and to the redistribution of the population of China as the means of improving the internal condition of the country. He did not say what reforms in governmental and administrative methods were necessary, but it is plain that he looked upon such reforms as unavoidable. But, he maintained, internal reform was to be postponed

¹ Tseng Ki-tsu, a son of Tseng Kwo-fan.

² The article was published in the *Asiatic Quarterly Review*, Jan., 1887. It is reprinted in "U. S. Foreign Relations," 1887, pp. 297-302.

until the coast defenses, the army, and the navy had been put in order. The marquis pointed out in conclusion that China had no desire to share the fate of Egypt, and made the pointed remark that any further hostile movement against China's outlying provinces would "be viewed as a declaration on the part of the power committing it of a desire to discontinue its friendly relations with the Chinese government." This article in general showed a somewhat discouraged but still hopeful assurance that by making superficial changes and by arming herself China could come to take her place among the great powers. This statement by Marquis Tseng was made at the very beginning of the period which is being considered. It serves to make clearer the reason for the attitude of the foreign nations towards China until after her defeat at the hands of Japan. There was the possibility that Marquis Tseng was right and that China was "awakening."

The second of these two documents is an exhortation and appeal to his fellow countrymen by Chang Chi-tung, viceroy of Wuchang, who was afterwards to become, as Morse says, the leader of the "moderate conservatives."¹ Chang Chi-tung's appeal was an essay with the title "Learn."² It was written when the reform movement which came to an end in 1898 was developing. The essay was approved by the emperor and it is estimated by the translator that a million copies were distributed throughout China.

This appeal by Chang Chi-tung was written after the war with Japan had revealed to the Chinese as well as the

¹ Morse, "The International Relations of the Chinese Empire," Vol. III, p. 136.

² An English translation of the essay which is said by Morse to be "an excellent summary" is to be found under the title, "China's Only Hope," an appeal by her greatest viceroy, Chang Chi-tung, translated by S. I. Woodbridge, New York, Fleming H. Revell Co., 1900.

Western world the defenselessness of the Chinese Empire. There is little of the assurance of Marquis Tseng's statement to be found in it. The pride of the Chinese scholar is there, but the pride is tempered by a willingness to learn in the face of a desperate situation. Chang Chi-tung did not announce an awakening but plead for reform. His practical proposals show what he had in mind as a desirable and practicable program. He urges his people to learn whatever is useful wherever found, to travel in foreign countries, to establish schools everywhere and such schools as are adapted to the present time, to translate into Chinese numerous Western books, to establish newspapers, to make reasonable use of foreign appliances and methods, to open railways throughout the length and breadth of the country, to maintain the army, to tolerate Christianity, and to combine the essentials of Western learning with the learning of China. The vigorous ideas of the viceroy were clothed in a faultless classical style. He wrote as no important Chinese official had ever written, and his essay marks an important stage in the struggle of Confucian learning with Western science. In the writings of Marquis Tseng and of Chang Chi-tung we find a real attempt to grapple with the problems that presented themselves to the Chinese when modern intercourse with the West began.

Foreign Relations and Treaties. The outstanding event of the period in the relations between China and the other nations was the war with Japan, which began August 1, 1894, and was brought to an end by the signing of the Treaty of Shimonoseki on April 17, 1895. The war was brought on by just such an act as Marquis Tseng had warned the foreign powers would be construed by the Chinese government as unfriendly. Japan's easy victory revealed "China's military inferiority, her financial weakness, her administrative

inefficiency, and official corruption."¹ It revealed also the ambition of Japan, though at the time the world was too greatly concerned with the plans of Russia to give full weight to the attitude of the Japanese. The war with Japan brought into the open the jealousy of the great powers and it was the first step in the course of unrestrained attack upon the territorial integrity of China, which led to the Boxer Uprising on the one hand, and to the attempt of the powers themselves to curb each other by the adoption of the "open door" policy and by voluntary agreement as to "spheres of influence and interest." Before 1885 China's foreign relations had been with a group of powers among whom Great Britain was practically the acknowledged leader. English policy had been influenced, as the conventions of 1869 and 1876 show, by the zeal of Sir Robert Hart in the interest of China. China had been able to take her place as an independent negotiator. After 1885, however, the leadership of Great Britain was challenged. The conflicting ambitions of the various powers were made clear. The result was a scramble for influence and preferred position in various parts of China. China, during the period, did not enter into a single agreement as the result of independent negotiation. The end of the period brought a new stage in the struggle among the powers for political preference in China, a stage in which the railway concession and the loan agreement came to take the place that had been taken by formal treaties.

The direct effect of the Chinese-Japanese War upon the foreign trade of China was slight. The war was short and military activity was confined to a small part of the Chinese Empire. One of the reasons, however, was the agreement of the Japanese to regard Shanghai as outside the sphere of

¹ Stanley K. Hornbeck, "Contemporary Politics in the Far East," D. Appleton and Company, New York, 1916, p. 221.

warlike operations.¹ This agreement was secured by the British representative at Tokyo. In complying with the request of the British representative, the Japanese were following the precedent set by a similar agreement on the part of the French in 1885.² These agreements show the importance of the trading interests of the various powers in China and suggest an explanation of the important changes in the policy of the foreign nations in China during the period under consideration. It is significant that the foreign nations have frequently been divided into a small group desiring territorial expansion at the expense of China and a larger group desiring the expansion of trade and commerce.

The important changes in the formal foreign relations of China and in the treaties will be considered briefly. In the first place, the granting of an imperial audience to the diplomatic representatives of the foreign powers was finally settled during the period. The reception of the diplomatic body in a "grand hall of the imperial palace itself," which took place in November, 1894, brought the question to an end.³

In the second place, certain treaties were entered into which were demanded by the success of France in securing possession of Tonkin and by the consequent demands of England, who desired to make certain that her interests in Burma and in Hongkong did not suffer. The treaties with France were three, one signed in 1885, one in 1887, and one in 1895. By these conventions the frontier between China and Tonkin was "delimited on a line which took from China all possible points of entry for an invasion of Tonkin."⁴ The

¹ Morse, "The International Relations of the Chinese Empire," Vol. III, p. 31.

² "Chinese Maritime Customs Returns of Trade and Trade Reports," 1885, p. 1.

³ Morse, "International Relations," Vol. II, p. 415.

⁴ *Id.*, p. 411.

trade across the frontier was regulated in such a way as to reduce the import duty on goods entering China to seven tenths of the usual duty paid upon goods entering the seaports of China. The export duty upon goods leaving China across the Tonkin frontier was reduced to six tenths of the usual duty. Certain "ports" were opened for this trade: Mengtze, in the province of Yünnan; Lungchow, in the province of Kwangsi; and Szemao, in the province of Yünnan.

The treaties with Great Britain were three. A convention signed in 1894 fixed the frontier between China and Burma and provided for the opening of a port for the trade. Tengyueh, in the province of Yünnan, was later designated. In 1895, "at a time when China could refuse nothing to any power," a convention was signed which altered the boundary between China and Burma by giving Burma "certain areas which, it was hoped, would control the river Salween and by entering China like a wedge would provide a trade route into Yünnan."¹ By an article of this convention certain ports were opened on the West River. It was hoped by the opening of these ports to secure Hongkong against any loss of trade as the result of the opening of trade across the Tonkin frontier. Other treaties with Great Britain opened Chungking in the province of Szechwan to foreign trade and delimited the frontier between Tibet and India.

The Treaty of Shimonoseki, which brought the war with Japan to an end in 1895, stripped China of certain territories. China in this treaty recognized the complete independence of Korea, and she ceded to Japan Formosa and the Pescadores Islands. Japan at the same time was given possession of a part of southern Manchuria, but before ratifications were

¹ Morse, "International Relations," Vol. II, p. 412. The political and commercial rivalry between England and France is well set forth in Sargent, "Anglo-Chinese Commerce and Diplomacy," pp. 226-235, from the British point of view.

exchanged a joint note was sent to the Japanese government by Russia, France, and Germany, in which the Japanese government was recommended to restore this territory on the mainland to China. The treaty provided for the payment of an indemnity of two hundred million taels and the amount of the indemnity was increased to two hundred thirty million taels upon Japan's giving up the territory which had been ceded to her in the original treaty. The Treaty of Shimonoseki provided for the opening of certain treaty ports : Shasi, in the province of Hupeh ; Soochow, in the province of Kiangsu ; and Hangchow, in the province of Chekiang. There was the further provision that the waterways leading to these cities were to be open to steam traffic. This provision of the treaty meant more than the opening of certain ports ; it meant the opening of the upper Yangtze and of the Grand Canal to the navigation of boats under foreign flags. Finally, the treaty provided for the drawing up of a subsidiary treaty of commerce which was signed in Peking in July, 1896. In this subsidiary treaty precise statement was made of the rights of Japanese merchants and the regulations covering Japanese goods under the system of commuted transit taxes.

One of the provisions of the Treaty of Shimonoseki deserves special mention because of its effect upon the industrial development of the country. Article VI of the treaty provided that

Japanese subjects shall be free to engage in all kinds of manufacturing industries in all the open cities, towns, and ports of China, and shall be at liberty to import into China all kinds of machinery, paying only the stipulated duties thereon.

All articles manufactured by Japanese subjects in China shall, in respect of inland transit and internal taxes, duties, charges, and exactions of all kinds, and also in respect of warehousing and storage facilities in the

interior of China, stand upon the same footing and enjoy the same privileges and exemptions as merchandise imported by Japanese subjects into China.¹

This provision of the treaty effectually altered the manner of introducing modern industrial equipment into China and the rate at which it was introduced, for it must be understood that "the rights granted to the Japanese by the operation of the most-favored-nation clause, contained in the treaties between China and the other powers, became immediately available to the nationals of those powers."² The consequences of this right here granted to the citizens of foreign countries is dealt with elsewhere. It is one example of the dominance of that attitude on the part of foreign nations towards the Chinese government and the Chinese people, which has been called the policy of strenuous insistence.

The foreign relations of China during the years immediately after the close of the Japanese war, and until the end of the period which we are now considering, were characterized by such unrestrained foreign aggression that the "partition" of China and the "break-up" of China were freely predicted. It was during these years that the German-Chinese convention for the lease of Kiaochow to Germany was

¹ The text is from MacMurray, "Treaties and Agreements with and Concerning China," Vol. I, p. 21. MacMurray's compilation of treaties and agreements covers the period from 1894 to 1919. It is the most comprehensive of the compilations of treaties concerning China and it contains, besides the treaties, the loan agreements, railway agreements, and other private or quasi-public agreements and contracts of the Chinese government. This compilation will be cited as MacMurray's "Treaties and Agreements." The full title of the work is as follows: John V. A. MacMurray, "Treaties and Agreements with and Concerning China, 1894-1919. A collection of state papers, private agreements, and other documents, in reference to the rights and obligations of the Chinese Government in relation to foreign powers, and in reference to the interrelation of those powers in respect to China, during the period from the Sino-Japanese War to the conclusion of the World War of 1914-1919," two volumes, New York, Oxford University Press, 1921.

² W. W. Willoughby, "Foreign Rights and Interests in China," Baltimore, the Johns Hopkins Press, 1920, p. 111.

signed, that the Russo-Chinese conventions for the lease of a part of southern Manchuria was signed, that Weihaiwei was leased to Great Britain and Kwangchowwan to France. China was obliged to recognize the policy of "spheres of influence" in her own country by giving assurance to the various powers of the "nonalienation" of territory. The first of these assurances was made to France concerning the island of Hainan, the second to England in February, 1898, concerning the Yangtze valley, the third to France concerning the provinces which border on Tonkin, the fourth to Japan with respect to the province of Fukien. The third of these, for example, was expressed thus: "China will not cede to any other power all or a part of the provinces bordering on Tonkin, either definitely or temporarily, or on lease, or by any title whatsoever."¹ Assurances were next given to Great Britain that an Englishman would be employed as inspector general of Chinese Maritime Customs as long as the trade of China with Great Britain was greater than was China's trade with any other country and to France that a French citizen would be considered for the position of director when a separate postal department should be established. The railway and loan agreements of the period are mentioned elsewhere in this chapter. The Chinese government finally resisted a demand from Italy for the lease of Sanmen Bay on the coast of Chekiang. Of this period, Morse says: "In the world's history no country with so vast an extent of territory and so large a population, under one government, as China. . . . had ever been subjected to such a series of humiliations, or to so many proofs of the low esteem in which it was held, as China had been subjected to in the six months from November, 1897, to May, 1898."²

¹ MacMurray, "Treaties and Agreements," Vol. I, p. 123. The quotation is from the French letter which was itself quoted in full in the Chinese reply.

² Morse, "International Relations," Vol. III, p. 127.

The purpose of many of the "declarations" and "assurances" given to various foreign governments by the Chinese government during the years immediately following the war with Japan was plainly to give the various powers interested a preferential position in the various regions with regard to railway and mining development. It is probable that it was the fear that such advantages would be used by the various powers to limit the rights of merchants and the freedom of trade in the various parts of China, which led the government of the United States to take the initiative in securing from the various powers concerned assurances that what has been called the "open door" would be respected. Strictly interpreted, the "open door" is no more than a statement on the part of each of the powers that it will not attempt to prevent the citizens of other powers from trading in whatever territories it may have marked out as "spheres of influence and interest." The policy of the United States throughout this "battle of concessions" was a consistent refusal to recognize "spheres of influence and interest," but it was freedom to trade that was specifically provided for in the communication of September, 1899, which asked for formal acceptance of the open-door policy. A general fear of the consequences of further acts of aggression and the predominance of the interests of industrial and trading nations brought the aggression of the powers to an end before the actual partition of China had become an accomplished fact.

Changes in the Returns of the Chinese Maritime Customs. During the years 1885-1898 certain changes took place in the number of treaty ports at which customhouses were in operation and in the completeness of the reports of the foreign trade of China. The number of ports shown in the table of the whole trade of each port in 1885 was nineteen. The number was increased to twenty-one in the year 1887, to

twenty-three in 1889, to twenty-five in 1896, to twenty-nine in 1897, and it remained twenty-nine at the end of the year 1898. The increase in 1887 is an increase of importance. On July 1 of that year customs stations were opened at Kowloon near Hongkong and at Lappa near Macao. These stations were opened to secure for the Chinese government its revenue from the great trade in Chinese junks which was carried on between Hongkong and Macao on the one hand and the various small cities of the adjacent coast on the other. It was also hoped by this means to put an end to the extensive smuggling of opium which was known to be carried on.

The effect of the opening of these customs stations was immediate. One example will suffice to show this. During eleven months of the year 1887 steamers brought to Canton from Hongkong no less than 7,657 piculs of opium. Practically no opium had been received for many years, since such shipment offered no opportunity to avoid the payment of charges. In addition to the direct shipments to Canton, about 3,400 piculs passed Kowloon and about 1,000 piculs passed Lappa. These facts will be considered again in connection with the trade balances of the period. From the year 1888, when reports from Kowloon and Lappa for a whole year were included in the "Returns of Trade," it has been possible, we are told, "to ascertain what are practically the entire facts connected with the foreign trade of China."¹

The other increases in the number of treaty ports mark a steady growth in the area open to direct foreign trade, but no change so great as to make it necessary to call attention to them. In the "Returns of Trade" for 1891 the port of Chungking makes its appearance for the first time, and the comment upon the opening of this port was that most of the

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1888, p. 1.

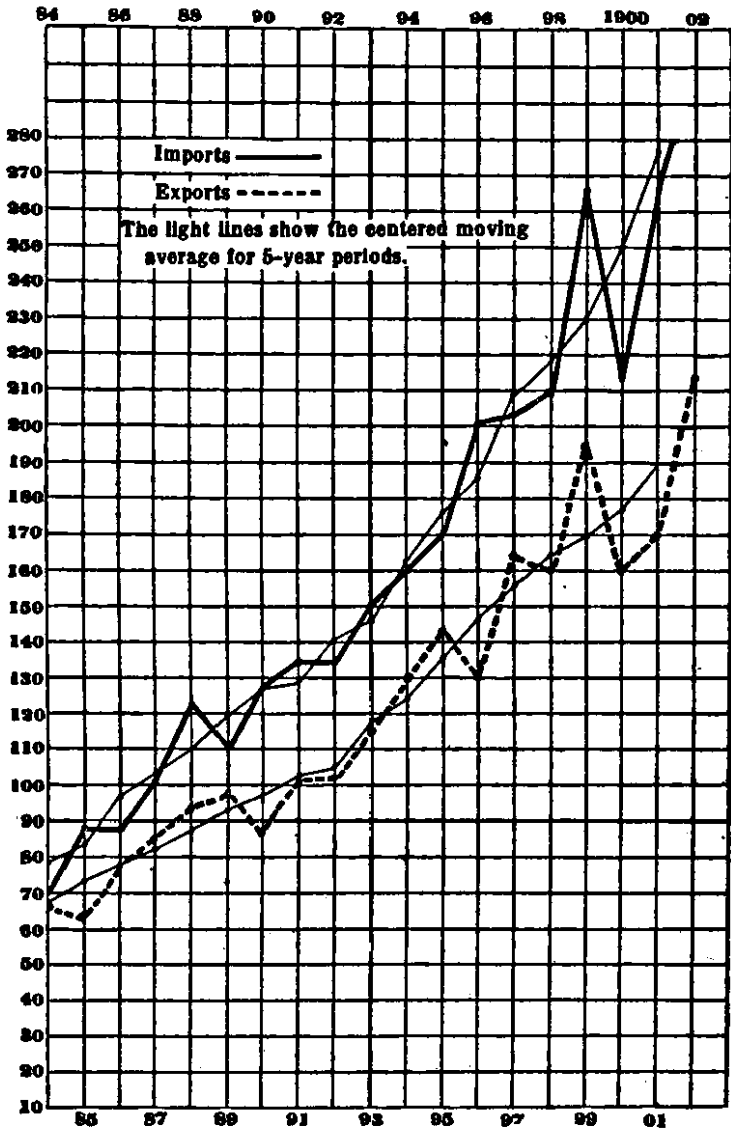
trade which was reported for Chungking for the year was trade that was lost to Hankow and Ichang, cities farther down on the Yangtze River.

Until the year 1893 the total of the foreign trade of China included only that part of the trade with Hongkong which was in foreign goods, but at the beginning of that year the reports on the trade with Hongkong were brought "more into harmony with the customs fiscal system which accounts that trade as foreign."¹

General Course of China's Foreign Trade, 1885-1898. During the period from 1871 to 1884 there had been practically no increase in the total foreign trade of China in Haikwan taels. With the year 1885, however, an increase in the total trade began and this increase continued at a very even rate until the close of 1898. Throughout the period now under consideration the centered moving average for five-year periods was nearly the same for each year as the actual value of the total trade for the year. The value of the total trade more than doubled during the period; it was 153.2 million taels in 1885 and 368.6 million taels in 1898. The average value of the total trade for the fourteen years was 254 million taels, an increase of about 76 per cent over the average of 144 million taels for the years 1871-1884.

An important difference between the two periods becomes apparent when the averages of the export and import trades are compared. The average exports from China during 1871-1884 were valued at 70.6 million taels and during 1885-1898, at 110.7 million taels. Exports increased by about 57 per cent. The average of the values of the annual imports of foreign goods into China for 1871-1884 was 73.4 millions, while for 1885-1898 it was 143.6 million taels. Imports increased

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1893, p. 1.



**Exports from China and Imports into China
in Millions of Haikwan Taels, 1885-1898**

See Appendix, Tables 2, 3, 4, and 5, for statistical information.

by about 96 per cent. While, as is shown in the chapter on trade balances, the actual difference between the value of imports and exports is not so great as is indicated by these figures, there is no reason to doubt the relatively more rapid increase in imports.

There were no noticeable fluctuations in the total trade which require explanation. The increase in the total trade in 1887 and in 1888 is no doubt in large part due to the inclusion in the reports of the junk trade which passed the Kowloon and Lappa stations.

In the reports of the Chinese Maritime Customs during the period, and especially during the earlier years of the period there is exhibited a tendency to explain the increases in the total trade as not being real increases. On more than one occasion the reader is told that the customs revenue is a better indication of the increase or decrease in the total trade of China than is the value in Haikwan taels.¹ For this reason the customs revenue has been studied. For obvious reasons the study has been limited to the two items: import duties upon foreign goods and export duties upon Chinese produce exported to foreign countries. The total of these two items is not the same as that which is given as the total customs revenue in the annual reports of the Chinese Maritime Customs, since the total customs revenue includes other items, such as coast trade duties, opium likin, etc. The customs revenue shows the same general changes in the trade of China as have been pointed out. There was a rise in the revenue to a new level in 1886 and an increase at a moderate rate to 1898, with relatively great increases in 1888 and 1891. During these years there was a greater increase in import duties than in export duties. A significant fact is brought out by a

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1893, p. 1. See also "Returns of Trade and Trade Reports," 1886.

comparison of import and export duties. The amount of import duties rose above the amount of export duties in 1890 and the difference between the two increased sharply in 1896. The statistics of imports and exports in Haikwan taels show that this change to an "unfavorable" balance took place as early as 1877.

The chief reason for the attitude of the statistical secretaries of the Maritime Customs towards what they called "statistical increases" in the foreign trade as opposed to real increases was undoubtedly the fact that the valuations of the customs were such as to overvalue imports and to undervalue exports. The attempts to arrive at the true values will be considered when the subject of trade balances is considered. Still another reason for this attitude was the fact that the trade was not looked upon by the merchants as a profitable trade. The complaints of the merchants in China were of much the same tenor as they had been during the previous period.

It is undoubtedly true that the merchants in the Chinese trade had ground for complaint, but it is more than probable that they incorrectly estimated the causes of their difficulties. The usual cause for the merchant's troubles was held by the merchants themselves and by many others to be the decline in the gold value of silver. It may be said of this that it was the sudden and the rapid fluctuations in the value of silver that injured the merchants rather than the fact of the decline in the value of silver. The result of the rapid fluctuations in silver values, i. e., in exchange, was to make the speculative aspect of the trade more important and so to make what may be called illegitimate speculation more common. A single example will suffice to show this. In 1886 the Chinese merchants found the foreign merchants unwilling to accept green tea at the prices which they asked. The

result was that the Chinese merchants undertook to ship green tea to America on their own account. They happened to select a fortunate time for themselves. The exchange rates enabled them to secure considerably better returns for their tea than they would have secured by selling to the foreign merchants in China. In 1887 certain merchants again undertook operations which changes in exchange rates made profitable. Early in 1888, expecting silver to rise, Chinese merchants placed considerable orders with the foreign importers in Shanghai. Silver did not go up but went down during the summer months. This put the Chinese merchants into the position of having to pay more in silver for the goods which they had ordered than they had expected, and, in the words of the commissioner of customs at Shanghai, it "proved disastrous to native interests generally."¹ Fluctuations in exchange attracted those whose interest in trade was in the opportunity for speculative gains and at times made the profitableness to the foreign merchant of the season's trade turn upon the reliability of merchants who had entered upon transactions for no other reason than a desire to speculate in exchange. This example will serve to show that unprofitable speculative transactions played a part in causing the troubles of which the merchants complained.

Another reason for dissatisfaction was the continuation of the change which was pointed out in the last chapter, a change from the foreign merchant as merchant prince to the foreign merchant as commission agent. This change was made more rapid as the result of the risks due to fluctuations in exchange, but it was a change which was really brought about by the rapid means of intercommunication and by the very growth of the trade which served to increase

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1888, p. 182.

the interest and the knowledge of the manufacturers in Western countries. "Now people do not expect fortunes," said the commissioner of customs at Shanghai in his report for 1892; "they are content with competencies and are glad to get them. The merchant and his baronial hong exist only as fossils, . . . and the commission agent of a younger generation now serves as the sole foreign connection between Western manufacturers and Eastern consumers."¹ These changes in the position of the merchants increased their dependence upon the officials of their own governments in China and at the same time they increased the importance of the foreign banking corporations. The growth in the influence of the banks is associated with the increase in the foreign loans of the Chinese government as well. After 1895 the banker and the diplomatic official came to take a more commanding position in the whole field of China's foreign relations.²

Of the general course of the foreign trade of China during the period, it may be said that the foreign trade of China as measured in Haikwan taels began to increase in 1885, that this increase was steady with no unusual and notable changes, and finally that the increase in imports was at a more rapid rate than the increase in exports. The export and the import trade will now be examined for the purpose of discovering what changes took place and for the purpose of finding out what commodities were imported in increasing amounts.

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1892, Pt. II, p. 207.

² Sargent is of the opinion that the Chinese became the real merchants during this period, "taking," as he says, "the risks but also the profits." This seems to give undue importance to the Chinese aspect of the trade. There continued to be a "real" merchant in the West as well as in China. For Sargent's opinion, see his "Anglo-Chinese Commerce and Diplomacy," p. 269.

It is worth noting that during this period rapid increases in imports were followed after about a year by considerable increases in the exports from China. In 1885 imports rose rapidly and exports rose in 1886. In 1890 imports moved up and exports followed in 1891. In 1896 there was a great rise in the total value of imports and this was followed in 1897 by a notable increase in the total value of exports. This relation between imports and exports was true also for the years 1901 and 1902, but it was not true for the earlier period (1871-1884).

The Export Trade and the Chief Exports. The rise in the value of the exports from China was fairly steady throughout the period. The increase was from 65 million taels in 1885¹ to 100.9 million taels in 1891 and to 159 million taels in 1898. The value of the total exports shows a continuous rise to the year 1889, a drop in 1890, and a continuous rise again to 1895. In 1896 there was a considerable drop in exports, of about 12 million taels, followed by a sharp rise in 1897 and a slight drop in 1898. The important deviations from an even rate of increase were the decrease in 1890 and the considerable decrease in 1896.

The export trade continued to be a trade in a comparatively few commodities, but by no means the same degree as in the earlier period. In 1871 it will be remembered that tea and silk together had formed no less than 92 per cent of the total exports from China. During the early years of the period now under discussion these two commodities together made up about 80 per cent of the total value of exports, but by the end of the period the percentage had fallen to about 50 per cent. During this period silk took the place of tea as China's chief export. Silk reached first place in

¹ The exports for 1886, amounting to 77.2 millions, ought to be taken for comparison since the total for 1885 was unusually low.

1887 and by 1898 the value of the export of silk was about twice the value of the export of tea.

The export of tea continued to decline in importance during the period now being considered. During the early years of the period the value of the export of tea was about 45 per cent of the value of the total exports from China, by the middle of the period this percentage had declined to somewhat more than 25, and during the closing years of the period it was as low as 18 per cent. In the general decrease in the importance of tea among the exports from China this second period (1885-1898) presents no change from the first (1871-1884). There were differences in the course of the trade, however, that are worth noting. During the earlier period the amount of tea exported showed an increase, while at the same time the value of the total exports was declining. During this period the value of the export of tea remained practically the same, at about 30 million taels, and the amount of tea declined from 2 million to 1.5 million piculs. In the second period, then, a smaller amount of tea brought somewhat better prices. This change from the state of the tea trade in the earlier period is connected with the change in the comparative importance of Great Britain and Russia as buyers of Chinese tea and with a change in the comparative importance of the different sorts of tea exported.

The export of black leaf tea, which was the sort exported to Great Britain, declined by about one half. Moreover, the sort of tea which was wanted in Great Britain was the cheaper black tea which was mixed with the more expensive Indian tea. Chinese black tea was therefore less in demand as Indian tea came to be more cheaply produced and to gain in favor with the British public. At the time of the celebration, in 1888, of the fiftieth anniversary of the introduction of Indian tea into Great Britain "it was announced that Indian and

Ceylon teas had just passed the fifty per cent mark in the imports of tea into Great Britain."¹

The export of green tea remained practically unchanged during the years 1885-1898. The chief market for this sort of tea continued to be the United States and Canada. The increased demand for green tea in the United States was supplied by larger quantities of this sort of tea from Japan.

During the same years the export of brick and tablet tea from China more than doubled.² Brick tea was prepared for export to Russia. As the Russian trade developed the Russians came to demand the better qualities of Chinese tea and to buy considerable quantities of leaf tea. These interrelated changes serve to make clear the progress of the tea trade during the period.

The years 1885-1898 were years of vigorous growth in the export of silk from China. The total export of silk of all kinds was about 100,000 piculs in 1885, valued at about 20 million taels. In 1891 the total export was 187,500 piculs, valued at about 40 million taels, and in 1898 the export was 220,000 piculs valued at about 50 million taels. It has already been said that silk took first place among the exports in 1887. The important position of silk is shown by the further fact that during the period the total of the exports from China varied as did the export of silk. An exception to this statement will be mentioned when the export of raw cotton is considered. The decrease in total exports in 1890 was largely a decrease in the export of silk, — total exports declined to the extent of 9 million taels and silk exports 6

¹ Department of Commerce; Bureau of Foreign and Domestic Commerce; Miscellaneous Series—No. 84. "Commercial Handbook of China," by Julian Arnold and others, Washington, Government Printing Office, 1920, Vol. II, p. 293.

² "Brick and tablet tea are varieties prepared by steaming tea leaves or dust and making the tea into small cakes under pressure."—*Encyclopædia Sinica*, p. 551.

million. The decrease in total exports in 1896 was a decrease of 12 million taels and in that year silk declined about 8 million taels. Throughout the period the value of the total export of silk was about 35 per cent of the total value of exports.

Manufactured silk, including piece goods and pongees, was of about the same relative importance during the whole of the period. The increase in the export of manufactured silk was from 5 to 10 million taels and this was usually about one fifth of the total export of silk.

Raw silk, on the other hand, did increase in relative importance among the items under the general heading of silk. Not only was more silk exported, but it was exported at advancing prices. A great number of factors were of importance, and of varying importance, in this development of the raw silk trade. The success of producer or merchant during a particular silk season often depends upon comparatively slight fluctuations in rainfall or temperature and upon equally slight fluctuations of the same sort in other silk-producing regions. It depends also upon the vagaries of fashion in the silk-consuming countries of the West. Moreover, silk continued during the period to be influenced by speculative dealings. In 1896, for example, one of the causes of the decrease in Chinese exports was undoubtedly the high price which speculators were able to set at the beginning of the season.¹ The influence of climate, of fashion, and of speculation does not, however, account for the general growth of the export trade in raw silk. This general growth over the whole period was due, first, to a general increase in the demand for raw silk in the silk-consuming countries of the West; and secondly, to the fact that the export of raw silk from Japan did not

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1896, p. 5.

continue the rapid expansion of the closing years of the preceding period. The proportion of raw silk exported from China to that exported from Japan remained about the same during the years 1885-1898. The rapid building of filatures in Japan and the sudden growth of the silk trade brought about a reaction. Before Japan had entirely recovered, Chinese merchants undertook the building of filatures for the reeling of silk. In 1894 "steam filature silk" appeared for the first time in the customs reports. After the close of the war with Japan the number of filatures controlled by foreigners increased. A further rapid growth in the export of silk from Japan did not take place until after 1900. During the years 1885-1898 China exported annually about twice as much raw silk as did Japan.¹ A third reason for development was the establishment of a larger amount of direct trading with the chief raw-silk-using countries of the West, France and the United States. During these years England lost much of the silk trade which had grown up while she was the center of the distribution of Chinese goods in the West.² Finally, there remains to be considered the effect upon the export of raw silk of the fall in the gold value of silver. This factor is frequently referred to in the annual reports of the Chinese customs. It was the opinion of the customs authorities of the time that the fall in the gold value of silver was an encouragement to the silk export trade.

¹ In the "Twenty-Eighth Annual Report of the Silk Association of America," New York, 1900, p. 80, there is the following estimate of the sources of the world's supply of raw silk for the season 1899-1900: China, 41.5 per cent; Japan, 20.7 per cent; Italy, 20 per cent; etc. The reports of the same association for the preceding years are the authority for the statement that Chinese raw silk held its own in Western markets from 1885 to 1898.

² The decline in the imports of raw silk into the United States from London is pointed out by F. R. Mason, "The American Silk Industry and the Tariff," *Am. Ec. Ass. Quart.*, Dec., 1910., Vol. XI, No. 4, p. 26.

In general, it may be said that the export of silk from China showed a steady growth throughout the period and at about the same rate as the total export trade of the country.

Certain other exports show significant changes in the foreign trade of China. The first of these is raw cotton. During the early years of the period the imports of raw cotton were greater than the exports, as indeed they had been since the early years of the century. These imports of raw cotton were chiefly from India through the ports of southern China. In 1888 a change took place and from that year the exports of raw cotton from China exceeded the imports into China. The exports were almost entirely from Shanghai to Japan. From 1888 to 1895 there was a great increase in the amount of raw cotton exported. In 1895 the export was valued at 11 million taels. During the remaining years of the period it declined. The average annual export was about 4 million taels. This export of cotton was the first effect of the growth of the cotton-spinning industry in Japan.¹ Another indication of the growth of the cotton-spinning industry in Japan was an increase in the imports into that country of raw cotton from the United States. The United States exported during the years 1889-1893 an annual average of about 1.1 million pounds of cotton to Japan; for the years 1893-1898 this annual average was about 36 million pounds.²

The annual report of the Chinese customs for 1889 contained the following significant comment upon the growth of the export of raw cotton: "The heavy export of raw cotton may, by raising the price of the raw material, have created

¹ The significance of the growing export of cotton from China is pointed out by Sargent, "Anglo-Chinese Commerce and Diplomacy," pp. 259, 260.

² Hitchcock, "American Trade with Japan, China, and Hongkong," Bulletin 18, U. S. Department of Agriculture, Section of Foreign Markets, Washington, 1900, pp. 12, 13. "Prior to 1889 there were no records of cotton exports to Japan, China, or Hongkong."

a larger demand for the manufactured yarn."¹ This observation points to an important difference between Japan on the one hand and India and England on the other in the cotton and cotton goods trade of China. Japan provided market for large quantities of Chinese raw cotton; neither India nor England had done so. This increased purchase of Chinese raw cotton by Japan was one of the means by which the spinning of cotton by hand in China was finally brought to an end.

Beans, bean cake, bean oil, and other bean products were exports of little importance in 1884 and it was not until 1892 that the value of these exports taken together amounted to more than 1 per cent of the value of the total exports. From 1892 the growth in the trade was rapid, with the exception of the year 1895 when the war with Japan brought the export practically to an end. Manchuria, the chief source of the beans and bean cake, suffered from the war more than any other part of China. In 1898 the export of bean products was valued at about 8 million taels, which was 4.9 per cent of the total value of exports.

Cow and buffalo hides accounted for 2.4 per cent of the total value of exports in 1898 and straw braid for 2 per cent. The export of wool, while it was less than 1 per cent of total exports in 1898, showed a great advance over the export of the earlier years of the period.²

The noteworthy features of the export trade during the years 1885-1898 were a decrease in the export of tea and of

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1889, p. 185.

² Raw sugar was the only export besides tea and silk which was given separate consideration in the discussion of the years 1871-1884. During 1885-1898 sugar not only ceased to be an export of importance but became one of the noticeable imports. The change was in part due to the loss of Formosa to Japan in 1895.

sugar, an increase in the export of silk, especially raw silk, raw cotton, hides, wool and bean products, as well as straw braid. At the end of the period China, it seems, was becoming an exporter of raw material.

The Import Trade and the Chief Imports. Imports into China increased throughout the period from 1885 to 1898 and at a more rapid rate than did exports. The value of the imports was 88.2 million taels in 1885, 134 million taels in 1891, and 209.5 million taels in 1898. The total value of imports was unusually high in 1885, but there was a slight decrease in 1886. During the next two years imports increased greatly, but there was a considerable decrease in 1889. This was followed by a gradual rise to the year 1895. In 1896 imports reached a new high point and remained at about this new high level during the two remaining years of the period. The important increases to be noted were the rapid rise in 1887-1888 and the sudden rise in 1896.¹

In the discussion of the import trade of 1871-1884 attention was called to the fact that during the period opium and cotton goods together formed about two thirds of the imports into China. During 1885-1898 the percentage which these two imports formed of the total imports fell from over 60 per cent to about 50 per cent. This decline was due entirely to a decrease in the relative importance of opium. In 1885 the imports of cotton goods of all kinds were more important than the imports of opium. By 1898 the imports of cotton goods were valued at two and a half times the import of opium. The year 1885 marks a change in the nature of China's imports as they were from the days of the monopoly of the British East India Company. These alternations in

¹ It has been pointed out that the customs reports became more complete in 1887. This greater completeness affected the whole of the year 1888. This change explains in part the rise in the imports during those years.

the relative importance of opium and cotton goods among the imports form a remarkable parallel to the alternations in the relative importance of tea and silk among the exports.

The chief reason for the decline in the import of opium was undoubtedly the spread of opium cultivation within China. Some comment on this increase in Chinese production is to be found in almost every one of the reports of the Chinese customs. Certain Chinese ports became exporters of opium to other parts of China during the period. The notable cases were Chungking and Newchwang. This increase in the domestic trade in opium was checked by the lack of transportation facilities within China and by the variations in the amount of taxation upon Chinese opium. These variations in local taxation brought it about that a particular district was supplied now with foreign opium and now with the native product, and that the foreign opium came now from one open port and now from another.¹

During the period both the Chinese government and the Indian government undertook to secure an increased revenue from the opium trade. The likin tax upon opium was made 86 taels per picul in 1885 at nearly all of the open ports, and in 1887 the Maritime Customs undertook its collection. In India production was reduced from time to time and additional taxes were placed upon the drug. This additional taxation was stated to be the reason for the advance in the price of Indian opium in the Shanghai market in 1894.

The course of exchange and the fall in the gold price of silver is frequently referred to as a cause for the decline in Chinese imports of opium. In 1893 predictions were made that the closing of the Indian mints to the free coinage of silver would destroy the market for Indian opium and for

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1885, p. 4.

Indian products in general in China. It is probably true that the disorganized exchange market in 1893 produced important effects at the time. The fact, however, that the course of the trade in opium between India and China was quite different from the course of the trade in cotton yarn both before and after 1893 makes it reasonable to look for other causes than changes in the gold price of silver for the explanation of the decline in the import of opium into China.

It may be said that we have a total which shows the true amount of opium imported into China in 1888. This total was 82,000 piculs valued at 32 million taels and forming 25.9 per cent of the total value of the imports for the year. In 1893 the amount was 68,000 piculs, valued at about 32 million taels and forming 20.9 per cent of the imports. By 1898 the import had decreased to 50,000 piculs, valued at 29 million taels and forming no more than 14 per cent of the total imports.

Cotton goods took first place among the imports into China in 1885 and have remained in first place since 1885. In 1885 the increase in imports into China was to a large degree an increase in the import of cotton goods. This was true of every notable increase in imports during the period. The total value of the imports of cotton goods into China was 31.5 million taels in 1885, 25.7 per cent of the total imports. In 1891 the value of the imports of cotton goods was 53.3 million taels, 39.8 per cent of the total imports. In 1898 the value of the import of cotton goods was 77.6 million taels, 37 per cent of total imports. The reports of the customs during the period call attention again and again to the rapid growth in the imports of cotton goods. We are told that the gain in the imports of cotton goods was "the most striking feature of the statistics of 1885."¹ Of the year 1890, we are

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1885, p. 2.

told that "woven cotton goods of nearly every texture were infected with the general contagion of increase." The import of cotton yarn, it was pointed out, had doubled every few years. "Cotton goods bounded upward in value," "cotton yarn poured into China."¹ In 1896, "compared with the figures of 1895, the net value of imports for the year show an increase of over 30 million taels, to which sum manufactured cottons contributed 15 million taels, Indian and Japanese yarn 11 million taels."²

It is plain from these remarks that the increase in cotton imports into China impressed the customs officials at the time. There were some comments of a different sort, but these concerned themselves usually with imports of manufactured cottons and with those imported from Great Britain.

The further consideration of the trade makes it necessary that the two chief sorts of cotton goods be separated. These are (1) what may be called cotton manufactures, including for the purpose of this discussion all products of the cotton-milling industry except yarn, and (2) cotton yarn. An examination of the statistics of the import under these two headings shows that in general they varied together and varied with the total trade from year to year. Over the whole period, however, the imports of cotton yarn increased more than did the imports of cotton manufactures. The import of cotton yarn in Haikwan taels was much smaller than the import of cotton manufactures before 1889; it was somewhat smaller from 1890 to 1895; by 1898 the import of cotton yarn was equal in value to the import of all other sorts of cotton manufactures. There was, in other words, during the period a moderate growth in the import of cotton manufactures

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1890, pp. 1, 2.

² *Ibid.*, 1896, p. 2.

and a great growth in the import of cotton yarn. The value of the import of cotton manufactures was 23.6 million taels in 1885, 32.4 million taels in 1891, and 38.6 million taels in 1898.¹

Throughout the period there was much talk of the competition between British and American cotton manufactures in China. In general, it may be said that the import of American goods was considerably smaller than the import of British goods, that the import of American goods increased more than did the import of British goods, and that the import of British goods fluctuated much less from year to year than did the import of American goods. The probable reasons for this difference are that British goods had the advantage of widely known trade-marks, or "chops," that British imports were of the finer weaves and were bought by those whose purchases were less influenced by changes in prosperity and agricultural production. In 1886 the commissioner of customs at Swatow gave as the first reason for the falling off in imports of cotton goods the "scarcity and high price of food."² Another reason is that the British gave more attention to the problem of keeping the prices of their goods more nearly the same year after year.³ American

¹ Sargent, "Anglo-Chinese Commerce and Diplomacy," pp. 257-263 is inclined to the opinion that the import of cotton manufactures into China fell off during this period. This may be true of the years 1891-1895, but it was hardly true of the period as a whole. Sargent seems to put too much reliance upon the gold value of British exports to China. Measured in this way there was a decline in British cotton exports as well as in exports to China. Upon this Chapman remarks, "The Cotton Industry and Trade," London, 1905, pp. 79-82, after some consideration of the statistics of the total export of cotton goods from England, "the apparent decline probably hides an actual advance" when prices are taken into account and the finer quality of the cotton goods exported.

² "Chinese Maritime Customs Returns of Trade and Trade Reports," 1886, p. 331.

³ M. T. Copeland, "The Cotton Manufacturing Industry of the United States," Cambridge, Harvard University, 1912, says that the smaller fluctuations in the import of British cotton manufactures was "due to the care exercised by the British in altering the quality of the product to avoid altering the price each season" (p. 225).

goods competed with the heavier and coarser British goods and felt the growing competition of India, and later of Japan, sooner than did British goods in general.

The import of cotton yarn into China had shown a considerable growth during the years 1871 to 1884 and especially after the year 1878, but the increase during the years 1885 to 1898 was remarkable. The growth in the import of kerosene oil is the only change that can be compared with the growth of cotton yarn imports. The import in 1885 was 388,000 piculs valued at 7.9 million taels, in 1891 it was 1.2 million piculs valued at 20.9 million taels, and in 1898 it was 2 million piculs valued at 39 million taels. During this last year the import of all other cotton manufactures was valued at 38.5 million taels.

The increased import of Indian yarn was the first result of the development of cotton spinning in India that made itself evident in the foreign trade of China. The number of power-driven cotton spindles in India reached a total of more than a million in the year 1876, that is, just before a great increase in the imports of cotton yarn into China. The number of power-driven cotton spindles in Japan reached a total of more than a million in 1898. The growth after 1895 had been very rapid. In 1896 the imports of cotton yarn into China showed another considerable increase and the growth of imports from Japan was from 2 million taels in 1896 to 10 million taels in 1898. The significance of the growth of the Indian and Japanese trade in yarn has been suggested. Indian yarn found its way into favor among thousands of Chinese who had been unable to purchase the piece goods of Great Britain. "India," says Sargent of the period 1885-1894, "was beginning to clothe the millions of China."¹ It

¹ Sargent, "Anglo-Chinese Commerce and Diplomacy," p. 259.

must be borne in mind, however, that India was sending cotton yarn into a cotton-raising country. The result, leaving Japan out of consideration for the moment, would have been, it may be guessed, a slower development of the import of Indian yarn into China after the import had grown sufficiently to compete indirectly with the raw cotton of China. The Japanese market for Chinese raw cotton raised the price of the raw material in China, making it much more difficult for hand-spun cotton to compete with imported yarn. An opportunity was presented to Japan to "clothe the millions of China" with Chinese cotton spun on Japanese spindles. The development of cotton spinning in Japan probably hastened the decline of hand spinning in China and helped to prepare the way for the introduction of power-driven spindles into China.

The average import of kerosene oil into China for the four years 1886-1889 was about 18 million gallons, valued at about 2 million taels. The percentage which the imports of kerosene oil formed of the total value of imports was 2 per cent in 1886-1889, over 3 per cent in 1890, and about 6 per cent for the years 1897 and 1898. During the years last mentioned the import was well above 90 million gallons, valued at more than 12 million taels. Before 1889 American oil alone was reported. In 1889 Russian oil found a place in the statistics and in 1895 Sumatran oil was reported separately. In 1898 the imports of American, Russian, and Sumatran oil were 48 million, 37 million, and 14 million gallons, respectively. The importance of the American trade is shown by the fact that the statistics of quantity have always been reported in American gallons. The increasing import of kerosene oil seems to have been taken for granted. There is little comment upon it in the annual reports of the Chinese customs. It is evident that during the years 1885-1898 kerosene oil

¹ Separate statistics were published from the year 1886.

was accepted by the Chinese and became an ordinary article of consumption throughout the country. The obvious convenience of kerosene, its cheapness in comparison with the oils previously used for illumination, the growing market abroad for bean oil and for the other vegetable oils of China, and, finally, the decrease in the price of kerosene are sufficient to account for the remarkable growth in this trade.

The import of metals increased but less rapidly than total imports. This import formed over 6 per cent of the total value of imports in 1885 and 1886. It fell to about 4.5 per cent during the closing years of the period. Noticeable features of the trade were great fluctuations in the import of copper and a fairly consistent increase in the import of old iron and steel. This old iron found its way into the hands of makers of agricultural implements, fishhooks, knives, and small utensils. The commissioner of customs at Shanghai remarked of this trade, "all the cuttings and clippings of factories, shipyards, and boiler shops, all the cast-off shoes of Glasgow, Liverpool, and London dray and cab horses, all the old railway refuse, seem to find a market here."¹

There was practically no import of machinery in 1885. By 1895 this import had grown to 2.3 million taels and the average for the remaining four years of the period was about 2 million taels. The import of coal increased from 300,000 to 700,000 tons during the same years.

The import of matches increased steadily. This import is of interest because Japanese matches drove out all others from the Chinese market. In 1898 no less than 97 per cent of the matches imported into China came from Japan. The import of cigarettes, which became important later, was hardly worth notice in 1898.

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1891, p. 210.

In the reports of the customs and in the comments upon the trade written at the time we find mention of a variety of other articles of import. These include sugar, the import of which reached the total of about 9 million taels during the closing years of the period, dyes, wheat flour, window glass, clocks and watches, soap, candles, ginseng, and morphia. Comment upon much of this trade usually ended with remarks upon cheap German and Japanese goods. The attitude of the established foreign merchants toward this trade is indicated in the following quotation from Sargent: "Perhaps the most significant change was to be found in the growing import of miscellaneous articles of luxury or necessity—mainly the former from the Chinese point of view—articles which, to command a sale, must be both cheap and attractive. This was the special sphere of the energetic German. These small articles might seem to be beneath the notice of the old-fashioned merchant, but in the aggregate they formed no inconsiderable part of the total import."¹ It may be remarked that the Chinese seem to find in the neatly finished, the smooth and highly polished articles of Western machine manufacture, a certain æsthetic satisfaction such as Westerners find in the products of handicraft industry.

In conclusion it may be said that the imports into China during the years 1885–1898 show that the resistance of custom and tradition to the wide use in China of consumer's goods of foreign make was broken down in the course of this period. This was accomplished by the insistence of the foreigner upon greater freedom to trade in China, by the growing knowledge of foreign goods in China, by the improvement in transportation facilities, and by the establishment of the manufacture of some of these goods in Eastern countries.

¹ Sargent, "Anglo-Chinese Commerce and Diplomacy," p. 269.

The Distribution of the Trade. The outstanding fact shown by the statistics of trade with the various countries trading with China is the increasing importance of Hongkong as a distributing center. The years 1887 and 1893 show considerable increases in the percentage of China's total trade with Hongkong. The percentages are: 1885, 33.1 per cent; 1887, 46.8 per cent; 1893, 48 per cent; 1898, 42.1 per cent. In 1887 practically the whole of the foreign trade of China was reported for the first time, since it was during this year that the junk trade between Hongkong and the mainland was recorded. From 1893 the whole of the trade with Hongkong was counted as a part of the foreign trade of China, whether the particular item consisted of a shipment of bricks to Hongkong for use in that city or a shipment of silk to Hongkong for transshipment to France. The importance of Hongkong, is found to have increased when allowance is made for these changes in the method of keeping the records. This increase is to be compared with the increasing importance of Shanghai as a distributing center, rather than with changes in the distribution of China's foreign trade with, say, Japan or Russia. During the period from 1885 to 1898 almost half of the direct foreign trade of China was through Shanghai. Throughout these years Hongkong and Shanghai remained distributing centers of first importance.

As the proportion of China's direct trade with Hongkong increased, the percentage of the trade with Great Britain and with India fell. The decrease was from 29.7 per cent to 12.1 per cent in the case of Great Britain and from 10.9 per cent to 5.4 per cent in the case of India. Since it is certain that British and Indian trade with China did not actually decrease, it is plain that these percentages taken together show merely that Great Britain and India made increasing use of the warehouses and piers of Hongkong.

The percentage of the trade with Europe, excluding Russia, increased from 6.3 per cent of the total direct trade in 1885 to 9.3 per cent in 1898. It is probable that the trade with Hongkong conceals statistics which would make the increase larger than this if they were known. The trade with Russia and Siberia increased from 2.8 per cent of the total trade in 1885 to 4.8 per cent in 1898.

The trade with Japan grew steadily during the period, as in fact it had grown during the previous period. Japanese trade was 4.4 per cent of the total trade in 1885, 4.9 per cent in 1891, and 11.5 per cent in 1898. From 1885 to 1894 imports from Japan were greater than exports to that country, but during these years exports to Japan were increasing relatively so that in the year 1894 imports and exports were about equal. From 1895 to 1898 imports from Japan were, again, greater than exports to Japan.

The trade with the United States did not grow so rapidly as did the total trade of China. Trade with the United States was 7.5 per cent of the total trade of China in 1885, 7.1 per cent in 1891, and 6.2 per cent in 1898. From the year 1871 to the year 1890 the trade of China with the United States showed little growth and, in general, little fluctuation from year to year.

Before 1890 the Chinese exports to the United States were much larger than imports into China from the United States. The years 1891-1898 were years of some growth in the total trade and of considerable fluctuation from year to year. They were years of increase in the imports into China from the United States. During the years 1896-1898 imports and exports were about equal. These years mark a change from the relation of imports and exports which had been characteristic of the trade between China and the United States throughout the nineteenth century.

The following broad generalizations may be made as to the relation of imports and exports during the closing years of the period. China imported from Hongkong, Great Britain, and India considerably more than she exported to them. In her trade with Japan and the United States imports and exports were about equal. Her trade with Europe and with Russia and Siberia, on the other hand, showed a considerable excess of exports.

Shipping. As for the previous period, two sets of statistics of shipping have been examined. The first of these is the tonnage of all shipping engaged in the carrying trade to and from foreign countries. The tonnage in this trade, that is, in the actual foreign trade of China, increased with great regularity during the period. It was 4.1 million tons in 1885, 6.7 million tons in 1891, and 9.9 million tons in 1898. These statistics support the general statement that the foreign trade increased at a fairly even rate during the period, but they do not show as great an increase in 1896 as might have been expected.

In the second place, the statistics of the tonnage of all shipping engaged in the foreign and domestic trade have been examined. All tonnage is included of ships that come under the view of the Maritime Customs. The total tonnage was 18.8 million tons in 1885, 27.7 million tons in 1891, and 34.2 million tons in 1898. There was a noticeable increase during the years 1891 and 1892 and again in the year 1896.

Changes in the percentage of this shipping under the various flags call for little comment. The changes due to the war with France have been mentioned. After this war, and to the end of the period, the shipping under the flag of the United States was usually well under 1 per cent of the total. French shipping increased somewhat, but it remained unimportant and it was about 1 per cent of the total in 1898. German

shipping was 5 per cent of the total in 1885. There was a temporary increase in German shipping during the Sino-Japanese War, but in 1898 it was again 5 per cent of the total.

Japanese shipping increased except for the period of the war. The greatest increase was during the last year of the period. Japanese shipping was 2 per cent of the total in 1897 and 5 per cent in 1898. It had been 1 per cent in 1885.

Shipping under the Chinese flag remained above 20 per cent of the total except for the two years during which China was engaged in war, and in 1898 Chinese shipping was 24 per cent of the total. It will be seen from this that the expectations of the founders of the China Merchants' Steam Navigation Company and the fears of the foreign shipping corporations engaged in the river and coastwise trade of the country were not realized. Chinese shipping barely held its own. Only once during the period was attention called in the customs reports to increases in Chinese shipping. We are told that in 1896 there were more "Chinese-owned vessels of foreign type, especially steam launches."¹

The preponderance of British shipping is the most evident fact shown by these shipping statistics. British shipping was 65 per cent of the total in 1885, it rose to about 69 per cent during the years of the war between China and Japan and fell to 62 per cent by the year 1898. At no time in the history of the foreign trade of China has British shipping been of greater importance than during the closing years of the nineteenth century.

Industrial Development, Railways, and Loans. The year 1895 or 1896, rather than the year 1898, marks the beginning of important changes in China from the point of view of modern industry, railways, and loan policy. It will, therefore, be

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1896, p. 6.

convenient to consider the closing years of the period now under consideration in connection with the following period during which more important developments took place. At the same time it may be remarked that these developments during the years preceding 1898 exercised no important influence upon the trade that can be discovered. The consideration of these matters over the years 1895 to 1913 has, then, the advantage of convenience and does not involve the disadvantage of taking a period which conflicts with the divisions that are being used for the study of the trade.

Certain developments during the years from 1885 to 1895 need to be mentioned, however. Industrial development will be taken up first. Until 1895 the Chinese resisted the claims of the foreigners that China had given them the right to import machinery into the country and establish in China factories and other industrial plants. Before 1885 there was practically no establishment of modern industry by the Chinese themselves. The ships of the China Merchants' Steam Navigation Company were the only important exception to this statement. It has been pointed out that the company did not grow rapidly during the ten years following 1885. The establishment of filatures for the reeling of silk took place to some extent during the years following 1890, but there are no estimates that have been discovered of the number of these in the year 1895. The competition of the Japanese in raw silk and the urging of the foreign buyers of raw silk explains the early interest in silk filatures.

The next development was in the manufacture of matches. Japan, as has been said, undertook the manufacture of matches at an early stage in her industrial development and we find information which leads us to suppose that China did the same thing. "Of matches," we are told in 1888, "it suffices to remark that the quantity shown in the statistics

is not the measure of the entire consumption, as the manufacture of matches is carried on in China itself."¹ Match-making materials soon came to be an item among the imports into certain Chinese ports and in the year 1921 there was a considerable number of match factories in the country.

The first attempt to establish a cotton-spinning mill in Shanghai was mentioned in the previous chapter. The results of this early attempt were not evident until the year 1890. Two mills, one for spinning and one for weaving cotton, were mentioned in the customs report for the year. They were considered to be experiments. The Shanghai commissioner of customs did not think that they were to be "söberly regarded as a factor in the cotton goods and yarn trade."² Fire destroyed either one or both of these mills in 1893; rebuilding was undertaken during the next year. Except for this attempt there was no development of cotton spinning in China until after the war with Japan.

The year 1888 saw the opening of a railway from Tientsin to the coal mines at Tongshan, a distance of eighty-one miles. This railway was extended during the years that followed. By 1895 it had passed Shanhaikwan, giving China at the time of the outbreak of the war with Japan about two hundred miles of railways in the northern province of Chihli. This railway from Tientsin to Shanhaikwan and beyond, together with its later extensions, came to be known as the Imperial Railways of North China. The import of railway materials into China was little more than 200,000 taels in the year 1895, and most of this entered China through the port of Tientsin. From the point of view of the effect upon the international trade of China or of the effect upon China's trade balances

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1888, p. 2.

² *Id.*, 1890, p. 194.

it may be said that railways did not count before the year 1895.

China borrowed certain small sums from the various foreign banks within the country before the year 1894.¹ It may be said, however, that her foreign obligations were negligible until the loans were made by which she undertook to pay the indemnity that was agreed to in the Treaty of Shimonoseki.

China, during the years from 1885 to 1895, did not undertake either industrial development, railway building, or borrowing from foreign sources upon a scale that need be considered in any study of her foreign trade.

¹ A list of these loans is to be found in Morse, "The International Relations of the Chinese Empire," Vol. III, Appendix A, p. 448.

CHAPTER V

THE FOREIGN TRADE OF CHINA DURING THE PERIOD 1899-1913

Outstanding Events of the Period. Certain outstanding events in the history of China and of the Far East in general during the years 1899-1913 must be considered before the foreign trade of the country is discussed. These events are: (1) the Boxer Uprising of 1900, (2) the Russo-Japanese War of 1904-1905, and (3) the overthrow of the Manchu dynasty and the founding of the Republic. These occurrences altered the general conditions under which the foreign trade of China was carried on and their significance must be borne in mind as a background for the study of the trade. In addition, these events serve in part as an explanation of one noticeable characteristic of the trade after 1898, namely, greater fluctuations in the total value of the trade from year to year. The total foreign trade was well below the five-year average¹ in 1900, above the average in 1905, and below again in the year 1912.

The period which was considered in the last chapter closed with a scramble for "concessions" and "rights" in various parts of China. There was jealousy and international bickering and in general unrestrained foreign aggression. This gave strength to the reactionary party in China who were opposed to reform along lines suggested by the study of Western methods and who disliked foreigners in general. This feeling of hostility to Western ways and Western peoples grew during the years before 1900. It happened

¹ By this is meant a five-year moving average centered at the year referred to.

that these same years immediately before 1900 were years of great anxiety for the court. The empress dowager had removed Emperor Kuang-hsü from the exercise of imperial power in 1898. It was known that she was planning to announce a successor. These plans were looked upon with disfavor by great numbers of the officials and people. In addition, there was a feeling that the year 1900 would be an unlucky year for the ruling dynasty.¹ There was in the unrest in the various provinces a threat against the dynasty and a threat against the foreigner and foreign influence in China. It is probable that the rulers, by looking with favor upon those who were more moved by anti-foreign feelings, turned the wrath of the people away from themselves. In the light of the whole of the history of the foreign relations of China in modern times, the Boxer Uprising may be regarded as the last effort of the Chinese people and their rulers to maintain a policy of exclusion and to sweep from the Chinese Empire everything associated with the foreigner. At the same time, the movement may be regarded as evidence of a growing feeling of national patriotism in China. From this point of view the Boxer movement may be looked upon as foreshadowing the overthrow of the dynasty in 1911.

In its most violent anti-foreign demonstrations the movement was confined to the northern part of China. It culminated in the siege of the legations in the summer of 1900, in the military occupation of Tientsin and Peking by foreign troops, and in the signing after long negotiation of a final protocol of peace in 1901.

The Boxer Uprising sharply interrupted the rapid increase in the foreign trade of China which had been a characteristic of the year 1899 and of the early months of 1900. The total

¹ Morse, "International Relations of the Chinese Empire," Vol. III, p. 183, gives the reasons.

trade of 1900 was no greater than the total for 1898, but by 1902 the recovery was complete. The effects of the provisions of the peace protocol are considered elsewhere

The period from the close of the Sino-Japanese War to the end of the Russo-Japanese War was one during which the partition of China seemed at all times a possibility. The jealousy of the various powers put restraint upon them. Some powers more than others were interested in the continuance of trade and in the spread of foreign commerce within China. This continuance of trade they conceived to be threatened by war and the spread of foreign commerce by the control of parts of China by particular powers. Russia made an attempt to carry out the program of partition in the region in which she was chiefly interested.

After the defeat of China by the Japanese, the Chinese government, under the guidance of Li Hung-chang in foreign affairs, gave Russia the opportunity which she desired. The years from 1896 to 1904 were marked by the growing influence of Russia in Peking and by the successful advance of Russian influence in Manchuria and in Korea. In 1895 a loan of 400 million francs to the Chinese government by French and Russian bankers was guaranteed by the Russian government. In 1896 a contract was signed for the construction and operation of the Chinese Eastern Railway. In 1898 a convention was signed for the lease by Russia of the Liaotung Peninsula, a part of the region in southern Manchuria which Japan had returned to China after the Sino-Japanese War on the advice of Russia, Germany, and France. During the same year an agreement was signed for the construction of a railway to connect the Chinese Eastern and the port of Dalny (now known as Dairen). There were further agreements and, it is said, a treaty of alliance, the authenticity of which has

never been admitted.¹ In 1899 Russia secured from Great Britain an agreement that Great Britain was not to seek "any railway concessions to the north of the Great Wall."² English writers of the time looked upon the further advance of Russia as a certainty. "Everybody knows," said one of these English writers, "that Peking will be Russian, as everybody knew that Russia intended to establish herself in the Liaotung Peninsula before the event took place."³ Russia found in the Boxer Uprising a plausible reason for a more complete military occupation of Manchuria than she had attempted before 1900. Her attitude after the conclusion of the negotiations that followed the relief of the legations made it evident that she might soon be in undisputed possession of the whole region if she were not challenged.

The nations desirous of challenging the position of Russia were, first, Japan, and, secondly, Great Britain. The United States acted with Great Britain and Japan on more than one occasion in protesting against Russian claims.⁴ The prosecution of the Russia policy brought England and Germany together, first in loan negotiations and later in an agreement which concerned political, and possibly military, action.⁵ There was, however, no significant threat of the use of military force against Russia until after the signing of the first treaty of alliance between Japan and Great Britain in January, 1902.⁶ Japan then proceeded to demand Russian withdrawal

¹ See MacMurray, "Treaties and Agreements," Vol. I, p. 78, note 2, for a list of the documents showing Russian relations in the Far East during these years.

² MacMurray, "Treaties and Agreements," Vol. I, p. 204.

³ Harold E. Gorst, "China," New York, Dutton, 1899, p. 291.

⁴ Stanley K. Hornbeck, "Contemporary Politics in the Far East," pp. 243-257, gives an account of the events that preceded the Russo-Japanese War with special reference to the attitude of the United States. See, also, Morse, "International Relations," Vol. III, pp. 419-434.

⁵ MacMurray, "Treaties and Agreements," Vol. I, pp. 55-59, 263.

⁶ *Id.*, pp. 324, 325.

from Manchuria and this brought on the war between these two nations. The defeat of Russia left the way open for Japan to take the place of Russia in southern Manchuria. The policy which has been called that of strenuous insistence began with the desire of foreign merchants to open China more completely to trade. This policy had gradually become a policy of securing "spheres of interest or influence" in China, then one of expansion and territorial aggression. It had now led to international jealousy and finally to war. From the end of the Russo-Japanese War to the close of the period now being considered, the attitude of the various powers interested in the Far East is explainable as an attempt to arrive at a balance or equilibrium in their relations in China and in Eastern Asia generally.

The immediate effect of the Russo-Japanese War upon the foreign trade of China was to bring about a remarkable increase in imports. The nature of these imports will be taken up presently. The general effect of the war is to be found in the opening up of Manchuria and the establishment of general commercial relations between Manchuria and the rest of the world.

After the Russo-Japanese War the rulers of China saw that a real reform of the government and administration of China could no longer be delayed. The Chinese could not avoid comparing the power of Japan and her successful opposition to a great Western nation with the weakness of China and with the ineffectiveness of her government in foreign affairs. Japan, the Chinese believed, had prepared for her achievement by adopting Western learning and a constitution modeled upon those of the Western nations. It is reasonable to suppose that the Chinese felt, as Morse says, that "what one small Asiatic power had done might surely be done by

another, greater in area, in population, and in resources."¹ There sprang up in China some degree of enthusiasm for Japan. Chinese students appeared in considerable numbers at Japanese schools and universities. This enthusiasm was dissipated by the progress of later events in Manchuria, but it produced effects that have persisted.

During the years 1906-1910 no less than ten imperial edicts were promulgated upon the subject of constitutional reform. These edicts set up a program of development in self-government, of local and provincial assemblies, and promised the establishment of a complete constitutional government by the year 1917.² A constitution for China under the rule of the Manchu dynasty had to be drawn up to meet a considerable number of difficulties. Any constitution which was to meet the approval of the empress dowager and her advisers had to give great power to the ruler and to establish the dynasty. The desire of great numbers of the Chinese was the overthrow of the dynasty. Any constitution which was to meet the problems presented by foreign relations had to provide for centralization of authority. Centralization, however, was contrary to the desires and prejudices of many of the people and contrary to the interests of many of the officials. The Chinese people demanded a real voice in the government; this the rulers were not willing to grant.

During the period of attempts at constitution making both the empress dowager and the emperor died. An attempt in 1911 to enforce the centralization provided for under the new régime brought on open rebellion in one of the

¹ Morse, "International Relations," Vol. III, p. 434. "The result of the Russo-Japanese War electrified the [Chinese] nation."

² These edicts are presented in outline and discussed by Professor L. R. O. Bevan in the first of a series of articles on "China's Constitutions," in the *Chinese Social and Political Science Review*, Vol. II, No. 4, pp. 89-126.

Western provinces. Rebellion broke out next in central China. The power of the Manchus was swept from them and a new government was set up for China in 1912. The government set up was a republic and the first president under this government was Yuan Shih-kai. Neither the temper nor the training of the new president was such as to prepare him for the methods of parliamentary government, nor were the members of the new parliament accustomed to the exercise of their power. There was a sharp difference between president and parliament over an important foreign loan in the spring of 1913. The loan was finally negotiated without the consent of parliament, and the summer of 1913 saw the first rebellion against the power of President Yuan. This rebellion was easily put down, and at the opening of the European War in 1914 President Yuan was firmly in power. The full effect of the wastefulness, the ineffectiveness, the neglect, and the corruption of the final decades of imperial rule in China has become evident in the course of events since 1913. The Manchu empire left to the republic "an inheritance of disorder and corrupt administration."¹

The immediate effect of the outbreak of the revolution and of the disturbed state of the country was a decline in the total foreign trade in 1912. There was a prompt recovery from this, and in 1913 the value of the total trade was much greater than it had been at any time previous to that year.

During the years from 1899 to 1913 China suffered the usual succession of drought and flood. Disease was added to famine on more than one occasion. The imports of rice into the country were unusually high in 1902, in 1907, and during the closing years of the period. In 1902 there was drought and deficiency of food grains in southern China.

¹ Morse, "International Relations," Vol. III, p. 446.

This was accompanied by an outbreak of cholera which spread to practically every part of the empire. The winter of 1906-1907 was one of famine. In 1911 there were disastrous floods in the valley of the Yangtze River. These floods produced famine conditions in the provinces north of the Yangtze during the winter of 1912-1913. The period ended with a year of good harvests. The high price of rice in a particular region of China is referred to, from time to time, in the annual reports of the customs officials as the chief reason for a marked decline in the import into the region of foreign manufactures. It is impossible, however, to find clear evidence of this in the statistics of the imports into the whole country.

Railway Development. China, it has been said, had practically no railways in 1895; by the end of the year 1913 most of the present lines of railway in the country had been built. It may be estimated that there were about 200 miles of railways in China at the close of the Sino-Japanese War. In 1899 there were about 800 miles. By 1913 the total was about six thousand miles. From the point of view of the student of China's foreign trade, railway development was important, since by this means the area into which foreign trade could penetrate was greatly increased. Where railways extend, we are told, in the customs report for 1899, "districts suddenly commence to hum with life and activity and there springs up a flourishing trade which was formerly undreamt of."¹ The railways of China can be understood in their relation to the foreign trade of the country if we consider their regional distribution and their connections with sea or river ports. The first group is to be found in Manchuria and in the region north of Peking. This group contained about 2,500 miles of railway in 1913. There were connections with the sea

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1899, p. 1.

at the important ports of Tientsin and Dairen; there were connections with other railways at the Korean boundary, and with the Russian Trans-Siberian both at the eastern and western boundaries of Manchuria. The second group is to be found in the region between Peking and the Yangtze River. This group consists of some two thousand miles of lines, connecting Peking with Hankow, the most important river port of central China, and Tientsin with Pukow, a port on the Yangtze opposite Nanking. A third group of railways is to be found in the wide region south of the Yangtze. There is a railway which connects Shanghai, Nanking, and Hangchow; there are certain sections of the proposed railway which will connect Hankow with Canton; and there is a railway which enters the province of Yünnan from the south and connects its capital with Haifong, a seaport in French Indo-China. In addition to these railways, there were about one hundred miles of short or disconnected lines. It will be seen from this brief statement that railway development was greatest in the most northerly of the three regions, and that the region south of the Yangtze had comparatively few railways.

The period 1899-1913 saw also the establishment of mints under the control either of the central government or of certain provincial governments, the establishment of government banks, and attempts at the unification of the currency. Proposals were made for the introduction of the gold-exchange standard after the report upon the subject by an American commission in 1903. No serious attempt was made, however, to carry out these proposals.

The beginning of the development in Shanghai of Chinese banks organized and operated upon Western banking principles is to be found in this same period. It is a significant fact that the development of these banks followed the establishment of modern banks by the Chinese government.

There were in 1913 twelve foreign banking corporations with one or more offices in China.¹

Treaties and Agreements of the Period. The treaties and agreements of importance to the student of China's foreign trade fall into two main groups: (1) treaties and agreements of an international character made between the Chinese government and other governments, and (2) agreements made between the Chinese government and corporations or individuals under the control of foreign governments. The second group includes the railway and loan agreements of the Chinese government. The increasing importance of agreements of this sort during the period under consideration marks a new departure in the working out of a political policy in China. Before 1895 the position of the foreigner in China was determined by a set of international treaties, and the policies of the various foreign governments in China were expressed, in the main, in such treaties. After 1895, however, political policy frequently found its expression in an agreement between the Chinese government and a particular bank or railway corporation. "The result," says MacMurray, "of this merging of individual with governmental interests has been that matters which would elsewhere be of merely commercial character, susceptible of judicial determination in case of dispute, are in China matters of international political concern, for the settlement of which the ultimate recourse is to diplomatic action. It is thus in a sense true that the international status of the Chinese government is determined and conditioned by its business contracts with individual foreign firms or syndicates, scarcely if at all less than by its formal treaties with other governments."¹ For some purposes, as for instance for the determination of their effect upon balances in

¹ MacMurray, "Treaties and Agreements," Vol. I, p. xv.

international payments, a study of these agreements is important, but any attempt at detailed presentation is a problem in international politics rather than in international trade.

The difficulties of this aspect of China's foreign relations may be illustrated by the Chinese railways. The railway contracts which the Chinese government has made, usually call for the payment of interest on the borrowings for railway building, whether or not the income from the operation of the particular railway is sufficient to provide the funds. The holders of the bonds in foreign countries are creditors of the Chinese government. If the income from the railway is insufficient, the government of China is obliged to find the necessary funds. Since government obligations in the case of China may easily come to have a political significance and are subjects of diplomatic negotiation, the result may be a condition quite different from that which arises as the result of investment by the citizens of one country in the private railway undertakings in another country, such, for example, as British investment in railways in the United States.¹

The important treaties and agreements of a formal international sort were those which arose out of the settlement of the Boxer Uprising. The first of these was the Peace Protocol itself, which was signed during September, 1901.² With certain provisions of the protocol, such as those which provided for the future safety of the foreign legations at Peking, for punishments, and for the reform of the Chinese

¹ This difficulty has been pointed out by a capable Chinese student of his country's railway problems. See Dr. C. C. Wang's comments in the *Chinese Social and Political Science Review*, Peking, Dec., 1916, March, June, and September, 1917, under the title, "Some Dangers of Railway Development in China and How to Prepare Against Them," especially pp. 87-89 of the June number.

² For the text of the protocol with the annexes, see MacMurray, "Treaties and Agreements," Vol. I, pp. 278-320.

"office of foreign affairs," we are not concerned. From the point of view of the study of the foreign trade the important provisions were: (1) those concerning the indemnity, (2) those concerning the revision of the import tariff, and (3) those which provided for the negotiation of new treaties of commerce.

The sixth article of the Peace Protocol fixed the amount of the indemnity at 450 million Haikwan taels. Although the total was stated in silver, the obligation was stated in the protocol to be a "gold debt." The sum which the Chinese government was to pay was a sum of pounds sterling, United States dollars, Russian rubles, etc. These sums were turned into Haikwan taels for purposes of negotiation and of statement in the protocol at a fixed rate of exchange. The tael was considered to be equal to 3s. *od.* in English money, .742 dollars in United States currency, etc. This arbitrary fixing of a rate of exchange had the effect of creating a unit which was frequently referred to in the correspondence of the time as a "protocol tael." The chief reason for these arrangements was that the tael was the one unit common to all the representatives concerned in the negotiations. The rate chosen for protocol purposes was somewhat higher than the actual average rate during the fifteen years that followed. China did not, therefore, meet her indemnity obligations by paying the number of taels that were called for in the protocol provisions. Nevertheless, the actual rate was, throughout the remaining years of the period, close enough to the rate fixed in the protocol to allow the total of payments called for in annex 13 of the protocol to be used as the approximate amount in actual Haikwan taels which the Chinese government paid from year to year.

The payment of the 450 million taels with interest at 4 per cent from July 1, 1901, was to begin in July, 1902, and

to end in December, 1940. The total payments of principal and interest were to be as follows, calculated at the fixed rate already referred to: from 1902, 18,829,500 taels per year; from 1911, 19,899,300 taels per year; from 1915, 23,383,300 taels per year; from 1916, 24,483,800 taels per year; and from 1932, 35,350,150 taels per year. The total amount payable for principal and interest was calculated at 982,238,150 taels. The service of the debt was to take place in Shanghai. Sums were to be turned over to a commission of bankers representing the various interested powers each month and the commission was to divide these sums. In 1905 the method of payment was changed and beginning with that year China made payments in gold to each power direct, "either in silver, according to the price of silver on the London market, or in gold bills, or in telegraphic transfers at the choice of each power."¹

In 1908, by joint resolution of Congress, the United States remitted a certain portion of the indemnity. The reduction was from 24.4 million dollars, U. S. currency, to 13.6 million dollars. A considerable proportion of the remitted sum has been expended in the United States for the education of young Chinese at American educational institutions. In 1911 there was some temporary difficulty in carrying out satisfactorily the arrangements for the service of the foreign debt, but the payments were made through the Maritime Customs. At the end of 1913 China had paid the whole of her current obligations.

The revenues assigned as security for the payment of the Boxer indemnity were the revenues of the Maritime Customs, of the "native" customs, and of the salt gabelle.

¹ MacMurray, "Treaties and Agreements," Vol. I, p. 319, Exchange of Notes Regarding Final Settlement of the Question of the Boxer Indemnity—July 2, 1905.

The revenues of the Maritime Customs were to be increased by the revision of the import duties. The revision was agreed to in the protocol of 1901, but it was not actually carried out until September, 1902, and it did not come into force until October 31, 1902. Certain provisional increases were made in 1901, however, and these new duties were applied from November 11 of that year.¹ The method of revision was provided in the protocol and was to be as follows: Import duties were to be increased to an "effective 5 per cent" ad valorem, all duties levied upon imports were to be converted "as far as feasible" into specific duties by taking "the average value of merchandise at the time of landing during the three years 1897, 1898, and 1899, that is to say, the market price less the amount of import duty and incidental expenses" as the basis for this conversion.² Aside from this revision to an "effective 5 per cent" the only important change in 1902 was the reduction of the number of articles on the "free list." The list of articles admitted free of duty under the import tariff of 1858 included a considerable list of goods which were evidently put upon this list because of the fact that they were such goods as foreign residents in China would desire to use and such as would not be used to any extent by the Chinese. They included such things as preserved meats and vegetables, cheese, butter, confectionery, jewelry, glass and crystal ware. It is a commentary on the change that had taken place in the trade in these things that all of them were made dutiable in 1902. The import items admitted free of duty after the tariff of 1902 came into effect were foreign rice, cereals and flour, gold and silver coined and uncoined, and in addition a few other articles of little importance.³

¹ Morse, "International Relations," Vol. III, pp. 368, 369.

² MacMurray, "Treaties and Agreements," Vol. I, pp. 339, 340, Tariff Agreement Relating to the Revised Import Tariff, 1902.

³ For the complete list, see MacMurray, "Treaties and Agreements," Vol. I, p. 341.

There had been no revision of the import tariff since 1858 and the rise in prices had reduced the import duties to about 3 per cent on the average. It was plain to the officials of the customs that fairness to China made a revision of the duties necessary. When by the protocol of 1901 the foreign obligations of the Chinese government were increased by a charge of over 18 million taels annually on account of the Boxer indemnity it became imperative that the revision take place promptly.¹

In the opinion of the customs officials the "effective 5 per cent" did not remain an effective 5 per cent for many months. In the annual report for 1902 the statistical secretary pointed out that with the rapid rise in prices between the years 1899 and 1902 the rate of taxation under the revised tariff was about the same as it had been in 1896 under the unrevised tariff.² By the year 1912 complaints were being made once more that the Chinese government was getting considerably less than the amount that would have been received under an ad-valorem duty that actually secured 5 per cent. No further revision of the tariff was undertaken, however, until after China had declared war upon Germany in 1917.

The eleventh article of the protocol of 1901 contained an agreement on the part of the Chinese government "to negotiate the amendments deemed necessary by the foreign governments to the treaties of commerce and navigation"

¹ The authority for the statement that the duties before the revision of 1902 brought the Chinese government about 3 per cent of the value of the general imports as revenue is the repeated statement of the customs reports to that effect. See "Chinese Maritime Customs Returns of Trade and Trade Reports," 1901, p. 2. Chin Chu, "The Tariff Problem in China," New York, Columbia University, 1916, deals with this subject (pp. 42, 43), but he does not attempt to make a general statement.

² "Chinese Maritime Customs Returns of Trade and Trade Reports," 1902, p. 1

then in force. The first of the treaties negotiated in accordance with this undertaking was a treaty with Great Britain signed September 3, 1902. This treaty was signed by James L. Mackay for Great Britain and it will be spoken of as the Mackay Treaty.¹ This treaty dealt with the following subjects, among others: a uniform national coinage for China, the obligations of Chinese shareholders in British corporations and of British shareholders in Chinese corporations, the improvement of river navigation, bonding, trade-marks, the tariff, mining regulations, the prohibition of the trade in morphia, extraterritoriality, and the "missionary question." The most important provisions of this treaty have not come into force. The first of these important provisions is an agreement on the part of Great Britain to "relinquish her extraterritorial rights when she is satisfied that the state of the Chinese laws, the arrangement for their administration, and other considerations warrant her in so doing."

The second of these important provisions is one by which Great Britain agreed to the increase of the import duties to a total of 12½ per cent ad valorem under certain conditions. The conditions were: the agreement of all powers entitled to most-favored-nation treatment in China and the complete abolition of likin. Neither of these conditions has been fulfilled. There was some enthusiasm for the abolition of likin when the republican government was organized, but the need of revenue and the difficulties of administrative centralization proved insuperable obstacles.

The Chinese government undertook to secure the consent of the treaty powers to the provisions of the Mackay Treaty. For this purpose and for the purpose of carrying out

¹ The text of the treaty with annexes is printed in MacMurray, "Treaties and Agreements," Vol. I, pp. 342-356.

the obligations of the protocol of 1901 the Chinese government entered into negotiations with the Japanese and the American governments and signed treaties with these two powers in October, 1903.¹ In these treaties the government of Japan and the government of the United States agree to the terms and conditions of the Mackay Treaty. The subjects dealt with in these treaties were, in addition, the same subjects dealt with in the British treaty, and the provisions were in general the same. In many cases the language of the three treaties is identical. It was expected that treaties would be negotiated with each of the powers, but, as Morse says, "before they had proceeded far, the Chinese plenipotentiaries discovered that each of the others of the nineteen treaty powers had every intention of demanding its special price for the quittance in full which would be given to China by the revision of the treaties; and all negotiations were suspended, and were never resumed."² Until the tariff revision of 1918 and the so-called Washington Conference of 1921-1922, the agreements and treaties that have been considered remained the legal basis of the commercial relations of China with the various foreign countries.

Changes in the Returns of the Chinese Maritime Customs. In 1899 the number of open ports in China was 32. By 1913 this number had increased by no less than fifty per cent to a total of 48. Most of these new ports were opened to trade during the years from 1907 to 1910, and many of them were in Manchuria. One of the results of the Russo-Japanese War was this opening of Manchuria to the trade of the world. This opening was in part an accomplished fact when the formal

¹ For the text of these treaties, see MacMurray, "Treaties and Agreements," Vol. I, pp. 411-422, 423-452.

² Morse, "International Relations," Vol. III, p. 370.

opening of the various ports took place. It is well known that during the months after the opening of the war, and until the opening of these Manchurian ports, there was a considerable trade across the Russian frontier and through the port of Dairen in southern Manchuria which escaped all payment of duties to the Chinese government. The difficulties of the trade in cotton goods in 1907, for example, were to some extent caused by excessive importation of these goods into Dairen in anticipation of the establishment of a customhouse at that port.

From 1914 to 1921 only two Chinese ports were opened to trade. The total number of open ports was fifty in 1921. By 1913, then, the present opening of China had been accomplished. From the frontier, between Manchuria and Russia, along the whole of the coastline of China, and along the southern borders of the country from the ocean to the boundary between Tibet and India, there were scattered these centers of trade. They were to be found along the chief rivers by which the interior of the country could be reached and along the newly established lines of railway communication.

The Boxer settlement brought about another change in the customs statistics. One of the results of the arrangements for the payment of the indemnity was the giving over to the control of the Maritime Customs of the collection of "native" customs revenue at the open ports. When this was accomplished it became possible to make the statistics of the foreign trade of China more complete than they had been. In the annual report of the Maritime Customs for 1905 we find the statement, in a note to the table showing the "annual value of the foreign trade of China," that the totals of this and similar tables did not, prior to 1904, "comprise the whole extent of the foreign trade, in as much as there were

vessels of Chinese type, which were not within the control of the Maritime Customs, plying between foreign and Chinese (both treaty and non-treaty) ports. From 1904 the whole foreign trade of China is included, with the exception of a small residuum carried in native craft, between Formosa, Korea, etc., and a few non-treaty ports."¹ The improvement was similar to that which was brought about for a part of the trade by the opening of customs stations at Kowloon and Lappa in 1887.

No serious efforts were made during the period to remove the obstacle which is presented by the position of Hongkong to a more complete knowledge of China's foreign trade.

A third change in the customs returns is a change in the form of the returns rather than in their inclusiveness or completeness. To the year 1904 the annual reports of the Maritime Customs continued to be separate reports from the various ports brought together into a single issue; they remained independent reports. It is true that an abstract of statistics and a report on the whole of the trade of China formed an introduction to these reports, but this introduction was something added to the issue rather than an essential part of the report. In January, 1905, H. B. Morse, who had been appointed statistical secretary of the Maritime Customs not long before, addressed a letter to the inspector general proposing certain changes in the reports.² These changes were approved and the report for 1905 was the first one which embodied the new proposals. The annual reports after 1905 consist of three parts. There is (1) a report on the trade of

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1905, Pt. I, p. 1.

² The letter is reprinted in "Chinese Maritime Customs Returns of Trade and Trade Reports," 1905, Pt. I, pp. xxvii-xxx.

China and an abstract of statistics, which is printed in a single volume. This is followed by (2) the port trade statistics and reports. This part is printed in five volumes, each volume dealing with the ports of a single geographical region. Finally, there is (3) an analysis of the foreign trade of China. This analysis takes up the imports and exports, article by article, showing for the imports the quantity and value of the particular commodity which is imported from each foreign country and the "net consumption in each customs district," and for exports the "country to which exported" and the "original export from each customs district."

Finally, it remains to be recorded that serious efforts were made, during the period now under consideration, to arrive at balances of international payments for China. These balances will be considered below, but this study brought it about that changes were made in the valuation of both imports and exports. Before 1902, the value of the imports into China, as stated in the customs reports, were values which included the duty on the imported goods and the expense of putting them on the market in China. They were current market prices of foreign goods. The value of the exports was given at current market prices, which in this case was the value before duty and charges for placing aboard the steamer had been paid. Between 1902 and 1905 the change was made to valuation for imports "at the moment of landing" and for exports "at the moment of shipment."

The General Course of China's Foreign Trade, 1899-1913. The international trade of the world entered upon a period of vigorous growth during the closing years of the nineteenth century, and this growth continued throughout the period which preceded the outbreak of the World War in 1914. The total value of the trade of the chief countries

of the world was estimated at about \$15,000 million, U. S. currency, for 1886, and at about \$19,000 million for each of the years 1896 and 1897. In 1899 the total reached \$22,000 million and by 1913 this total had been more than doubled and stood at \$45,000 million.¹ Studies of the foreign trade of the individual countries call attention to this increase. We are told of the foreign trade of Great Britain that after the increase in 1872 it was "not till 1899 that great progress was again recorded."² Of the trade of the United States it has been pointed out that "an enormous outburst of exports" began in 1897.³ It is, of course, true that a rise in general prices in the gold-standard countries of the West began at the same time, and it may be supposed that the increase shown in the statistics of the value of the world's trade was due to this fact. A comparison, however, of general price movements in the United States, and of the prices of the chief British imports and exports on the one hand, with the increase of the total value of the world's trade on the other hand, shows that the trade of the world grew more rapidly than prices rose. The average annual rise in prices in the United States from 1897 to 1907 was about 2.8 per cent. The average annual rise in the prices of British imports and exports during a somewhat shorter period was 3.4 per cent.⁴ During the eleven years, 1897-1907, the average annual increase in the world's trade was 5.3 per cent. After 1897 goods were

¹ The statistics are from various numbers of the "Statistisches Jahrbuch für das Deutsche Reich, herausgegeben vom Kaiserlichen Statistischen Amt, Berlin." Four marks have been taken as the equivalent of the U. S. dollar.

² "Dictionary of Political Economy," Vol. I, p. 338.

³ Bullock, Williams, and Tucker, "The Balance of Trade of the United States," in Taussig, "Selected Readings in International Trade and Tariff Problems," p. 187.

⁴ Prices have been taken from tables printed in Bulletin No. 284 of the U. S. Bureau of Labor Statistics, pp. 31, 36.

exchanged at higher prices, but it seems fairly certain that more goods were exchanged.

In this growing world trade the countries of the Far East in general took their full share, but it is significant that the trade of China remained small and that it increased less rapidly than did the trade of either Japan or India.¹

The total value of the foreign trade of China reached a new level in 1899 and, with the exception of the next year during which the Boxer Uprising took place, the total trade has never gone back to the level of the period before 1899. The annual average of the total trade in Haikwan taels for the years 1885-1898 had been about 254 million; for the years 1899-1913 the average was 657.5 million taels. The total trade for 1899 was 460.5 million taels and by 1913 this total reached 973.5 million taels. After the drop in 1900 the trade continued to increase, at a rapid rate to 1905; during the three years 1906-1908 there was practically no increase; this was followed by a rapid increase during 1909 and 1910; the next two years saw little increase, but in 1913 the total rose to a new level once more. In the opening paragraphs of this chapter, attention was directed to the connection between certain of these fluctuations and the chief events of the period under consideration. The growth of the foreign trade had been at an even rate during the years 1885-1898. During the years 1899-1913 the growth was equally great, but the growth was not at an even rate. During the later period, the growth was by spurts reaching new high levels in 1900, 1905, 1910, and 1913.

¹ The average percentage which the trade of China, of India, and of Japan formed of the total international trade of the world, according to the statistics, converted into German marks, of the "Statistisches Jahrbuch für das Deutsche Reich," is as follows: average for the three years 1896, 1897, and 1898: China, 1.5 per cent; India, 3.1 per cent; Japan, 1.0 per cent; average for the three years 1911, 1912, and 1913: China, 1.7 per cent; India, 3.5 per cent; Japan, 1.6 per cent.

If, now, the customs revenue is brought into consideration it is found to indicate in a rough way the same general course of the total trade. The total customs revenue, that is, the total of the import and export duties, showed an increase to the year 1906, a considerable decrease during the years 1907 and 1908, and a further increase from 1909 to 1913. An increase in the customs revenue in the year 1902 is to be explained as the result of the tariff revision which came into effect during that year. The revision of 1902 was a revision of the import duties and after that year the total import duty collected was far greater than the total of the export duties.

It has been pointed out that during the years 1885-1898 there was a tendency on the part of those interested in the trade of China to discount the statistical evidence of increases in this trade, and on the part of the merchants a tendency to complain that the trade was carried on with decreasing profit to themselves. In these respects, the period now under consideration presents certain changes. The customs report of the first year of the period strikes a new note, saying that "the foreign trade of China during the year 1899 was characterized by an astonishing development, and merchants, both foreign and native, made handsome profits in almost every branch."¹

In the attempt to account for the differences between the two periods, consideration will be given, first, to the fact that there was little tendency after 1899 to look upon the statistics of the Maritime Customs as an overstatement of the case. From time to time there was comment upon "overtrading" and "unhealthy development," particularly

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1899, p. 1.

in the import of cotton manufactures, but there is no expression of doubt as to the growth of the total trade. The years 1885-1898 witnessed a rapid and fairly continuous decline in the gold value of silver. Moreover, these years were years of falling general prices in the gold-standard countries of the West. The result of this combination of circumstances was that it became possible for an increase in the trade measured in Haikwan taels and an increase measured in yards, pounds, or piculs, to take place while the trade measured in U. S. dollars or in pounds sterling showed no increase. This was the actual situation from 1890 to 1898. The tendency of the foreign observer was to fix his attention upon the value of the trade, especially of the import trade, in pounds sterling as the true measure of the trade and to explain away the increases in Haikwan taels or in yards and gallons.¹ During the years 1899-1914 circumstances were quite different. The period was one of rising prices in Western countries and one during which the average value of silver in gold currencies, while it fluctuated widely, did not decline. From 1899 to 1913 increasing purchases by Chinese of foreign goods made themselves clearly evident in increasing total values, whether measured in U. S. dollars, in pounds sterling, or in Haikwan taels. So it came about that after 1899 the statistics showing increases in China's trade were accepted without the doubts so frequently expressed during the earlier years.

The changes in the condition and in the methods of the foreign merchants in China must be dealt with at greater length. Throughout the account of the development of China's

¹ A comparison of values in Haikwan taels and in pounds sterling is to be found in "Chinese Maritime Customs Returns of Trade and Trade Reports," 1914, pp. 3, 4.

foreign trade, the foreign merchant in China has been given an importance which may seem disproportionate to those familiar only with the international commerce of the West. It must be remembered that since the early stages in the development of trade, China's steam shipping has been, in large part, in the hands of foreigners resident in China; that after 1896 foreign merchants were given the right to establish industrial enterprises within the country; that under extraterritoriality these foreign merchants have privileges beyond those of the Chinese merchants; and that they have always expressed themselves with effect upon matters of treaty drafting and diplomatic negotiation in so far as these concerned trade. In short, throughout the modern development of Chinese trade, the foreigner has been an energetic and aggressive trader, the first to carry into concrete acts the desire of the West and later of Japan to open China to the trade of the world. The greater aggressiveness of the foreign merchant, as compared with the Chinese, rests upon such things as the confidence which the foreigner feels in the prospect of effective support from his government, the command which the foreigner has had of the machinery of transportation and of finance, the better use which the foreigner is able to make of the corporate form of business organization. How far these differences may be due to race or culture is difficult, if not impossible, to say.

Three general statements will serve to make clear the changes in the condition and in the methods of the foreign merchants in China. It has been said that during the early days of the modern foreign trade of China the foreign merchant in the country was a merchant prince and that his position slowly became that of a commission agent or broker. During the years 1899-1913 a further change took place. In the

import trade the foreign merchant tended during this period to become a salesman; he put more thought and effort into bringing the commodities of his country or of his corporation to the favorable attention of the Chinese.

In the second place, the foreign merchant followed the goods which he imported farther and farther into the interior of China, and he went farther into the interior of the country to procure the commodities which he exported. The foreigner kept his hands upon imports as long as possible and got his hands upon exports as soon as possible.

In the third place, competition among the foreign merchants became keener and took the form of competition between national groups. The number of foreign firms in the trade with China increased more rapidly than did the trade itself, and the traders came to regard themselves as in competition with each other along national lines. There was more talk about Russian, German, and Japanese success; an increased feeling that governments ought to interest themselves directly in the success of their merchants in China; and complaint by the end of the period that business was being conducted upon such narrow margins as to make profits precarious.

Certain actual developments will now be presented which, it is hoped, the above generalizations will make more understandable. Some four or five great corporations have, since 1900, set up great distributing and selling organizations for their products. These corporations are importers of standard products, well known to the Chinese and in demand throughout the country. The trade has been so organized that the foreign corporation through its distributing centers and agencies in all parts of China keeps some degree of control over the goods until they reach the smallest retailer. Such a

centralized distributing organization has the many advantages of similar organizations in other countries; and the further advantage that it enables the foreign corporation to avoid, in a large measure, the problem of working out a useful relationship to the independent merchants of China, with their guild organizations and with their great influence in local and provincial affairs.

But it is not only such great organizations as those which have been mentioned that show evidences of change in methods. The tendency during the period was towards exclusive agencies for China or for the Far East in the hands of foreign merchants, who in their turn have attempted to secure some control over the Chinese merchants by the same method, that is, by granting to a group of Chinese wholesale merchants the right to exclusive agency for a particular product or group of products in return for an assurance on the part of the Chinese wholesalers that they will not accept agencies for competing products. A well-known trade-mark, an exclusive agency for China in the hands of his own foreign firm, an agreement with a group of Chinese wholesalers to handle no competing products—such came to be the program of the foreign trader in China who could not hope to build up an extended distributing organization such as the few great corporations have.¹

One who looks over the files of the newspapers of the Chinese treaty ports and discusses the Chinese trade with the merchants themselves, will find evidence of still another sort of change. There appeared in China during the early years of the period an increasing number of manufacturers'

¹ For an account of this sort of organization, see A. C. Muhse, "Trade Organization and Trade Control in China," *American Economic Review*, Vol. VI, pp. 313-317.

representatives, men in the service of the corporation "at home" and acting as salesmen for the products of that corporation. They opened offices and carried on their business independently of the great import and export firms; that is, independently of the old China merchant. This development aroused a considerable amount of resentment. It was regarded as another attack upon the merchant and his position. The old merchant had been a cosmopolitan gentleman, dealing in fairness and even-handed justice with all comers. He bought in the West what the Chinese wanted and sold it to them; he bought in China what the Westerners wanted and shipped it out. He was at all times, however, independent and a trader upon his own account. The manufacturers' representative was, it will readily be seen, an altogether different sort of trader and he was made to feel the dislike of those in whom the tradition of the old China trade still lived. He has made a place for himself, however, and this seems demonstration enough of the fact that the new development has not been unprofitable.

Throughout the period before the outbreak of the World War there was evidence in the Chinese trade of growing international competition. The progress of international jealousy in political affairs has been dealt with. The growth of international jealousy among the foreign merchants within the country seems to have come later in China. The probable reason is the cosmopolitanism which grew up in the Chinese trade under the tolerant domination of the British. The feeling of the merchants towards each other was expressed by a merchant in Tsingtau in 1913 who complained, during an interview, that the competition of national groups was making business unprofitable, and that he was obliged to handle goods "at a margin of one per cent," and that he

was unable to see how the conditions as they were then could continue. It was expressed again by a British merchant at a meeting in Shanghai in 1915. He urged the British merchants to recapture the trade which the Germans, "by reason of the very moderate margins on which they were willing to work and the assistance they received from their government institutions, were able to take from us."¹

During the early years of the World War the organization of the foreign merchants at the various Chinese treaty ports into national chambers of commerce came to be accepted without question. A further example of this growing international competition, which is dealt with below, is that between the Japanese and the Americans in the trade in cotton manufactures in Manchuria after the Russo-Japanese War. By 1913 competition between national groups of merchants had to a very large extent taken the place of the individual rivalry and general feeling of common interests among the foreign merchants in China which had been characteristic of the early periods of China's foreign trade.

The tendency in the export trade, it has been said, was for the foreign merchant to get the commodity for export into his hands as soon as possible. There were various reasons for this. In some cases it was due to the fact that the preparation of the product for export required unusual technical knowledge or unusual care. This was true of the preparation of egg products for export. The growth of this trade brought into existence a number of establishments for the drying of eggs, the preparation of albumen, and the careful packing of the products. The interest of the exporter was, in some cases, in securing a uniform or standardized product. Wool,

¹ *North-China Herald*, May 22, 1915, p. 537.

straw braid, and bristles furnish examples of this. Before 1899 practically the only establishments under foreign control for the preparation and packing of exports were certain of the silk filatures of Canton and Shanghai and the Russian establishments for the preparation of brick tea at Hankow. In 1913, aside from the silk filatures and tea "factories" there were reported to be, under foreign control, 10 albumen factories, about 15 oil mills for the expressing and preparation of vegetable oils, and 9 wool-cleaning and -pressing establishments.¹

Many of the changes mentioned above proceeded from a desire on the part of the foreign merchants to undertake the sale of goods in China in the ways that had proved useful and successful in the West and from a desire to secure a standardized product for export. Upon just these two points Chinese business and industry present a considerable difference from that of the West. Chinese marketing of products in general use tends to be a succession of commission transactions, of dealings like those of a broker. Chinese merchant guilds bring together those who handle a product at some particular stage. There has been little organization for the purpose of controlling a particular product on its way from producer to consumer. Chinese production is handicraft production not based upon the principle of a uniform and standardized output. The changes of the period now being considered are but a single example of the fact that Western business and industrial methods have followed Western goods into the countries of the East.²

¹ "China Year Book," 1914, Chap. 9. The list is incomplete, as the editor points out in the introductory paragraphs of the chapter, p. 91.

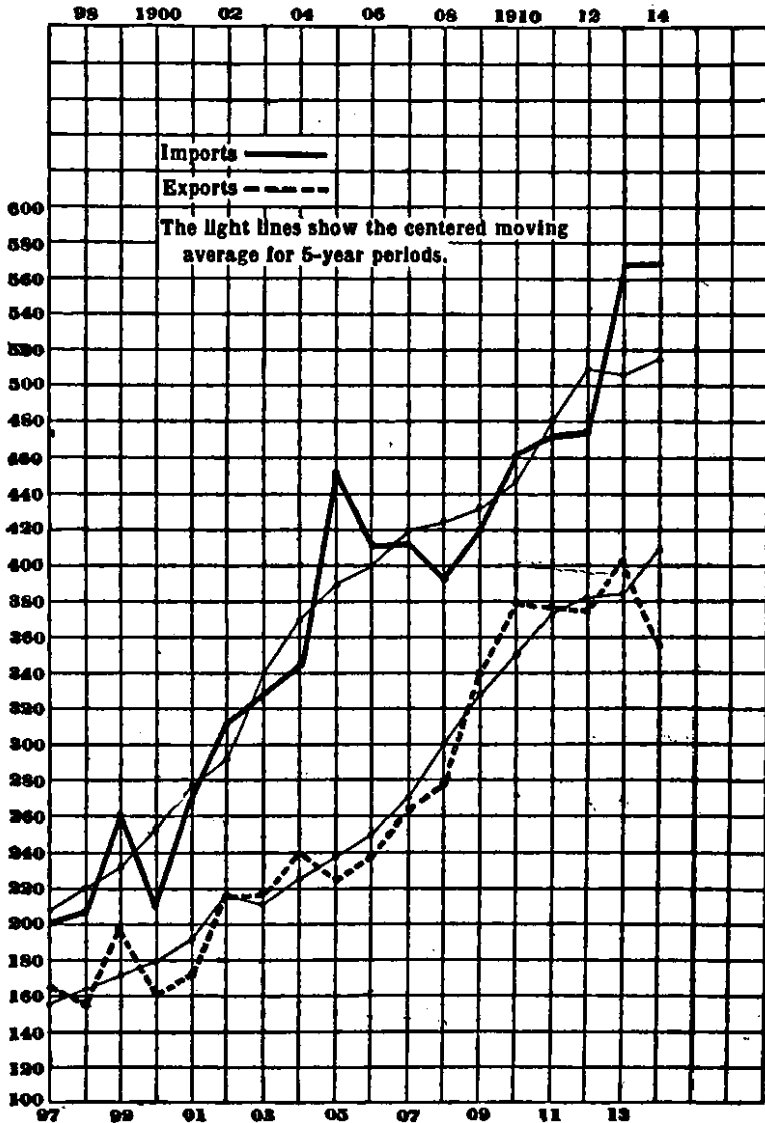
² The changes that have been presented are sometimes spoken of as a decline of what is called the "comprador" system. The word "comprador" has been given so many different meanings in the Chinese trade

Such activities of the merchants in the trade of China as have been described had for their general effect a greater penetration of foreign trade into the interior of China. Before 1899 this penetration was by means of the opening of new ports and the improvements of communication by water. After 1899 the railway came to play a part of increasing importance.¹ This greater penetration of foreign trade meant, in the first place, a better opportunity to buy foreign goods, and in the second place, better prices and a more certain market for such goods as the foreigner desired, but there were further results. Industrial development slowly followed the development of trade, bringing with it slowly rising wages. In 1913 China was a great agricultural country into which improved transportation had carried along a few lines and to a small extent the consequences of contact with the commercial and the industrial organization which is characteristic of the West. The commercial organization of China has been more adaptable in the face of new developments than has the industrial organization, so that the penetration of what for want of a better term we may call modern commerce has been more rapid than has the penetration of modern industry.

Of imports and exports in general it was remarked in the previous chapter that increases in imports into China

that it must be used with caution. It is applied to any Chinese who acts as a go-between in business transactions between Chinese and foreign merchants. The essential function of the comprador is to guarantee the solvency of Chinese banks and business men. His position was not seriously threatened before the introduction of modern Chinese banks into the treaty ports of China. This did not take place until after 1913 on any large scale.

¹ In a review of the trade from 1891 to 1913 the statistical secretary of the Maritime Customs selects the year 1899 as the one which marks the importance of the railway in the trade of the country. "A great proportion of the exports from China are of a bulky and inexpensive character and an increase in the trade is dependent upon improvement in transport."—"*Chinese Maritime Customs Returns of Trade and Trade Reports*," 1914, p. 4.



**Imports into China and Exports from
China in Millions of Halkwan Taels, 1899-1913**

See Appendix, Tables 2, 3, 4, and 5, for statistical information.

were frequently followed after about a year by increases in the exports from China. After 1902 there is little evidence of any such relation. The years 1905 to 1908 saw a great rise in imports and a considerable fall. Exports changed less from year to year and in quite the opposite direction. After 1908 the movement of imports and exports was, in general, together. The fluctuations of imports were greater than the fluctuations in exports but both imports and exports fluctuated more than during the earlier period. The following table shows the important facts about imports and exports in general. The figures represent thousands of Haikwan taels.

	EXPORTS ANNUAL AVERAGE	IMPORTS ANNUAL AVERAGE	BALANCE ANNUAL AVERAGE
1885-1898	110,696	143,569	32,873
1899-1913	271,256	386,297	115,041

The Export Trade and the Chief Exports. The increase in the total value of exports was from 195.8 million Haikwan taels in 1899 to 236.4 million in 1906, and to 403.3 million in 1913. The notable fluctuation in the export trade include a sharp rise in 1899, a fall in 1900, and a fairly rapid rise to 1904. During the following four years there was comparatively little increase, but during the years 1909 and 1910 the increase was remarkable. This increase was followed by two years of decline. The export trade at the end of the period 1885-1898 was to 50 per cent of the total value, a trade in two commodities, tea and silk. A decline in the relative importance of these two commodities in the export trade was a characteristic of the earlier period. This decline continued during 1899-1913. Tea and silk together formed 41.6 per cent of the total exports in 1906 and 34.4 per cent in 1913. The fall in comparative importance was not in

tea alone but in silk as well. In 1887 tea fell to second place among the exports and in 1909 to third place. Silk remained the chief export throughout the period. It is no matter of surprise, therefore, to find that most of the fluctuation mentioned above were fluctuations in the quantity and value of the export of silk and of tea, but the remarkable increase in exports during the years 1909 and 1910 was not due to either silk or tea. The great increase was in the export of beans and bean products. This serves to bring out the general fact that during the period now being considered there was a change to an export trade in a larger number of commodities. Not only did beans and bean products assume importance, but there was an increase in the comparative importance of such exports as sesamum seeds, raw cotton, hides, and tin. The manner in which these general changes came about will be considered for the commodities of chief importance.

The year 1899 was a remarkable one for the Chinese silk producer and merchant. The export of raw silk for that year reached the total of 123,000 piculs, a total which has never been exceeded since, except for the year 1919. The value of the exports of silk of all kinds for 1899 was 82 million taels, no less than 42 per cent of the total exports. This total value was not reached again until 1907 when an export of 89 million Haikwan taels formed 33.7 per cent of all exports. In 1913 the exports of silk of all kinds was 104.8 million taels, but the percentage of total exports which this represented had fallen to 26.

The separate consideration of raw silk and manufactured silk brings out another significant change. Throughout the period the percentage of total exports formed by raw silk fell. It stood at 30.6 per cent in 1899, 23.3 per cent in

1907, and at about 16 per cent for the years 1912 and 1913. At the same time, manufactured silk held its own. The facts may be stated in another way. The value of the raw silk exports from China did not increase by more than about 30 per cent during the period, but the value of the exports of manufactured silk increased by nearly 100 per cent. Of course, the actual value of raw silk was at all times much greater than that of manufactured silk. In 1913, for example, raw silk exports were valued at 66 million taels and manufactured silk exports at about 20 million taels. It might be supposed from these facts that China was undertaking to manufacture silk products from her raw silk and was exporting the silk products instead of the raw silk. This was not the case, however. The increase in the export of manufactured silk was an increase, to a considerable extent, in a fabric called "pongee" made from a sort of raw silk altogether different from that which went to make up the white and yellow raw silk exports and, what is more, raised and woven in a different part of China.¹ The explanation of the growth of the export of pongee is probably to be found in the opening up of Manchuria, an important consideration in the understanding of other changes in the trade of China which came about after the Russo-Japanese War.

The failure of the export of raw silk to grow at the same rate as the total trade is to be explained upon grounds that are made clearer by a consideration of the difference in

¹ The name "pongee" probably came from two Chinese ideographs meaning "home woven." It is called "Shantung pongee" or "Shantung silk," because Chefoo in the province of Shantung was the first place in which it was woven for export in considerable amounts. The raw silk is from the cocoons of a worm that feeds upon oak leaves. The raw silk is produced in great quantities in Manchuria. In 1909, for example, 121,000 piculs of cocoons of this sort were sent from Antung in Manchuria to Chefoo. "Chinese Maritime Customs Returns of Trade and Trade Reports," 1909, p. 48.

the attitude toward this trade in China and in Japan. During the years 1885-1898 the export of raw silk from China kept pace with the export from Japan. During the years 1899-1913 it did not. During the period now being considered, the Japanese government took a lively interest in maintaining and in improving the quality of the raw silk exported from that country. In 1897 the Japanese government established a silk conditioning house at Yokohama and in 1900 the examination of silk for watering was made compulsory in Japan.¹ In China, on the other hand, reform proved much more difficult. The government had neither the point of view nor the administrative machinery to make the carrying out of such proposals feasible. The customs reports, the newspapers of the open ports of China, the silk merchants of the West, and those interested in the silk trade of China, all united in admonishing the Chinese producers of silk. A good example of this sort of admonition is to be found in the customs report for 1904. It used to take, we are told in this report, three or four piculs of cocoons to make a picul of silk; now it takes from four to six. "The silk men of China are living in a fool's paradise." Their error consists in thinking that they make the price, whereas the fact is that the price is made in the markets of the West. The world's supply of raw silk is going up; Chinese export is not. "The Chinese methods of breeding the silkworm were excellent so long as no scientific methods were available." Disease has gone round the world and China has done nothing. Every one knows this, is the writer's conclusion, but what is every one's business is no one's business; and it is probable that, as with tea, so also with silk, the guilds and merchants interested will

¹ "Encyclopedia Sinica," p. 515. "Chinese Maritime Customs Returns of Trade and Trade Reports," 1916, p. 5.

allow matters to drift.¹ It is significant that no reference is made in this statement to the possibility of reliance upon the government of China for aid in bringing about the necessary reform. The raising of silkworms in China is carried on on a small scale by thousands of peasant farmers and their families. Any reform in their methods by guilds of silk merchants faced great difficulties. Moreover, the merchants were not primarily interested in the technical problems of the industry; they were concerned with the buying and selling of the cocoons and the raw silk. Throughout the period it proved difficult to interest them in reforms, but they did not offer the real obstacle. It was to be found rather in the fact that the Chinese government would not, and perhaps could not, undertake to do the things that the Japanese government successfully undertook.

Another important set of considerations is brought out by taking into account the destination of the raw silk exports from China and from Japan. The Chinese trade was established and its relation with the weaving industry of Europe was close when the Japanese industry began to grow in importance. It is significant that the growth of the production of raw silk in Japan has been connected with the growth of the weaving industry of the United States. The export of raw silk from Japan and the weaving of silk in the United States may be said to have grown together, and this may have had some influence in securing a response on the part of the Japanese to American suggestions for the improvement of the industry.² In general, during the years 1899-1913, about twice as much

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1904, pp. vii-ix.

² The connection between Japanese supply and American demand is pointed out by Professor Taussig in "Some Aspects of the Tariff Question," Cambridge, 1915, pp. 223, 224.

Japanese raw silk was sent to the United States as was sent to Europe. In China the situation was just the opposite; about twice as much raw silk was sent from China to Europe and Asia as was sent to the United States.¹ There seems also to be a difference between the European and the American weaving industries. Of the French and the American, Professor Taussig says: "The cheap everyday silks, turned out in great quantities of one pattern, are characteristic of the machine industry of other countries. Limited patterns and sterling quality, catering to the well-to-do and the rich, are the typical products of the French industry."² The raw silk of China seems to have been better adapted to the conditions of the French and the European industry. Chinese raw silk is either excellent or rather poor in quality and it seems to have been so for a long time. Japanese raw silk is of a more uniform quality, but the best Chinese silk is said to be superior to the Japanese product. Not only did the Japanese export of raw silk grow with the growth of weaving in the United States, but there is this further consideration that the nature of Chinese silk and the methods of the Chinese industry were better adapted to the European demand for raw silk than to the growing American demand. It is true that the Chinese government undertook little in the way of reform; it is true, as well, that the Chinese were not, during the period now being considered, in as favorable a position to secure the benefits of the growing American industry as were the Japanese. The World War brought a considerable change in this situation, which will be considered in the following chapter.

¹ For the later years of the period the "Forty-eighth Annual Report of the Silk Association of America," New York, 1920, pp. 111-115, provides statistical information, which can be used for purposes of comparison.

² "Some Aspects of the Tariff Question," p. 237.

Whether or not the correct reasons have been arrived at, the fact is that early in the period China lost her position as chief exporter of raw silk from the East. In 1905 the export from China was about equal to that from Japan. For that year the total silk supply of the Western world came in about equal parts from China, Japan, and Europe. In 1913 Japan furnished 44.3 per cent of the supply, China 31.1 per cent, and about 24 per cent came from Europe and the Levant.

In general it may be said that the silk export trade of China failed to keep pace with the increase in exports during the years 1899-1913. The opening of Manchuria to foreign trade brought into existence a trade in silk manufactures, and this trade was about as important in 1913 as it had been in 1899. The export of raw silk continued to vary greatly with changes, from year to year, in the rainfall and temperature of the silk-producing regions and with changes in the demand for silk in the consuming countries of the West.

The quantity of tea exported from China was about the same year after year during the period, with a slight tendency to decline; the value of the export was almost equally steady, with a slight tendency to rise. The relative importance of tea among the exports declined greatly. In 1899 the value of the export in Haikwan taels was 31.4 million, 16 per cent of the total value of exports; in 1906 the value was 31.7 millions and the percentage 11.3; and in 1913 the value was 33.9 and the percentage had fallen to 8.4. Throughout the period, Russia, including Siberia, remained the chief importer of Chinese tea. Great Britain and the United States followed Russia in importance but at a considerable distance. In 1913, for instance, the export of Chinese tea to the Pacific ports of Russia was twice as great as the combined export to Great Britain, the United

States, and Hongkong. The growth of the Russian trade during the years 1885-1898 was accompanied by an increase in the relative importance of the export of brick and tablet tea. This tendency continued during the years 1899-1913 but at a much more moderate rate since the Russian demand for black tea increased from year to year. Great Britain continued to be a purchaser of the cheaper grades of black tea and the United States continued to buy green tea in great quantities.

Until 1902 the export duty on tea remained Haikwan taels 2.50 per picul, a rate which had been in force from 1843. The increased export of the cheaper grades of tea made this duty a heavier one from year to year. It was estimated in 1901 that the likin charges upon tea were about equal to the export duty and that the two charges together were about 40 per cent of the value of the tea. In 1901 Russia placed a duty upon tea imported into the Empire and aroused the fears of the merchants of China as to the effects of this upon the export of Chinese tea to that country. In 1899 the United States had adopted regulations to prevent the importation of adulterated tea and had taken steps to secure its enforcement.¹ These regulations, we are told, had a decided effect in improving the quality of the green tea offered for export.² The result of the action of the United States and Russia was to bring about vigorous representations to the Chinese government upon the subject of the taxation of tea

¹ Methods of adulterating tea are listed in Paul Kränzel, "Entwicklung und gegenwertiger Stand des Chinesischen Theehandels," Berlin, 1903, pp. 24, 25.

² "Chinese Maritime Customs Returns of Trade and Trade Reports," 1899, p. 4. The comment on the American regulations contains this amusing touch: "A consignment of tea, which was rejected and sent back to Shanghai, was reshipped in its original condition and was allowed to be imported."

and in 1902 the export duty was reduced by a half, to Haikwan taels 1.25 per picul. The increased export in 1903 was believed by the customs authorities to be an immediate result of this reduction.¹

The increased export of the year 1903 was not maintained, however, and the hopes of the merchants were not raised again until the closing years of the period when higher prices were received for Chinese tea.

The general fact is that Chinese tea failed to hold its own in the great tea-consuming countries of the world, with the exception of Russia. In 1899 about 16 per cent of the tea consumed in the United Kingdom came from China. In 1905 this percentage had fallen to about 2½ and during the remaining years of the period the percentage was usually under 3. Chinese tea, we are told by one authority, "only finds a market in London when it can be used advantageously for blending purposes, and that is only when it is very cheap."²

The same decline in the importance of Chinese tea was a characteristic of the Australian and of the American market. As with raw silk, so with tea, an increase in the world's consumption was not accompanied by an increase in Chinese exports.

There was this difference between tea and silk, however, that in the case of silk it was chiefly Japanese competition that China felt, whereas in the case of tea it was the competition of India and Ceylon and later of Java. The change is shown in the following table:³

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1903, p. 1.

² H. T. Wade, "The Tea Season, 1912," *North-China Herald*, Shanghai, May 10, 1913, p. 391.

³ "China Year Book," 1914, p. 201.

AVERAGE ANNUAL EXPORT OF TEA FROM CHINA AND FROM BRITISH INDIA IN THOUSANDS OF POUNDS

	CHINA	BRITISH INDIA
1898-1902	192,427	172,689
1903-1907	200,329	210,611
1908-1912	202,130	255,394

By the year 1913 the export of tea from Ceylon had reached a total about equal to that from China and the export of tea from Java in 1813 was about one third of the quantity of the export from China.

The success of these other Eastern countries in the raising of tea was brought to the attention of the Chinese merchants and of the Chinese government. The annual report of the commissioner of customs at Hankow for the year 1913 contains comments upon the tea trade which are quite in the style of the admonitions regarding silk. The example of India was held up to the Chinese for imitation and the unhappy state of the tea trade was pictured in vigorous terms.

The advantages of India may be stated thus: In the first place, there were advantages that arose from the adoption of the plantation system and the application of scientific methods; in the second place, there was the advantage of enforcible standards; and in the third place, there was the advantage to the Indian trade of successful advertising, especially in Great Britain, where much was made of the fact that Indian tea was a product of the British Empire. It is obvious that some of these advantages were beyond the possibility of adoption in the case of China. It has been pointed out that the Chinese government had little interest in bringing about changes in silk production. This was equally true of tea. The plantation system could not be introduced easily or quickly. Tea in China is produced in small quantities by thousands of independent and scattered farmers. Much of it is a by-product. The condition in China is indicated

by the fact that machinery was tried for the rolling of the leaves in one center in 1899, but there was "difficulty in obtaining fresh leaf in sufficient quantity."¹ In general it may be said that the Chinese farmer has a degree of sturdy independence which made it difficult to undertake expensive tea plantations. On the other hand, the farmer had neither the ability to read and write nor any sort of organization by which it was possible to secure, through coöperation, the results of the plantation methods without the plantations. Finally, the government did not make serious efforts to bring about reforms and there is little hope that it would have met with success if it had tried. The obstacles were much the same as in the case of silk.

At the same time, as with silk, we find a continued belief on the part of the foreign merchants and others in the excellent quality of the best Chinese tea. Much of the tea exported was, however, of an extremely poor quality. "While the finest teas in the world are still produced in China, it is unfortunately true that a large quantity of what can only be described as rubbish is also put on the market."² What China seems unable to provide is a large quantity of tea of a uniform quality such as large scale marketing methods demand. As in other fields, China secured in her production of tea some of the finest in the world. The Chinese made the most of the rule of tradition and of custom, and their success under this rule was a hindrance to the adoption of the scientific methods characteristic of the West.

Much is made by some writers of the fall in the price of tea as a reason for the failure of the Chinese product to hold

¹ Chinese Maritime Customs Returns of Trade and Trade Reports," 1899, p. 4.

² *Id.*, 1913, Pt. II, Vol. 3, p. 553.

its place in the world markets.¹ While it is undoubtedly true that the price of tea did fall, this is to be regarded as concrete evidence of successful Indian competition rather than as a separate fact. H. T. Wade's comments upon the middleman and his "insensate competition," which kept prices up in China, shows that the tradition of the early trade continued to live among the Chinese tea buyers, and it is further evidence of the fact, already referred to, that Chinese commercial organization has throughout modern times been in advance of Chinese industrial organization.

The increase in the export trade of China during the years 1909 and 1910 has been mentioned, and it has been said that it was chiefly an increase in the export of beans and bean products. In the case of beans and bean products, we have to do with one of the most remarkable developments of trade in modern China, certainly the most remarkable of the period before the World War. But it is not only the trade in beans and bean products that increased in importance after 1908, but the trade in a number of other vegetable oil seeds as well.

The bean exported from China is the soya bean,² and about 90 per cent of the export has at all times come from the provinces of Manchuria. The export takes three forms: beans, bean oil, and bean cake, the last being residue left after the oil has been expressed. Before 1890 the trade in beans was chiefly domestic. It consisted of shipments of bean cake from Newchwang to southern China, where it was used as a fertilizer for the sugar fields. In 1899 the total export to foreign countries was valued at 9.4 million Haikwan taels,

¹ H. T. Wade, "The Tea Season, 1912," *North-China Herald*, Shanghai, May 10, 1913, p. 391. Gustav Bienkowski, "Teeproduktion und Teehandel," Braunsberg, 1913, p. 16.

² *Glycine hispida* or *Dolichos soja*.

4.8 per cent of all exports. By 1907 there had been little growth in the trade; the total export during that year was 12.5 million taels, 4.8 per cent of all exports. Most of the export was to Japan, where bean cake was used as a fertilizer for the rice fields.

In 1908 a Japanese firm undertook a trial shipment to London with remarkable results. The beans happened to arrive at a time when there was a shortage in the West of cotton seed and linseed. The soap manufacturers of Great Britain seem to have accepted bean oil at once. "The demand increased to such an extent that for the new season [1909-1910] fifty steamers were chartered to load beans at Dairen and Vladivostok, 300,000 tons, worth £2,000,000 being contracted for in December alone."¹ In 1909 the export of beans and bean products reached a total of 52.2 million Haikwan taels greater in value than the total export of tea, and 15.4 per cent of total exports. There was some decline in 1910, but throughout the remaining years of the period the average export of beans and bean products was about 50 million taels, and in 1913 it formed 12.9 per cent of all exports.

In China and Japan soya beans are an important article of food, the oil is used for cooking, and the cake for fertilizer. In the West beans have been wanted for the oil, and the export of the expressed oil from China has grown more rapidly than has the export of beans. The chief use of the oil is in the manufacture of soap, but it has other uses as well.² The chief importers of Chinese beans were, in 1913 and in the years preceding that, Japan and Great Britain;

¹ "Chinese Maritime Customs," "The Soya Bean of Manchuria," Shanghai, 1911, p. 20. This is the best account of the soya bean and of the history of the trade.

² The uses are listed in "The Soya Bean of Manchuria," pp. 7-13.

the chief importers of bean oil were Belgium and Japan; and practically all of the bean cake exported went to Japan.

The trade in sesamum seeds, another source of vegetable oil, became of importance during the years 1899-1913. Before 1902 there had been a small export from China each year, but most of the supply of the Western world came from India.¹ In 1908 there was a great increase in the export of sesamum seeds from China and in that year the Chinese export exceeded the Indian export. The export from China in 1913 was valued at 12.4 million Haikwan taels. Sesamum seed oil is used in the West as a substitute for olive oil, in the manufacture of margarine, in the manufacture of soap, and as a lubricating oil.

The export of peanuts and peanut oil increased greatly in 1909 and 1910. In fact, a general increase in the exports of vegetable oil seeds and of vegetable oils was a characteristic of the foreign trade of China throughout the years between 1908 and 1913. The reasons for this great increase are various. In the first place, there was the opening up of Manchuria after the Russo-Japanese War and of other parts of China which followed the building of railways.² In the second place, there was the increasing import of kerosene oil, which was cheaper than the vegetable oils and took their place and the place of the candles made from them as a means of illumination. In the third place, there was an increase in the trade as a result of the suppression of opium cultivation. During these same years there seems to have been a growing demand for vegetable oils in the West and an increased use of these oils as substitutes for butter and lard. It is frequently

¹ "Encyclopedica Sinica," p. 504.

² The increase in the export of sesamum seed in 1902 was "due to the opening up of new country by the southern section of the Lu-Han [Peking-Hankow] Railway." "Chinese Maritime Customs Returns of Trade and Trade Reports," 1902, p. 3.

said that the increased demand of the West came as a result of the World War. It is well to bear in mind, however, that the war accelerated a movement of which there was distinct evidence in 1908 and 1909. The increased demand of the Western world brought good prices for seeds to regions in China that had but recently been put into communication with the ocean and so with the Western markets. The results were speculation in beans and other oil seeds on the part of the Chinese merchants, complaints of adulteration on the part of foreign purchasers, and attempts on the part of exporters to secure standardization and certainty of quality. The history of the export trade in other crops showed a tendency to be repeated.¹

Other exports that assumed some importance during the period were raw cotton and hides. The export of raw cotton averaged about 14 million Haikwan taels a year. Great fluctuations from year to year were a characteristic of the trade in raw cotton. For instance, in 1909 the export was 14 million taels and in 1910 it was 28 million. This increase was one of the important factors in the increase in general exports during the latter year. Most of the raw cotton was sent to Japan.² This was a further development of a tendency which has been pointed out. The export of

¹ The following account is a characteristic one of a speculative year in sesamum seeds from the annual report of the commissioner of customs at Hankow, "Chinese Maritime Customs Returns of Trade and Trade Reports, 1907," Pt. II, Vol. 2, p. 199: "The crop in Honan, from which province most of the supplies are drawn, was a good one, and the demand for the foreign market, owing to a shortage in India, was again large. The Chinese dealers, however, knowing that heavy contracts had been settled in Hankow before the seed had left their hands, held on to the crop in order to force up prices. In this they were successful, and with serious results to many Chinese merchants, who, having to fulfill their contracts, lost heavily. Speculation in oil seeds also involved heavily one foreign firm. When nothing more was to be gained the up-country dealers released the crop and caused a rush at the end of the year, practically the whole amount shown in the returns going away in the last quarter."

² In 1910, 90 per cent, and in 1913, 72 per cent.

wool and straw braid increased no more rapidly than exports in general. Among the metals, tin became of some importance. The export for 1913 was 10.9 million taels. Iron ore and pig iron reached a total of about 2 million taels and there was some export of antimony.

Finally, there was the beginning of an export of such food products as eggs, egg products, and cereals. The export of cereals was chiefly from Manchuria to Japan, Korea, and Siberia.

The Import Trade and the Chief Imports. The general course of the import trade during the years 1899-1913 was upward, and, as in the period 1885-1898, at a slightly more rapid rate than the upward course of the export trade. During the later period there is this difference, that exports increased more rapidly than did imports during the years 1905 to 1910. Imports reached a total value of 264.7 Haikwan taels in 1899. This increase over 1898 was followed by a decrease in 1900. During the next two years there was a rapid increase which continued during 1903 and 1904 but at a slower rate. In 1905 there was an astonishing increase to a total of 447.1 million Haikwan taels. This was followed by a decline during the years 1906, 1907, and 1908. There was a rise during 1909 and 1910, and in 1910 imports reached a total greater than for 1905. During 1911 and 1912 there was practically no increase, but in 1913 there was a considerable rise. The total for that year was 570.2 million taels. The course of the trade shows much greater fluctuations than during the earlier period.

At the beginning of the period 1885-1898 cotton goods of all sorts took first place among the imports into China and kept this place throughout the period. During 1899-1913 the relative importance of cotton goods was even greater at times than it had been during the earlier period. This was

brought about by great increases in the import of cotton goods and by the failure of opium, the import next in importance, to maintain its place in the growing trade of China. The import of cotton goods of all sorts reached a total of 103.5 million Haikwan taels in 1899, 39.1 per cent of the total value of imports. In 1905 the imports of cotton goods reached the remarkable total of 181.5 million Haikwan taels, no less than 40.6 of the total trade. The import of 1905 was not equaled again until 1913 when it was 182.4 million taels, 32 per cent of the total imports.

A study of the percentage which cotton goods formed of the total imports into China during the period shows that this percentage was maintained at about 38 per cent throughout the earlier years of the period and through the year 1906. In 1907 there was a distinct drop, and from 1907 to 1913 the average was about 30 per cent. A further fact of interest is that the total imports of cotton goods continued, as during the years 1885-1898, to vary with the total imports into China. The trade in cotton yarn and in cotton manufactures other than cotton yarn will be considered next in order to bring out the significance of these facts.

A rapid increase in the import of cotton yarn into China, a more rapid increase than the increase in the imports of cotton goods in general, was pointed out as a characteristic of the trade from the beginning of yarn imports on a considerable scale in 1878. This increase in the comparative importance of yarn brought it about that by 1899 the import of yarn was greater in value than was the import of cotton manufactures. From 1899 to 1904 the two increased at about the same rate. In 1903, for the second and the last time, the imports of yarn were noticeably greater than were the imports of cotton manufactures. After 1904 there was a change, and during the

remaining years of the period a tendency was toward a more rapid growth in the import of cotton manufactures. The statistics of value show that the imports of cotton yarn did not increase much after 1905. This means that the failure of cotton goods in general to maintain its comparative importance among the imports was due to the fact that the imports of cotton yarn did not increase after this year.

The reason for the declining import of cotton yarn is clear. It was pointed out from year to year in the customs reports as the growth of cotton spinning in China. In 1908 we are told that "native cotton mills have had much to do with the decreased imports of foreign yarn," and in 1909 statistics were presented showing the quantity of cotton yarn "distributed from Shanghai," with the remark that accurate information of the amount of cotton yarn made in China was not available. These statistics are as follows: 1907, 187,000 piculs; 1908, 378,000 piculs; 1909, 425,000 piculs.¹ In 1913 the shipments of cotton yarn from Shanghai in domestic trade were about 500,000 piculs, about one fifth of the average import of cotton yarn during the period.

Statistics showing the origin of the cotton yarn imports into China make it clear that imports from Japan, after reaching a considerable total in 1899, did not increase in comparison with imports from India until after 1908. From 1908 to 1913, however, imports from Japan increased and imports from India declined. At the end of the period direct imports from Japan were about equal to direct imports from India.²

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1908, Pt. I, p. 46; 1909, Pt. I, p. 46. The word "native" refers to the location of the mills producing the yarn and not to the ownership of the mills to which it frequently refers. The meaning of the word sometimes changes within a single paragraph.

² Cotton yarn imports through Hongkong were about equal to imports from India and it is well known that more of this yarn came from India than came from Japan.

Since the import of cotton goods into China varied from year to year with the total import trade, and since this continued to be the case after the imports of cotton yarn declined in importance, it follows that the imports of cotton manufactures other than yarn should move up and down with total imports. A comparison of the two from year to year shows this to be the case. The years with total imports far above the centered moving average for the year were: 1899, 1905, and 1913. During each of these years there was a marked increase in the imports of cotton manufactures. The total imports for two other years, 1902 and 1910, were well above the moving average and during one of these years, 1902, there was a great increase in the import of cotton manufactures. If, now, variations in the imports of other commodities, such as opium, kerosene, metals or rice, are compared with the variations in the total imports the same degree of correlation is not found. The same relation in the case of cotton manufactures is found for the years before 1885 and for the years after 1913, with the exception of the year 1921.¹ The general statement may be made that great fluctuations in the total imports into China were fluctuations in the import of cotton goods, above all others, and furthermore that they were fluctuations in the import of cotton manufactures.

The most remarkable increase in the import of cotton manufactures from 65.2 million Haikwan taels in 1904 to 115.2 million taels in 1905, is to be explained as due to the Russo-Japanese War. The belligerent governments purchased cotton manufactures for tents and clothing and the sums spent by the belligerents within Manchuria increased the purchasing power of the people. The other fluctuations

¹ Other less noticeable exceptions, as, for example, the year 1892, have been pointed out.

are less easy to explain. Some of them were undoubtedly connected with changes in the gold price of silver. There is also to be considered the fact that a moderate success in the Chinese market seems to have produced great hopes for the immediate future in the minds of Western business men.

Of the origin of the imports of cotton manufactures into China it may be said that during the period Great Britain held first place, as she had throughout the years since 1871. Before the year 1914 no country seriously threatened the supremacy of Great Britain in the Chinese market for the finer grades of cotton piece goods, the goods that have been called "cotton goods *de luxe*." Russia made some advance during the years from 1910 to 1913, but it was not important. The imports of plain fabrics came from Great Britain, the United States, Japan, and India. In these Great Britain was first throughout the period. Imports from the United States reached a total almost as great as imports from Great Britain in 1905, but year by year American imports were much below those from Great Britain, and during the closing years of the period they were below imports from Japan. American imports showed remarkable fluctuations. The customs reports show that the imports of plain fabrics from the United States were 12.6 million pieces in 1905, .5 million pieces in 1907, and 3.8 million pieces in 1909. After the Russo-Japanese War the United States did not recover the position she had had in the Chinese market, and in 1913 Japan was well ahead of her.¹ The annual report of the customs for

¹ Among the reasons given for the decline in imports from the United States in the annual report of the customs is that "American mills are most affected by any reduction in demand from Manchuria." "Returns of Trade and Trade Reports," 1904, Pt. I, p. v. The subject of competition in Manchuria is dealt with in "Cotton Goods in Japan and Their Competition on the Manchurian Market," U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Special Agents Series, No. 86.

1914 called attention to the advance of Japan "at the expense of" the United States, India, and to some extent of England. The plain fabrics imported into China from Japan were 1.4 million pieces in 1909, 2.4 million in 1910, 3 million in 1911, and 5.7 million in 1913. The advantage which Japan has by reason of her nearness to China is obvious. Japan has been the chief market for Chinese raw cotton and this facilitated her success in China. Finally, Japan sold cheaper grades of cotton cloth than those ordinarily manufactured in Western countries.¹

In 1899 about 59,000 piculs of opium, valued at 35.8 million Haikwan taels, were imported into China. During the following years, to the end of 1909, the quantity imported was about 50,000 piculs. The value varied from year to year, the highest being 43.8 millions in 1903 and the lowest 28.6 millions in 1907. The changes which followed the year 1909 were the result of a vigorous movement for the suppression of opium cultivation in China and of an agreement between the Chinese and the British government for the gradual abolition of the import of Indian opium into China.² An edict was issued in 1906 ordering the prohibition of opium smoking in China in ten years. The British parliament expressed its interest in this movement and in 1907 a provisional agreement was entered into by the two governments by which the import of Indian opium into China was to be reduced as cultivation

¹ Statistics showing the import of gray and white piece goods into China during the years 1902-1913 are to be found on p. 51 of a report by Ralph M. Odell on "Cotton Goods in China," U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Special Agents Series, No. 107. The first chapter of this report is a survey of the Chinese trade in cotton goods.

² The movement for the suppression of opium in China is explained by Morse as a result of the growth of national feeling in China. The boycott of American goods in 1905 was in his opinion another manifestation of the same spirit. Morse, "The International Relations of the Chinese Empire," Vol. III, pp. 436-439, 434.

was stopped within the country. In May, 1911, this provisional agreement was replaced by a convention which increased the "consolidated duty," that is, the combined duty and likin, upon opium to 350 Haikwan taels per picul, fixed the excise upon domestic opium at the same rate, and provided for the abolition of the import trade by the close of the year 1917.¹

Speculation in opium in 1910, the result of the first steps toward suppression, brought about a rise of 100 per cent in the price of opium in Hongkong during the first four months of the year and at the end of the year the price was 50 or 60 per cent higher than it had been at the beginning.² The import of opium into China was, in 1910, smaller in quantity by 13,000 piculs and greater in value by 20 million taels than in the year before. After 1910 there was a steady decline in quantity imported and in value, until the trade came to an end in 1917. The stocks of opium in the hands of the dealers gave some trouble, but these stocks were finally purchased by the Chinese government and burned. After 1917 small amounts of opium were brought into China "for consumption in the leased territories of Dairen and Kiaochow." In 1921 the amount so imported was 333 piculs.

The trade in kerosene oil during the years 1899-1913 grew at about the same rate as the total trade. In 1899 the import was 88.4 million American gallons, valued at 13 million Haikwan taels; in 1906 it was 128.7 million gallons, valued at 16.4 million taels; and in 1913 it was 184 million gallons, valued at 25.4 million taels. The percentage which these values represented of the total value of imports were:

¹ MacMurray, "Treaties and Agreements," Vol. I, pp. 861-866. The earlier agreement is printed as a note, p. 865.

² "Chinese Maritime Customs Returns of Trade and Trade Reports," 910, p. 48.

1899, 4.9 per cent ; 1906, 4 per cent ; and 1913, 4.5 per cent. There were greater variations from year to year in this trade than there had been in the earlier period and some of these fluctuations seem to have been connected with changes in the gold value of silver. During the period oil from Borneo took a place of some importance, along with American, Russian, and Sumatran oil, in the Chinese market. Throughout these years kerosene oil was an accepted article of general use among the Chinese, and it was carried far into the interior of the country by the great distributing organizations of the chief corporations. The relations between these corporations is indicated by the following comment on the trade in 1910: "In the kerosene oil market it is understood that the rivalry between the two leading importing companies has amounted to war."¹ After 1912 this competition is said to have been affected by agreements and understandings of a familiar sort.

During 1899-1913 there was a considerable growth in the import of food products. Rice imports have been mentioned. The average amount of rice imported did not increase greatly, but the average value was greater than during the years 1885-1898. The import of fish and fishery products, largely products for the tables of the wealthy, increased at about the same rate as general imports. During the period the import of sugar more than doubled. These imports, taken together, formed on the average about 12 per cent of the value of the total import trade. It may be mentioned also that the import of wheat flour continued to grow during the period, although flour milling came to be an industry of some importance within the country.

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1910, Pt. I, p. 49.

The import of metals showed some increase during the period. It was 9.2 million taels in 1899, 3.5 per cent of total imports; 17.3 million taels in 1906, 4.2 per cent of total imports; and 29.2 million taels in 1913, 5.1 per cent of total imports. There were great fluctuations in the trade due chiefly to the great differences in the import of copper from year to year. Before 1904 the import of copper averaged about 40,000 piculs. In 1904 the import was over 289,000 piculs, and in 1905 it was 965,000 piculs. The remarkable import in 1905 was a result of the Russo-Japanese War. Much of the copper imported during 1904-1908 was for the recently established mints of the various provincial governments. So great was the output of copper coins from these mints that there were constant complaints from the business men of "depreciation." During the earlier period the complaints had been of the "appreciation" of copper coins.¹ During the three years, 1909-1911, the import of copper was smaller, but large amounts were imported during the closing years of the period.

The import of "iron and mild steel," to use the terminology of the customs returns, increased at a fairly even rate throughout the period. The value of the import in 1913 was 10.6 million Haikwan taels. Old iron continued to form a considerable part of this import. By the year 1913 the trade began to feel the effect of the development of the iron industry in China. In 1913 there was a single corporation engaged in the mining of iron ore and the

¹ There has never been a serious attempt to fix the ratio of copper and silver coins in China. The words "appreciation" and "depreciation" must be understood as referring to the customary rates of exchange between the two. The "depreciation" of this period was merely the expression in the rate of exchange between copper and silver coins of the fact that copper was becoming cheaper in terms of silver than it had been.

production of pig iron. Small quantities of steel were being produced as well. This corporation was reorganized in 1907, its plant was enlarged, and it was given its present name, the Han Yeh Ping Iron and Coal Company. The plant of this company is in Hanyang, across the Han River from Hankow, and in 1913 there were exported from China through Hankow about 2 million Haikwan taels' worth of pig iron and iron ore, most of which was sent to Japan.

The import of coal into China reached a total of about 1.5 million tons in 1903. This amount has never been greatly exceeded. Instead of an increase in imports there has been a steadily growing export of coal. This export reached a total of over a million tons in 1909, and in 1913 the export of coal was about equal in quantity to the import. The increase in the export of coal is another of the many results of the development of Manchuria. The exports are chiefly through Dairen, though the export of coal from Chihli province through Newchwang and Chinwangtao was of some importance.

Machinery was imported to the value of 1.5 million Haikwan taels in 1899. By 1913 there was an increase to 7 million taels. The import of "railway plant and material" was 3.6 million Haikwan taels in 1899 and 15 million Haikwan taels in 1910. In 1911 there was a change in the listing of railway materials so that totals are not easily arrived at, but it seems certain that the import decreased in this year and in 1912 and 1913. It is well known that the Revolution brought railway development to an end for the time.

Finally, there remains to be noted a continued increase in the trade in a variety of articles. There were increases in the import of dyes, window glass, leather, Japanese umbrellas, and in a large number of other small manufactures.

One of the effects of the Revolution was a temporary increase in the influence of Western fashions in dress, which "doubled the importations of clothing, including hats, boots, shoes and gloves."¹ One of the remarkable developments of the period was in the import of cigarettes. In 1899 the imports of cigars and cigarettes were less than a million Haikwan taels in value. In 1913 cigarettes alone were imported to the value of 12.6 million taels.

The Distribution of the Trade. The statistics of the direct trade of China with Hongkong and the various foreign countries concerned show that during the years 1899-1913 the comparative importance of Hongkong declined. In 1899, 41.6 per cent of China's trade was with Hongkong, and in 1913, 29.1 per cent. It will be remembered that during the years 1885-1898 the comparative importance of Hongkong had grown. The decline of the later period indicates the growth of the trade of the northern and central ports of China. Throughout the period Shanghai maintained its position as the chief trading center of the country, and it is undoubtedly true that Hongkong, viewed for the moment as a Chinese port, was in 1913 still in the second place, but certain other ports had grown remarkably, among them Tientsin, Dairen, and Hankow.

The statistics of the trade with the various countries are made less useful because of the fact that Hongkong is dealt with in the customs statistics as is Japan or France, but the general facts as to the distribution of China's trade are sufficiently indicated for our present purpose, unsatisfactory as they are.² There is the further difficulty

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1912, Pt. I, p. 52.

² The customs reports contain the results of the efforts of the statistical secretary to arrive at the true figures for the years 1899-1904 by a study of

that separate statistics are not published for the countries of continental Europe, with the exception of Russia, before the year 1905.

The important facts about the distribution of China's trade among the different countries may, perhaps, be most clearly and briefly presented by dividing the countries into groups, in the first place, to show the comparative rate of growth of the trade of each country with China, and by a second division, to show the nature of the trade balance with each country.

The grouping upon the first principle shows three groups. The first consists of those countries whose trade with China grew at about the same rate as did China's total trade. Into this group fall Great Britain and France. The percentage of China's total trade which was with Great Britain was 11.7 per cent in 1899 and 11.4 per cent in 1913. This percentage would be larger if information were available as to the trade of Hongkong, but the rate of increase would probably not be changed. The percentages in the case of France were 5.8 in 1905 and 5.3 in 1913.

The second group contains the names of those countries whose comparative importance in the trade of China declined, whose trade with China did not grow so rapidly as did China's total trade. Into this group fall the United States and India. The percentages are: for the United States, 9.5 per cent in 1899 and 7.6 per cent in 1913; for India, 7.8 per cent in 1899 and 5.5 per cent in 1913. In the case of the United States the percentage rose to 15 in the year 1905.

the statistics of the various countries trading with Hongkong. These results are brought together and reprinted in the "China Year Book," 1919, pp. 144, 145, with additional information upon the trade of Great Britain with China.

The third group consists of those countries whose trade with China grew more rapidly than did China's total trade. In this group we find Japan, Russia, and Germany. The percentages are : for Japan, 11.5 per cent in 1899 and 19.7 per cent in 1913 ; for Russia, 4.8 per cent in 1898¹ and 6.7 per cent in 1913 ; and for Germany, 3.1 per cent in 1905 and 4.5 per cent in 1913. .

The four countries of greatest importance at all times during the period were Great Britain, the United States, Japan, and Russia.

Dividing, upon the second principle, the nature of the trade balance, we find that China's imports from the following countries were greater than were her exports to them : Great Britain, Germany, India, and Japan. China's exports to the following countries were greater than her imports from them : France, Russia, Siberia, Korea,² the Netherlands, and Italy. In the case of the United States and Switzerland imports and exports were about equal. The history of the trade of the United States with China presents a change which took place during the years 1896, 1897, and 1898. During the whole of the trade before these years Chinese exports to the United States had been greater than her imports from the United States. During the period now under consideration imports into China from the United States were greater than Chinese exports to the United States. The European War brought the conditions of the earlier trade back again for a number of years.

Still another fact about the distribution of China's trade is brought out by a study of the percentages of her export

¹ The percentage of China's trade, which was with Russia, was unusually low in 1899.

² Considered for this comparison as separate from Japan.

and import trade with the various countries. The corrected figures, arrived at by the indirect analysis of the trade of Hongkong referred to above, show that about 80 per cent of China's imports come from the British Empire, Japan, and the United States, and that but 50 per cent of her exports are sent to these countries. This may be in part accounted for on the supposition that Great Britain and Japan served as distributing centers for imports to a larger degree than for exports, but the explanation probably lies in the fact that it is easier for a country whose international trade is growing to buy from China than to sell to China. China's exports enter a world market, but she tends to buy commodities that she knows. The importance of an established reputation and of a trade-mark known in China is recognized by every merchant who has attempted to market his goods in the country.

Shipping. The statistics of the total tonnage of shipping engaged in the carrying trade to and from foreign countries show a more rapid increase during the early years of the period, that is, from 1900 to 1906, than during the earlier period. There was some increase during the years 1908 to 1912, but it was at a more moderate rate. In 1913 there was a considerable increase. The tonnage employed in the foreign trade of China was 11 million in 1899, 22.5 million in 1906, and 29.2 million in 1913. The fluctuations in the total trade from year to year are not shown in these statistics. There is little evidence of the great increase in the total trade in 1905.

The statistics of the total tonnage of all shipping engaged in both the foreign and domestic trade, including the shipping under the control of the Maritime Customs only, show the effects of the Boxer Uprising in 1900 and of the Revolution in 1911. These statistics show a great growth in shipping

during the period from 1899 to 1910. The tonnage was 39.3 million in 1899, 75.8 million in 1906, and 93.3 million in 1913.

Changes in the percentage of this shipping under the various flags are such as the changes in the distribution of trade lead one to expect. British tonnage declined from 59 per cent of the total in 1899 to 41 per cent in 1913. The actual tonnage of British shipping increased from 23.3 million to 38.1 million. The percentage of the total shipping which was under the Chinese flag remained about the same during the period, that is, somewhat more than 20 per cent. The percentage under the French flag increased during the years 1900 to 1902, and the percentage under the German flag increased during the years 1906, 1907, and 1908, but at the end of the period neither of these flags showed much increase over the percentages for 1899. The tonnage under the American flag was usually about one per cent, though there was some increase in American tonnage during the years 1905-1907. The great gain of the period was in shipping under the Japanese flag. This was 7 per cent of the total tonnage in 1899 and 25 per cent in 1913. The actual tonnage increase in the case of Japan was from 2.8 million tons in 1899 to 23.4 million tons in 1913. The great increase in Japanese shipping is the outstanding fact shown by the shipping statistics.

Industrial Development. Some indication has been given of the extent of railway development in China during the years 1896 to 1913. There were in China at the end of 1913 about 6,000 miles of railways. These railways facilitated the marketing of China's exports. The great trade in beans and sesamum seed could not have grown up without the improved transportation facilities provided by the railways. The railway greatly extended the area in China open to the importers of Western and Japanese manufactures and brought

more of the vast territory of China into contact with the commercial and industrial organization of the West. The import of railway equipment has been considered and it has been pointed out that the import probably declined after the year 1910. There was some recovery during the year 1913, but the development of railways was checked again by the outbreak of war in Europe in 1914. The effect of the financing of this railway development upon China's balance of international payments will be taken up later.

Any attempts to deal with the development of modern industry in China are made extremely difficult by the absence of reliable statistics. Statistics showing the number of cotton mills in China are the least unsatisfactory, and the development of the cotton-spinning and -weaving industry may be accepted as a sort of index of the development of modern industry in general. By modern industrial development is meant the increase in the number of establishments of whatever sort using power-driven machinery.

There were in China in 1896, according to R. M. Odell, 12 cotton mills, having a total of 417,000 spindles and 2,100 looms.¹ Nine of these mills were in Shanghai and five of the nine were under foreign management. In 1896 the number of spindles to each loom was about 200. There are varying estimates of the number of mills and spindles in China for certain years between 1896 and 1915. Information made available in 1914 by the secretary of the Cotton Mill Owners' Association in Shanghai have been compared with other estimates.²

¹ Odell, "Cotton Goods in China," p. 157.

² "The China Year Book," 1914, pp. 92, 93, gives a list of cotton mills which makes the total for 1913 much too great. It is probable that the list includes weaving establishments where power-driven machinery was not in use. Such establishments are numerous in China. They are an interesting example of the intermediate steps in the transition to modern factory methods of production.

There is finally a list of mills for the year 1915, prepared by Odell, which is consistent with the information secured from the Cotton Mill Owners' Association of Shanghai. A list prepared by Noel, Murray and Company, of Shanghai, in December, 1910, gives totals somewhat larger than those from the other sources.¹ The following table has been prepared after a study of the available information and it will serve to indicate the progress of industrial development with sufficient exactness :

COTTON MILLS IN CHINA

YEAR	NUMBER OF MILLS	NUMBER OF SPINDLES	NUMBER OF LOOMS
1896	12	417,000	2,100
1909		800,500	
1910		812,300	
1911		832,300	
1912		832,300	
1913	31	870,800	3,152
1915	31	1,008,986	4,564

It is hardly worth while to attempt to present information as to development in other lines. The list of factories in the "China Year Book," 1914,² includes the following: 40 flour mills, many of them in northern Manchuria and owned by Russian corporations; 25 soap and candle factories; 18 glass factories; 34 oil mills; 16 shipbuilding and engineering establishments; 20 cigarette factories; the names of about 20 cities having match factories; the names of about 35 cities having electric light and power available; 13 paper mills; and numerous printing and lithographic works. The list contains the name of a single iron and steel plant—that of the

¹ The information is reprinted in "Chinese Maritime Customs Returns of Trade and Trade Reports," 1910, Pt. I, p. 50.

² Pp. 91-107.

Han Yeh Ping Company, which has been mentioned. The number of mines and smelting establishments mentioned is small.

The picture of industrial development presented in the reports of the commissioners of customs at the various ports is at times impressive to one who knew the earlier state of things. The report from Hankow for 1912, for example,¹ called attention to the development of the plant of the Han Yeh Ping Company, to the growth of the Yangtze Engineering Works, to the fact that Chinese coal was coming on the local market, that a French company was being organized to erect a distillery, that a paper mill was being built, and that the erection of a new mill for the expressing of sesamum seed oil had been determined upon by a local Chinese company. The report of the Shanghai commissioner for 1913² stated that the year had seen great developments in industry and great building activity. The year 1913 is compared with 1907 and 1910, other years of unusual development. In 1913 the Chinese Chamber of Commerce in Shanghai completed a new building, several cotton mills were completed, offices and a warehouse for an important Japanese cotton mill were erected, a new electric power station was completed, and great activity was shown "in the acquisition of sites with water frontage for industrial undertakings."

These pictures are impressive, but they are so only when the comparison is made with earlier conditions in China rather than with other countries. It may be estimated that there were in the whole of China no more than from six to eight hundred industrial establishments of a modern sort at the end of 1913. When comparison is made with Western

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1912, Pt. II, p. 260.

² *Id.*, 1913, Pt. II, p. 761.

countries it may be said that China, during the years 1899-1913, took the first serious steps toward the adoption of the industrial equipment of the West.

Conclusion. During the years from 1885 to 1898 the barriers of custom and tradition which had checked the growth of imports during the earlier days of China's trade were being broken down. In her export trade China was beginning to feel the competition of other Eastern countries in certain fields which her merchants of an earlier time may well have looked upon as Chinese monopolies.

During the years which have been considered in this chapter the competition of India in the tea trade became so powerful that by 1913 China was fast being driven from the field; and the competition of Japan in the silk trade had lost to China her position as the chief exporter of raw silk in the world. There grew up, on the other hand, a great export trade in vegetable oils and oil seeds and in other raw materials. Of the ten chief exports from China in 1913 six were raw materials, the product of agriculture. This change in China's export trade was closely connected with the opening up of Manchuria and the development of railway communication in the country. During the same years there grew up a small but significant export trade in iron ore, pig iron, coal, and tin.

In the import trade cotton goods of all sorts remained of first importance. The trade in cotton goods, in kerosene, and in a great variety of consumers' goods from the West now encountered little opposition such as custom and tradition had opposed to their introduction during the earlier periods. The wave of enthusiasm for foreign goods which passed over the country after the Revolution showed very plainly the great change that had taken place.

Not only did China now accept the conveniences of the West, but she looked with increasing tolerance upon the introduction of the railways and industrial equipment of the West. Her cotton mills in 1913 were arresting the growth of the import of cotton yarn, while imports of machinery and railway equipment were now factors of some importance.

A significant fact of the period is the penetration into China of foreign trade. This penetration was bringing about important changes in the commercial and, to some extent, in the industrial life of the country.

CHAPTER VI

THE FOREIGN TRADE OF CHINA DURING THE PERIOD 1914-1921

The State of Affairs Within China. The period 1889-1913 closed with President Yuan Shih-kai in power. The fundamental law of the country was, in the opinion of those who had fought for the Republic, the constitution of 1912, called the Nanking Constitution. The point of view of President Yuan is not so clearly known. He may have regarded the mandate of the Manchu dynasty designating him as the organizer of a new government as a document which took precedence over the Nanking Constitution;¹ he may have been moved by personal ambition. In any case, Yuan Shih-kai proceeded after 1913 to consolidate his power, to organize the actual government upon the basis of military control, to remake the constitution by a body under his influence, and finally to plan a constitutional monarchy with himself as emperor. This final plan came to an end with his death in 1916. His death brought about the recall, under the vice president, of the parliament which had been dismissed in 1913. Opposition to parliament was continued by a group of military officials who may be said to represent the tradition of Yuan Shih-kai. The results of this continued quarrel was a second dismissal of parliament in 1917 and the withdrawal from public life of the vice president. Parliament proceeded to Canton and there set up a government.

¹ For a statement of the legal aspect of the quarrels of the time, see Professor Bevan's comments in the *Chinese Social and Political Science Review*, Vol. III, No. 2, pp. 164, 165.

From 1917 to the end of 1925 there has been increasing disintegration in the political life of China. Certain attempts to bring about a unification of the country under one government have been made, in 1918 and in 1921, but these attempts have been unsuccessful. Since 1917, it may be said, there has been no central government in China. The so-called Canton government has been independent of Peking and certain provinces have, in practically all of their affairs, been independent of either of these governments.

The life of the Chinese people has been less disturbed than might be supposed by these events ; it has gone on in accordance with custom and tradition. The lack of mutual interdependence and of the high degree of integration such as is characteristic of the political and economic life of Western peoples has been, to some degree, a benefit to the Chinese people.

The effect of the political troubles of China upon the financial condition of the Chinese government may be indicated. The growth of the power of the military leaders has resulted in the building up of great armies of ill-equipped and poorly paid troops. Morse, writing in 1907, estimated the total expenditure of the central government upon " army, navy, and fortifications " to be equivalent of \$37,000,000 Chinese currency.¹ The expenditure for the army provided for in the budget of the last year of the Manchu dynasty was \$102,000,000. In a document prepared as a basis for discussion at the conference for the " unification " of the country held in Shanghai during December, 1918, and part of 1919, the number of soldiers in China at the end of 1918 was estimated at 1,290,000 and the expenditure for the army during that

¹ Morse, " The Trade and Administration of the Chinese Empire," ed. of 908, p. 115. The dollar is explained below.

year at about \$209,000,000. The expenditure upon the army probably did not decrease during the remaining years of the period except as it may have been made smaller by failure to pay the troops. It has been estimated that the disbanding of these soldier would require from 100 to 200 million dollars if arrears in pay are to be made up.

The disorganization of the country and the increased expenditure for civil war and military establishments has brought about a great increase in the national debt. The total national debt probably doubled during the period and \$2,000 million Chinese currency may be accepted as the approximate total at the end of the year 1921.

Little was done toward the carrying out of plans for the further building of railways. The total mileage actually open to traffic was, it has been said, about 6,000 miles in 1913. At the end of 1921 it was certainly less than 7,000 miles.

In spite of the condition of the country the efforts of the government to establish a uniform currency met with some success. The Chinese dollar, which came into general use during the period, is about equal in weight and size to the Mexican and the Spanish coins, which it has displaced. Under the Republic the budget has been drawn up in terms of dollars, and if proposals made to the Chinese government by the Shanghai Foreign Exchange Bankers' Association (Chinese) and the British Chambers of Commerce in China are carried out the dollar may soon displace the Shanghai tael as the chief monetary unit in the transactions of China's chief foreign trade center.¹

¹ The silver content of the dollar or yuan is prescribed as 23.97795048 grams of pure silver in the national currency regulations approved in January, 1914. These regulations are printed in translation in the "China Year Book," 1921-1922," pp. 296, 297. The proposals of the Shanghai Foreign Exchange Bankers' Association are reprinted on pp. 309, 310.

The difficulties of the government did not prevent the development of industry and banking within China. The two government banks of importance, the Bank of China and the Bank of Communications, were organized before 1913, as were many of the banks undertaken by provincial governments. A list of 48 private banks in the city of Shanghai at the end of the year 1921 contains the names of 8 banks which were in existence before the year 1914. The industrial development of the period is dealt with in the discussion of the foreign trade.

The import of rice during the period shows an unusually large total for the closing year. The winter of 1920-1921 was one of a great famine throughout the northern provinces of the country.

Foreign Relations, Treaties, and the Washington Conference. The foreign relations of China in 1914 were, as has been said, the result of an attempt on the part of the powers interested in the Far East to arrive at a workable balance of influence. During the years of the World War Japan was afforded an opportunity to carry out her policies in China. The success of the Japanese in securing the rights of Germany in Shantung at the Peace Conference which brought the World War to an end was among the reasons for the refusal of the United States to ratify the Treaty of Versailles. This failure of the United States to ratify the treaty of peace and the failure of a British Imperial Conference in 1921 to approve the negotiation of a new treaty of alliance between Japan and the British Empire were among the important causes for the calling of the so-called Washington Conference, which met in November, 1921. At the Washington Conference there was a restatement of the policy of the foreign nations toward China.

China declared war upon Germany on August 14, 1917. This state of war was brought to an end by presidential mandate on September 15, 1919. The Chinese delegates had refused to sign the treaty of peace with Germany on account of the settlement of the Shantung question which was a part of that treaty. China did sign the treaty of peace with Austria and by that act became a member of the League of Nations.

The Russian revolution was another event of the period of the war which has important consequences for China. It cut off her export of tea to Russia and it kept Siberia in a state of unrest from 1917 to the end of 1921. The nature of Russian policy toward China in the immediate future was probably the most uncertain factor in the international relations of China in 1922. The political situation in the Far East cannot be known so long as the probable plans of Russia are unknown.

The nature of the agreements entered into by the Chinese government with various foreign banks and with railway and other industrial corporations reflects in the main the general state of affairs in the field of politics. Throughout the period of foreign loans and railway contracts, that is, since 1895, international competition and rivalry has been followed by attempts at mutual restraint and cooperation. The year 1913 marks the close of a period of attempted cooperation. The loans of that year were made by a group of bankers whose association was known as a "consortium." This consortium maintained its existence during the World War, but it had little power. The borrowing of the war period was from Japanese sources to a very large extent and the terms of the loans have in most cases not been made public. The amount of these loans of the war period from

Japanese sources have been estimated at about 300 million yen.¹ As a result of general criticism of the loan policy of the Chinese government during the year 1918 the Japanese government published a statement of policy which was to bring the matter of loans to China under control.² During the year 1918 a new consortium was proposed by the United States. The formal organization of this new consortium was announced to the Chinese government in a memorandum presented by the American minister at Peking in July, 1919. The present consortium has brought about, presumably, a new period of restraint and coöperation. By the end of the period no loan negotiations of importance had been undertaken by this association. In addition to these loan contracts the Chinese government has entered into agreements for the building of certain railways with French-Belgian, British, and American corporations, for the improvement of canals and the control of rivers. At the end of 1921 little had been done toward the actual carrying out of the terms of these contracts.

The formal treaties and agreements between the Chinese government and other governments during the period under consideration were, with the exception of the tariff agreement of 1918, the result of the Washington Conference of 1921-1922. The results of the Washington Conference will be briefly stated and then the tariff revision of 1918 will be considered together with the further agreements concerning the Chinese tariff which were made at the Conference.

The political reasons for the Washington Conference have been indicated. It was necessary that the problems

¹ Lists of these loans have appeared from time to time in the Chinese newspapers and in the foreign periodicals published in China. There is no way of telling how accurate such lists are, but the general agreement as to the total amount of the loans is significant.

² This statement is reprinted in Willoughby, "Foreign Rights and Interests in China," pp. 510, 511.

connected with the Shantung question and with the question of the renewal of the Anglo-Japanese Alliance be taken up. It is significant that the consideration of the relations of Great Britain, Japan, and the United States involved a re-examination of the relation of each of these nations toward China and a new statement of the policy of all foreign nations toward China. This restatement is in terms that are familiar. There was a reaffirmation of the policy of respect for the territorial integrity and the independence of China and of the "open door" policy. The problem of extraterritoriality was dealt with as it had been dealt with in the Mackay Treaty of 1902. China has now obtained general consent to the abolition of extraterritorial privileges, and provision has been made for the appointment of a commission to consider the "present practice of extraterritorial jurisdiction in China and into the laws and the judicial system and the methods of judicial administration of China."¹

Upon the subject of railways the Washington Conference adopted a resolution recording the hope of the powers "that to the utmost degree consistent with legitimate existing rights, the future development of railways in China shall be so conducted as to enable the Chinese government to effect the unification of railways into a railway system under Chinese control, with such foreign financial and technical coöperation as may prove necessary in the interests of that system."² Upon the matters that have been mentioned the results of the Washington Conference, so far as China was concerned, were reaffirmations of policy and conditional agreements. Little more was done than to secure general acceptance of

¹ W. W. Willoughby, "China at the Conference," Baltimore, 1922, p. 119.

² *Id.*, p. 222.

the terms of the Mackay Treaty and of the Japanese and American treaties which followed it. China did, however, secure certain definite and unconditional results. These include the removal of foreign post offices, the return to China of Weihaiwei, the consent of the powers to further revision of the tariff, and the settlement of the Shantung question. It remains to be seen whether the Washington Conference marks the beginning of the recovery by China of all the rights usually associated with the sovereignty of an independent state.

Shortly after her declaration of war upon Germany in the autumn of 1917 China secured the consent of the treaty powers to the revision of the duties upon imports into China. During the month of January, 1918, commissioners representing China and fourteen treaty powers met in Shanghai for the purpose of effecting this revision of the tariff. There were in the tariff revision of 1902 two general principles: (1) that of an "effective 5 per cent" and (2) that of making as many as possible of the duties specific. These two general principles were accepted as the basis of the revision of 1918. It followed that the really important matter for decision was the determination of the prices which were to be used as the basis for the calculation of the specific duties. Upon this matter the commissioners at Shanghai found themselves unable to reach a decision and it was referred to the Chinese Foreign Office and the ministers of the various powers at Peking. During the month of June a decision was reached. The calculation of the duties was to be upon the average prices of the years 1912-1916 inclusive, and a further revision was to be undertaken two years after the conclusion of the World War. The commissioners in Shanghai had attempted in the meantime to agree upon provisional changes in the duties to be applied while the revision was being made. It

was found impossible to accomplish even this much. After the agreement as to the basis of the revision the commission proceeded to the task of drawing up a new schedule of duties. This revised import tariff was agreed to on December 19, 1918. It came into force on August 1, 1919.

The import tariff of 1918 was an application of the two principles that have been mentioned. If any new principle is to be found in the final form of the revision it is a tendency to take into account differences in quality in goods that had previously been considered the same. Differences between coarse, and fine cotton yarn were recognized, as were differences between coarse and fine cotton goods. There were improvements in the classification of the items. The rules, which were agreed to, fixed 5 per cent ad valorem as the rate of duty for unenumerated imports. These rules contained the following list of goods not liable to import duty: foreign rice, cereals, and flour; gold and silver, both bullion and coin; printed books, charts, maps, periodicals, and newspapers. The import of munitions was prohibited "except at the requisition of the Chinese government" and in addition the import of salt, opium, and poppy seeds. Restrictions were put upon the import of all derivatives of opium and cocaine.¹

The discussion of the Chinese tariff at the Washington Conference began with a statement of a request on the part of the Chinese representatives that tariff autonomy be restored to China. The specific proposals of the Chinese delegates were made with this as the ultimate object to be attained and this desire for complete tariff autonomy was

¹ The text of the revised import tariff and rules is to be found in MacMurray, "Treaties and Agreements," Vol. II, pp. 1456-1484. The work of the commission is mentioned briefly in "Chinese Maritime Customs Returns of Trade and Trade Reports," 1918, p. 15. A fuller account is to be found in the "China Year Book," 1921-1922, pp. 828, 830.

reaffirmed at the close of the discussion of the proposals which were finally adopted. China was unable, however, to secure general agreement to changes much less fundamental than this. The proposal that China be given the right to levy an import duty at the rate of $7\frac{1}{2}$ per cent was approved by all the powers except one. The conclusions of the Conference took the form of a treaty to which the nine powers represented at the Conference were parties. This treaty was signed in Washington on February 6, 1922.¹

This treaty provides, in the first place, for an immediate revision of the tariff "so that the rates of duty shall be equivalent to 5 per cent effective." A commission "shall meet at Shanghai, at the earliest possible date, to effect this revision." "The revision shall proceed as rapidly as possible with a view to its completion within four months of the date of the adoption of this resolution." Here there is nothing new unless it be the insistence on celerity. The principle is that of the effective 5 per cent. It is provided, further, that a revision take place at the end of four years and every seven years thereafter.

In the second place, the treaty established "uniformity in the rates of customs levied at all the land and maritime frontiers of China." This provision is to abolish certain reductions of duty upon goods imported by land.

In the third place, the treaty provided for a "special conference," which is not to be confused with the revision commission mentioned above. The special conference which is to meet at the call of the Chinese government "within three months after the coming into force of the present treaty"

¹ The text of this treaty is reprinted in Willoughby, "China at the Conference," pp. 374-380. The discussions on the subject of the Chinese tariff are summarized in Chapter VII.

is to consider what steps may be taken to bring about the early abolition of likin. Moreover, the practical difficulty of providing the Chinese government with increased funds while the abolition of likin is being carried out is dealt with. This special conference is to authorize the levying of a surtax of $2\frac{1}{2}$ per cent upon dutiable imports as a means of meeting this difficulty. In addition to this general surtax a further and additional surtax of $2\frac{1}{2}$ per cent may be authorized upon "certain articles of luxury which . . . can bear a greater increase without unduly impeding trade." Here is a new principle in the import tariff of China, that of a higher rate upon luxuries. The powers gave general consent to the provisions of the Mackay Treaty and of the Japanese and American treaties, by which, after the abolition of likin, the Chinese government is to have the right to increase the duties upon imports to a total of $12\frac{1}{2}$ per cent ad valorem. The treaties of 1902 and 1903 have, in general, been followed in the agreements of the Washington Conference with regard to the Chinese tariff.

Changes in the Returns of the Maritime Customs. The number of open ports in China in 1913 was 48. During the years 1914-1921 two unimportant ports were added, making the total number, at the end of the period, exactly fifty. This is the number to be found in the list showing the total trade of the various ports. The result of the siege of Tsingtau and of the military occupation of the leased area by Japanese troops was that no statistics were published for the port of Kiaochow for the year 1914. The statistics for 1915 include only the last four months of the year.

The change in the form of the customs reports which is of greatest importance is one which was adopted in 1920. Beginning with that year the annual report on the foreign

trade of China has consisted of the following two parts: Part I, "Report on the Foreign Trade of China and Abstract of Statistics" (one volume); Part II, "Analysis of the Foreign Trade of China" (two volumes, Vol. I, "Imports"; Vol. II, "Exports"). The third part of the annual report as it was before 1920 became the second part and the second part, the port trade statistics and reports, was dropped from the list of separate annual publications. Since 1920 the port statistics have been published as the "Quarterly Trade Returns" and the quarterly return for the last quarter of each year contain a report of the trade of each port for the year together with a compilation of the statistics for the year. By this change the statistics of the general foreign trade of China are brought together and published quite separately from the statistics for each of the ports.

The methods of valuation were not changed. They were, at the end of 1921, an attempt to state the value of imports at the moment of landing and of exports at the moment of shipment, that is, the value in each case at what may be called the boundary of China. There is a repetition in the report for 1914 of the statement, made from time to time in the annual reports, that the valuation of exports is probably below the true value.¹ It is unfortunate that no attempt was made by the customs authorities to discover the percentage that ought to be added to the value of exports to arrive at more useful statistics. It may be added that, during the period, no attempt was made to deal with the difficulties that the position of Hongkong offer to the compilation of satisfactory statistics showing the distribution of the foreign trade of China.

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1914, Pt. I, p. 12.

The revision of the imports tariff which came into effect on August 1, 1919, has been mentioned above.

It may be said of the Reports on the Foreign Trade of China for the years 1920 and 1921 that there has been improvement in arrangement and great improvement in the graphic presentation of information. More attention has been given to trade balances, to changes in prices, and to the movement of gold and silver than at any time since the years after 1903 when H. B. Morse was for a time statistical secretary.¹

The General Course of the Foreign Trade, 1914-1921. The statistics of the total value of the foreign trade of China for the years 1914-1921 show that during the years 1914-1918 there was a decline followed by a moderate increase in the total trade and that during the years 1919-1921 there was a great increase. The value of the total trade was 925.5 million Haikwan taels in 1914, 1,040 million in 1918, and 1,507 million in 1921. The average value of the trade was considerably greater during this period than during the preceding one. The annual average total trade for the years 1899-1913 had been 657.5 million Haikwan taels and for 1914-1921 it was 1,117.4 million.

These statistics in Haikwan taels are in general corroborated by the statistics showing the customs revenue from foreign trade. The decline in the early years of the period 1914-1915 was much greater in the customs revenue than in the statistics of the total value of the trade, and the increase from 1914 to 1918 was more moderate. The customs revenue in 1918 was appreciably less than it had been in 1914, while the total value of the trade was

¹ The complaint usually heard among business men is that the annual reports are not published early enough in the year. The report for 1921 was issued in May, 1922.

somewhat greater. The revision of the tariff which came into effect in 1919 makes further comparison useless.

There is further evidence that the statistics in Haikwan taels do not present the true course of the foreign trade and that allowance must be made for the remarkable and the rapid changes in prices during the period. In the Customs Report and Abstract of Statistics for 1921 are to be found tables showing the values of the chief exports from China and the chief imports into China for 1913 and the values of the quantities of these commodities exported or imported in 1920 and in 1921 with the values for 1920 and 1921 recalculated at the prices for 1913. These tables show that total trade measured in this way was about the same in 1913 and in 1921. They indicate, also, that there was a decline in imports and an increase in exports.¹

The division of the period at the year 1918 is convenient for the purpose of stating the direct effects of the war upon China's trade and of distinguishing the war period from the years which followed, but this division does not bring out the significant facts which are brought out by an examination of the statistics of exports and imports. These will be considered later.

These qualifications having been indicated, the conditions brought about by the war will be considered. The immediate effect of the declaration of war was a temporary paralysis of trade. There was, for a time, no possibility of financing exports,²

¹ Chinese Maritime Customs, "The Foreign Trade of China," 1921, Pt. I, p. 13, 20.

² "On the sudden outbreak of the European war the [silk] market became completely demoralized, the chief feature being the cancellation of many contracts for Europe on the plea of *force majeure*, which was recognized by the Chinese dealers — a fact worth recording." — "Chinese Maritime Customs Returns of Trade and Trade Reports," 1914, Pt. II, p. 997 (Canton).

and the prohibition of use of the codes in cabling made communication extremely expensive. After this first effect there followed a great rise in the prices of certain goods for the supply of which China had come to depend upon Germany. The rapid rise in the price of dyes made China for some months an exporter of dyes which her merchants had purchased in Germany. In 1917, for example, the reëxport of dyes was greater than the import.

The conditions affecting trade that were more permanent may be briefly stated. In the first place, there was the decrease in available shipping and the consequent rise in freight rates. This rise began in the summer of 1915. In 1913 the freight rate on general cargo from Shanghai to London was about £2 per ton and from Shanghai to San Francisco about \$5, U. S. currency, per ton. During the summer and autumn of 1918 rates to London were about £50 per ton and across the Pacific from \$60 to \$70 per ton. Comment on the rising freight rates is to be found in every report of the Chinese customs for the years from 1915 to 1918.¹

In the second place, there were restrictions upon the free movement of goods which increased from month to month as the war continued. The earliest important restrictions were those which affected the reëxport trade from Great Britain. These curtailed the sale of raw materials to Holland, for example. As the war progressed, the British government exercised stricter control over all movements of goods. Tea came to be purchased by the government itself. The French government followed the same methods. After the entry of the United States into the war restrictions became so

¹ A convenient summary of information upon freight rates in the Chinese trade during the war is to be found in the "China Year Book," 1921-1922, pp. 978-981.

general that "it was impossible to do business in many lines of trade." The movement and the price of silver itself was made the subject of government regulation during the later years of the war.¹

In the third place, there was the growing inability of the merchants and manufacturers of the countries of the West to provide goods and especially their inability to guarantee the delivery of the goods. This was due in part to the restrictions placed upon trade by the governments, but it was due, also, to the uncertainties and price changes of the war period.

Certain Chinese raw materials, food products, and metals were increasingly demanded during the years of the war, but with the signing of the Armistice in 1918 the demand for these commodities increased remarkably. The growing trade in these things brought about the larger totals for the total trade in 1919. In 1921 there was added the increasing importation of foreign goods, especially of machinery.

The extreme fluctuation in the gold price of silver made speculation a more important factor in the trade during this period. It now took the form of buying gold and of holding it for a rise, that is, for a fall in the gold price of silver. There was also during these years a considerable clandestine export of copper, chiefly through the port of Kiaochow. The copper was secured by the melting down of cash and of copper coins.

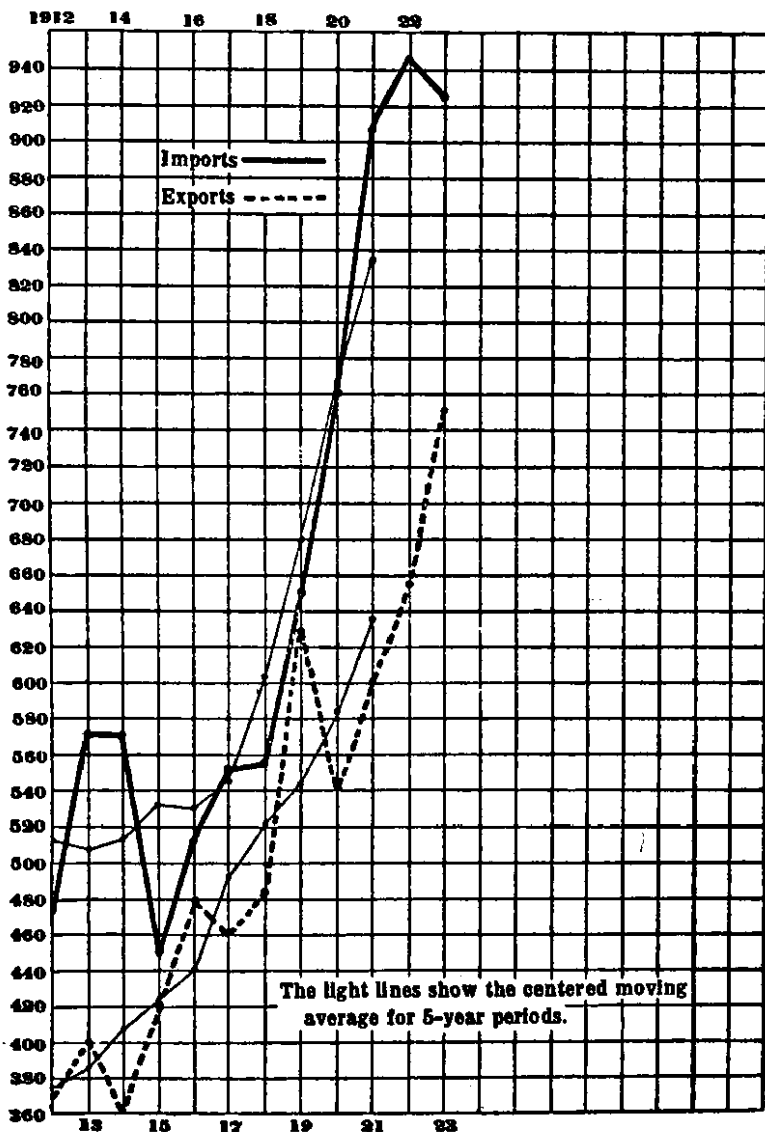
The continued internal troubles of China and the consequent difficulty in the transporting of goods and of silver added to the difficulties of trade and strengthened the tendency, which was pointed out in the preceding chapter, of importers to retain control over their goods as long as

¹ For comments on the effect of restrictions, see "Chinese Maritime Customs Returns of Trade and Trade Reports," 1918, Pt. I, pp. 1, 2.

possible and for exporters to secure possession of their goods as soon as possible. This tendency and the violent fluctuations in the value of silver serve to explain an effort on the part of the Japanese merchants and of the Japanese banks in Manchuria to introduce Japanese yen bank notes and to secure their exclusive use in the trade in beans especially. This effort was not very successful.

Among the general changes of the period the great development of banking of a Western kind among the Chinese deserves to be noted. This development has been especially great in Shanghai. An association of these "modern" Chinese banks was formed in 1918, called the Shanghai Bankers' Association. At the end of 1921 the association had twenty-two members and there were outside of the association about fifty other banks under Chinese control organized upon Western principles. Few of these banks were in existence before 1914. One earlier list names but eight.¹ The Shanghai Bankers' Association has organized a clearing house which serves the Chinese banks of Shanghai, publishes a newspaper, and exercises a supervision over its members which the existence of guild traditions in China makes rather close. The difference in banking methods between the modern banks and the so-called native banks of Shanghai is in the last analysis a difference brought about by the impersonal nature of the dealings of the modern bank. With the development of these modern banks the position of the Chinese comprador in the foreign trade of China is threatened. The important function of the comprador is to guarantee credit and he will become less necessary as the Chinese merchant finds that he has at

¹ Chang Yuan-chieh, "Some Aspects of Chinese Banking in Shanghai," 1922, a thesis in manuscript in the library of St. John's University.



**Imports into China and Exports from
China in Millions of Haikwan Taels, 1914-1921**

See Appendix, Tables 2, 3, 4, and 5, for statistical information.

hand a banking system which enables him to transform his personal credit into the credit of a bank which is known to the foreign merchant and to the whole community as a sound and reputable institution. The results of the organization of modern Chinese banks have not as yet been great, but in these banks the Chinese merchants have the means of preventing the further penetration of the foreign merchant into the interior of the country, and of modifying the methods of trading so long established in the treaty ports of the country.¹

If we turn to an examination of the statistics of the imports into China and the exports from the country during the years 1914-1921, we find that the division at the year 1918 is of more significance from the point of view of imports than from the point of view of exports. The statistics show three periods when imports and exports are examined separately. The first of these is a period of declining imports during the years 1914 and 1915. The second is a period of rapidly growing exports. This growth began in 1915 and continued to the end of 1919. The rate of growth was slower during the years 1917 and 1918. Throughout those years exports were increasing faster than imports and in 1919, for the first time since 1883 and 1884, the statistics of the Maritime Customs showed exports from China of a value practically equal to the value of the imports. The third period was one of a great increase in imports. This increase took place during the years 1919-1921. During these three years imports increased by nearly 100 per cent.

The annual average "unfavorable" balance of trade, taking merchandise alone into account, had been 115 million

¹ It must of course be understood that this is said with the qualification that little can be done without the establishment of stable government in China.

Haikwan taels during the years 1899-1913. This average "unfavorable" balance increased very little during the years 1914-1921. It was 122.6 million taels for the period. During the years of greatest increase in the export trade, 1915-1919, the average balance was as low as 48.4 million taels.

The Export Trade and the Chief Exports. The value of the exports from China was 356.2 million Haikwan taels in 1914, 630.8 million in 1919, and 601.3 million in 1921. The chief fact about the export trade is the great increase during the years from 1915 to 1919. In the discussion of the exports which follows no attempt is made to give a complete account of the trade in each commodity; the purpose is rather to bring out the significant changes.

Silk of all kinds continued, during the years 1914-1921, to be the chief export from China. The value of the silk exports represented 22.3 per cent of the total exports in 1914, 21.9 per cent in 1919, and 25.4 per cent in 1921. There was a slight increase in the export of manufactured silk and there were additions to the articles under this heading in the customs returns to include not only pongees and piece goods, but embroideries, ribbons, and silk thread. While the actual quantity of raw silk exported from China remained about the same throughout the period, China continued to decline in comparative importance as a source of supply of raw silk for the looms of the West. The first place remained with Japan. The reasons were the same as have already been discussed. Foreign buyers of Chinese raw silk and the customs authorities continued to advise and encourage the Chinese silk producers to adopt better methods. This advice was without much effect during the early years of the period. In fact, there seems to have been a further decline in the

quality of the cocoons brought to the local markets by the farmers. This deterioration was explained in the customs report for 1916 as the result of the greater purchases of cocoons by the filatures. These purchases were by weight and the farmer undertook to increase the weight of the cocoons he had to offer by including inferior sorts. As long as the farmer himself reeled the silk from his cocoons he was interested in their quality but this incentive was now removed.¹ This is but another illustration of the difficulty of bringing home to the Chinese producer the advantage of better methods of silk culture. Serious attempts were made, however, to do this. The International Committee for the Improvement of Sericulture was formed in Shanghai in 1918. This committee has undertaken to give instructions to the farmers of the silk-producing regions and has met with some success. Further success in securing the adoption of better methods is associated with the only important change brought about by the war in China's silk trade. This was a change in the destination of the export. During the period which ended in 1913 China sent about twice as much raw silk to Europe as to the United States. After 1914, however, the annual export to the United States was about equal to the export to Europe. This growth in the importance of the American market for raw silk has encouraged the American buyers to renewed efforts toward the improvement of quality and it has made the Chinese more willing to take the suggestions of the Americans seriously. The efforts of American representatives have secured considerable changes in the methods of reeling silk in Canton. At the end of the period plans were under way for the opening of a silk testing house at

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1916, Pt. I, p. 5.

Shanghai.¹ Japanese shipments of raw silk to the United States did not decrease with increased Chinese shipments. The United States bought a larger share of both Chinese and Japanese silk during the war. This was the only important general result of the war upon the trade in raw silk.

The effect of the war upon the tea trade of China was little short of disastrous. To the Chinese merchants and dealers in tea the losses of the period were made even greater by the fact that there was a revival of the trade during the year 1915. Of the 1915 tea season at Hankow we are told that it was "the most profitable in the history of the port." During this season there was an unusual demand from Russia.² Restrictions on the import of tea into Great Britain, the closing of the Russian Black Sea ports to world trade, and unusually poor crops of tea in China brought a decline during the next two years. The revolutions in Russia and the stopping of through traffic on the Trans-Siberian Railway cut off the Russian market entirely. The season of 1918 was said to be "the most calamitous on record." In May, 1919, a preferential duty against tea grown outside the British Empire came into effect in the United Kingdom. Tea not grown in the British Empire was charged twopence per pound more than tea grown within the Empire. The effect upon the import into Great Britain of the cheaper grades of Chinese tea was immediate. The foreign and Chinese merchants succeeded in getting the Chinese government to reduce the likin charges upon tea by one half in 1919 and to remove

¹ The Shanghai International Testing House in Shanghai was opened for testing on February 1, 1922. In a pamphlet issued at the time we are told that the testing house "is under the management of the United States Testing Company, Inc., the official testing organization of the Silk Association of America."

² "Chinese Maritime Customs Returns of Trade and Trade Reports," 1915, Pt. I, p. 8.

the export duty entirely.¹ These measures were of little effect and the export of tea continued to decline. In 1885 about 50 per cent by value of the exports from China consisted of tea, by 1914 this percentage had fallen to 10, and by 1921 to little more than 2. The increase in the export trade of China during the years 1915-1919 was not the result of an increase in the export of tea, though the rise in 1915 is, in part, to be accounted for in this way.

In the great increase in exports during the years 1915-1919 a principal factor was the increase in the quantity of beans, bean oil, and other vegetable oil seeds exported and in the prices of these commodities. The quantity of beans exported increased by over 50 per cent during these years and the value of the export by more than 100 per cent. The export of beans and bean products was greater in value in 1918 than was the export of raw silk, and in 1921 it formed 1.56 per cent of the total export trade of China, a percentage equal to that for raw silk.

The important changes in the trade in bean products were two. In the first place there was a great increase in the export of bean oil. In 1913 the value of the export of bean oil was 3.7 million Haikwan taels and in 1918 it was about 25 million taels. The export has declined greatly since 1919. The other change was a great growth in the trade in bean oil with the United States. This increase was from 2.7 million taels in 1916 to 23.5 million taels in 1918. In 1921 the United States imported less than a million taels' worth of bean oil. This decline was in part due to changes in the American tariff on imports. The general fact, however, is that in the case of the trade in bean oil we have to do with

¹ These provisions were to apply for two years, but the time was extended in 1921. "Chinese Maritime Customs Report on the Foreign Trade of China," 1921, p. 21.

a development brought on by the World War and one which declined when war conditions passed. During the years that the trade was at its height it was a source of great profits to the shipowners of Japan. The export of sesamum seed is an example of the results of the restriction of trade during the war. There was a large export to the year 1917 and then a sudden decline. The decline was due to the reëxport regulations enforced by the British government and to the further fact that sesamum seed is bulky and could not be given freight space. In 1919 sesamum seed was again an important export from China. It may be said in conclusion that the war brought about a great increase in the use of vegetable oils in the West and that the high freight rates of the war period stimulated the development of the crushing and oil-expressing industries throughout the East. This was true of China, India, and the islands of the Pacific, such as the Philippines, where coconuts are an important crop. It is too early to say whether the changes in the international division of labor brought about by the development of these industries in the East will remain. It would seem, however, that the Eastern countries have in most cases been obliged to give up the oil seed crushing industries since the war. The trade in castor oil "beans" furnishes an interesting exception to the general statement that during the war the Eastern exporters of oil seeds developed crushing industries and exported the oil. In the case of castor oil the seeds continued to be exported, probably because the removal of the shell and the expressing of the oil requires ingenious, powerful, and skillfully made machinery, and a considerable amount of technical knowledge.¹

¹ A brief discussion of this subject is to be found in a paper by the writer, "Economic Aspects of the Trade in Castor Oil," which appeared in *Millard's Review* (Shanghai), Vol. XVI, No. 8, April 23, 1921, pp. 401, 402.

The export of raw cotton from China increased from 1914 to 1918 and 1919. The available supply of Indian cotton declined during these years and the Japanese mills paid high prices for increasing quantities of cotton from China. The increase in the exports of raw cotton was from 20 million Haikwan taels in 1917 to 37.8 million in 1919, an important factor in the increased exports of the latter year. There were remarkable fluctuations in the movement of raw cotton during the closing years of the period. There was a great decline in the export of raw cotton from China in 1920 which was due chiefly to the business depression in Japan, and in 1921 the price of cotton in India and in the United States made it profitable for the Chinese to import no less than 35 million taels' worth of raw cotton chiefly from these two countries.

The war brought about increases in the export from China of pig iron, iron ore, and tin. The increases were not remarkable, however, and they reflect the fact that the mining industry of China was not sufficiently developed to make China an important source of supply in the case of most metals. Antimony and tungsten are the only exceptions to this general statement. The export of antimony increased remarkably during the war; the export in 1916 was valued at about 12 million Haikwan taels and it is estimated to have been over 40 per cent of the world's supply.¹ The extraordinary increase in the export of copper during the war has been mentioned. The source was not copper mines in China but the copper currency of the country. By 1913 the export of coal from China had grown to be nearly equal to the import. After 1917 the quantity exported was considerably above the import year after year.

¹ "China Year Book," 1921-1922, p. 160.

The increased export of food products accounts for much of the increase in the exports from China during the last year of the war and during the years which followed. There has usually been, since the opening up of Manchuria, a considerable export of cereals from this part of China to Siberia, Korea, and Japan. In 1918 there was a partial failure of the cereal crops in Japan and in Siberia. This failure increased the export of cereals, such as wheat and millet, which are ordinarily exported; and conditions in Japan and Siberia were such that the Chinese government permitted the export of rice from China, a trade which is ordinarily prohibited. In addition to this demand there was the European demand for Chinese food products. The export of wheat flour, which had been less than a million piculs during previous years, rose in 1917 to 2 million piculs and in 1920 to about 4 million piculs. About half of this export in 1920 went to Great Britain; and small amounts were sent to the Netherlands, Germany, Denmark, and France. In 1921, however, little Chinese flour was sent beyond eastern Asia. Eggs and egg products were exported in increasing amounts during the years from 1916 to 1919. During these four years the export, measured in Haikwan taels, doubled. Frozen meats and poultry came to be of greater importance during these years. In short, every sort of food product findable in China was exported. Some of those exports have declined in importance during the years since 1919, but it seems certain that China will continue to send out much larger quantities of cereals, flour, and eggs than during the years before 1913. It remains to be seen whether the temporary permission to export rice will tend to decrease the disfavor with which this trade is regarded in China.

Of the export trade during the years 1915-1919 in general it may be said that the great increase was in

the export of raw materials, food products, and metals, and not in the staple products of the trade of earlier days.

The Import Trade and the Chief Imports. The statistics of imports into China in Haikwan taels show a decline in total imports from 568.2 million taels in 1914 to 454.5 million in 1915. From 1915 to 1918 the increase was at a moderate rate and the total was 554.9 million in the latter year. After 1918 there was a remarkable rise and imports reached a total of 906.1 million Haikwan taels in 1921.

These statistics must be viewed in the light of the changes in prices and the fluctuations in the gold price of silver. The gold price of silver rose rapidly during the years from 1916 to 1919 and fell even more rapidly during the years 1920 and 1921. Since during the earlier years, 1916-1919, prices were rising rapidly in Japan and the West and during the later years, 1920-1921, prices were falling in Japan and the West, it is evident that there would be a tendency for the total value of the imports into China from year to year to take the course indicated above, though the quantities imported remained about the same. In attempting to show the important changes in the import trade reliance will be placed chiefly upon the values of the imports of a particular commodity expressed as percentages of the total.

There were few such important changes during the years 1914 to 1921. The trade in most commodities shows such tendencies as were pointed out in the discussion of the import trade during the years 1899-1913. The import of rice, sugar, fish and fishery products, and other food products continued to increase somewhat in importance. There was some increase in the importance of cigarettes, cosmetics, and sundry articles of all sorts, articles that are called "Western luxuries" in China. Kerosene oil continued to hold its place.

The imports of metals and minerals formed about 5 per cent of the total imports in Haikwan taels during the years 1913 and 1914; and 6.4 per cent in 1921. During the war there was a decline in the quantities of iron and steel and of copper imported and an increase of about 100 per cent in the years which followed the war. Old iron continued to be an important item in the trade. The large imports of copper ingots and slabs during 1919, 1920, and 1921 were chiefly for certain provincial mints in the Yangtze valley.

The comparative importance of the import trade in cotton goods of all kinds continued the decline which was a characteristic of the trade during the second half of the period from 1899 to 1913. It will be remembered that in 1905 the imports of cotton goods formed no less than 40 per cent of all imports. By 1914 the percentage had fallen to 31.3, by 1918 to 27.2, and by 1921 to 23.1. The total value of the cotton goods imported rose to an annual average of well over 200 million Haikwan taels during the years 1919, 1920, and 1921, but there is good reason to believe that the quantities imported were, during these same years, below the average of the years before the war. The actual number of pieces of plain cotton fabrics imported in 1913 was about 19 million, and for the years referred to the imports were as follows: 1919, 14 million pieces; 1920, 13 million pieces; 1921, 10 million. The quantity imported in 1921 was below that for 1918 when the full effect of the war was making itself felt. The same tendency is to be found in the statistics of the quantity of cotton yarn imported. This fell from about 2.5 million piculs in 1914 to 1.3 million in 1921. The decline in the quantity of cotton yarn imported was at a fairly even rate from year to year, but the import of piece goods continued

to show the great fluctuations from year to year which have been pointed out as a characteristic of this trade.

The decreased import of cotton yarn was undoubtedly due to the growth of cotton milling in China, but the fluctuations in the imports of cotton manufactures other than yarn are not so easily explained. The situation in 1920 was such as to make it clear that changes in the gold price of silver are an important consideration in any explanation. The great import of cotton piece goods during this year of general business depression was the result of the placing of orders late in 1919 and early in 1920. These orders were for future delivery, payment to be made in pounds sterling, Japanese yen, or American dollars. The Chinese dealer hoped, by waiting, to be able to arrange payment for his goods when silver had gone up even further. The sudden drop in the gold price of silver which began in February, 1920, produced calamitous results for many of these merchants. During 1920 the warehouses of Shanghai were filled with piece goods and these goods were being slowly disposed of during the year 1921.

A further general fact about the cotton goods trade is the greater importance of Japanese goods. In 1914 the number of pieces of plain fabrics imported from Great Britain was well above the number imported from Japan. In 1917, however, Japan was well ahead of Great Britain and the Japanese lead was maintained through the year 1921. In the trade in cotton yarn Japan remained a more important source of supply than India throughout the period with the exception of the years 1919 and 1920.

It is in the increased import of machinery and railway equipment during the closing years of the period that a further change of importance is to be found. In 1914 these two

items accounted for 3 per cent of the total imports into China, and in 1918 for but 2.2 per cent. There was a great growth during the next three years, however, and in 1921 machinery and railway equipment formed no less than 9.1 per cent of the total imports in Haikwan taels. The import of railway equipment reached an importance which it had not attained since the years before the establishment of the Republic. The value of the machinery imported was 14 million Haikwan taels in 1919, 22.2 million taels in 1920, and 55.6 million taels in 1921. During the last of these years machinery for the textile industries alone was imported to the value of 26.7 million taels. When allowance is made for the higher prices it is found that there was a great increase: and it may be said that during the closing years of this period China began to make real use of the industrial equipment of the West.

The general changes in the import trade were a decline in the quantity of goods imported; a decline in the relative importance of cotton goods of all sorts, an increase in the imports of certain food products such as sugar, and an important increase in the import of machinery.

The Distribution of the Trade. The statistics of the distribution of the foreign trade of China among the various countries during the years 1914-1921 show a continued decline in the relative importance of Hongkong. This fact has little to do with the distribution of the trade among the countries trading with China. What it does show is the decreasing importance of Hongkong as a distributing center. The comparative importance of Shanghai decreased somewhat during this period, but in 1921 about 40 per cent of China's trade was through this one port and Shanghai was so much more important than any other port that the slight decline cannot

be regarded as indicating any important change. The statistics show a further increase in the comparative importance of the ports of Manchuria and northern China and of the Yangtze valley.

The changes in the relative importance of the various foreign countries were such as the conditions brought about by the war would lead one to expect. In the first place, there was a decline in the relative importance of Great Britain, the countries of Europe, and India, which was especially noticeable in 1918. After 1918 there was a movement in the opposite direction. China's total direct trade with Great Britain and India was no more than 8.5 per cent of her total trade in 1918. In 1921 the percentages were 11.8 per cent for Great Britain and 2.9 per cent for India.

In the second place, trade with Russia decreased greatly in 1917 and 1918 after some increase during the earlier years of the war. After 1918 there was an increasing trade, but it was almost entirely with Siberia.

Finally, there were great increases in relative importance in the two cases of Japan and the United States. Japanese trade had grown slowly from 3 per cent of China's total trade in 1885 to about 20 per cent in 1913. By 1918 Japan's share in the total trade of China was about 38 per cent. After the war there was some decline and the percentage for 1921 was 25. During the war there was a great increase in the trade of the United States with China. The increase in the trade was greater than is shown by the statistics of the trade either in China or in the United States for some of the American trade was carried on through Japan. Direct trade with the United States was 9.1 per cent of the total trade of China in 1914, 12.8 per cent in 1918, and 17.3 per cent in 1921. It is probable that the increase in 1921 over 1918 is to be

accounted for in part by the fact that more American goods were carried in American ships in 1921 and that the transshipment of goods in Japan was smaller.

Shipping. The tonnage of the shipping in the carrying trade to and from foreign countries and the total tonnage of all shipping in the foreign and domestic trade of China show the same general facts as have already been pointed out. There was a great decline in total tonnage from 1914 to 1918 and a great increase from 1919 to 1921. The tonnage in the foreign and domestic trade under the various flags shows a growth in the comparative importance of Japan and the United States, a decline in the case of Great Britain, and a great increase in the case of China. Of the total shipping in the foreign and domestic trade of China in 1921, 28 per cent was under the Japanese flag, 28 per cent was under the Chinese flag, and 37 per cent was under the British flag. The total tonnage was 114.6 million tons.

Industrial Development. The industrial development of China was not, before the period of the World War, upon a sufficiently great scale to make more than a slight impression upon the foreign trade of the country. The influence of this development was not easily traced in the imports into China of machinery or of such products as the factories of China were turning out. The comments on this subject in the customs reports usually mentioned but three commodities as examples of the growing competition of the products of Chinese industry with imports from foreign countries: wheat flour, cotton yarn, and matches.¹ Before 1914 there was practically no export of the products of machine industry. Further evidence of the failure of the Chinese to accept modern

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1914, Pt. I, p. 6; and 1916, Pt. I, p. 1.

industry is to be found in the fact that many of the industrial establishments of the period before the war were in the hands of Russians and Japanese in Manchuria or under foreign control in Shanghai and other open ports.

The war brought a change. It cut off the supply of a great number of articles whose manufacture required little technical training and simple machinery. The result was that factories were established and flourished. In 1919 the statistical secretary of the Maritime Customs wrote: "The development of industrial enterprises — in textiles, especially — was apparently only limited by the impossibility of obtaining the necessary machinery. There are few foreign-type articles of domestic use that are not now manufactured in China by factories on modern lines, the majority of them without foreign assistance. Out of the long list the following may be mentioned; enameled ware; silk and cotton clothing and underwear; toilet articles; umbrellas; woolen yarn; mother-of-pearl, bone, and horn buttons; chemicals; needles; electric lamps; telephone appliances; asbestos manufactures; wine; beer; beet sugar; glassware; window glass. Weaving and flour mills were exceptionally active during the year. Ship-building on a considerable scale may now be counted as one of the established industries of China, capable of great expansion. According to Lloyd's shipping returns there were launched from Chinese yards during 1919 vessels aggregating 12,307 tons. A new building yard at Shanghai has recently been added. New mining enterprises have recently been started in different parts of the country and such old established institutions as the Han Yeh Ping Corporation and the Kailan Mining Administration are greatly extending their plant and operations."¹

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1919, Pt. I, pp. 19, 20.

It is extremely difficult to make any but the most general comparisons between 1913 and 1921, since statistics are not available, but a number of examples will serve to show the development which has taken place. There were in China in 1915, 31 cotton mills with 1 million spindles and 4,500 looms. It may be estimated that in 1921 the number of mills was between 60 and 70, the number of spindles about 2 million, and the number of looms about 14,000. About fifty of these mills were under Chinese ownership and control. There were about 40 flour mills in China in 1913. In 1921 there were at least 125. There were between 400 and 600 factories using power-driven machinery in China in 1913; a list for 1921 would probably show more than 2,000.¹

In 1921 Shanghai, Dairen, Hankow, Tientsin, Canton, and Hongkong were really industrial centers of importance and there were many industrial establishments in other cities such as Tsingtau, Hangchow, Wusih, and Nantungchow.

Finally, there was in 1921 an export of factory products which was valued at about 4 million Haikwan taels and which included cotton piece goods, cotton yarn, candles, cement, matches, paper, and soap.

This industrial development is bringing with it many problems. It is causing criticism of Chinese methods of accounting. It is making the question of the successful use of the corporate form of business organization a more pressing one. It has assisted in the development in China of modern banking. It has aroused keen criticism of the methods of

¹ These estimates are based upon information which has been published by the Bureau of Economic Information of the Chinese Government, and in the "China Year Book," 1921-1922. A list of the flour mills was furnished by a banking corporation in Shanghai.

taxation.¹ Another result of industrial development is a change in agriculture along the lines of transportation in certain districts. The Chinese farmer is producing cotton for the market and his money income has been somewhat increased by the change from the older sort of agriculture. Industrial development has brought child labor in a new form. Finally, it is bringing higher money wages in the industrial centers and these higher wages are slowly affecting the districts along the rivers and railways.

D. K. Lieu, a Chinese student of his country's economic problems, writing in 1916 of the development of modern industry in China, said that the Chinese were "about a hundred and fifty years behind the pioneer industrial nations of Europe in industrial practices, and more than two hundred years in formative ideas."² It is, of course, true that no transformation has taken place in the industrial life of the Chinese people, but important changes have taken place, changes that have come with the development of commerce and of transportation and that may well be regarded as the cumulative effect of the foreign trade relations of the country.

¹ It was shown in the customs report for 1916 (p. 2) that Chinese cotton mills are required to pay a larger sum in taxes to the Chinese Government upon a bale of yarn which they place upon the Chinese market than is paid by Japanese importers, except when the Chinese mills use cotton bought in the immediate vicinity of the mill.

² D. K. Lieu, "The Industrial Transformation of China," *Chinese Social and Political Science Review*, Vol. I, No. 4, p. 69.

CHAPTER VII

TRADE BALANCES AND SPECIE MOVEMENTS, 1871-1921

In this chapter the general facts concerning the merchandise trade balances of China will be presented first, and an attempt will then be made to arrive at a balance of international payments for China. This division of the chapter is based upon convenience in exposition, but it will also serve the purpose of emphasizing the fact that the second part of the chapter is based upon less complete information than is the first. The unsatisfactory nature of the statistical information makes it impossible to arrive at estimates year by year, and the method will be to try to arrive at estimates of aggregate sums for each of the four periods that have been dealt with in the account of the foreign trade of the country, namely, 1871-1884, 1885-1898, 1899-1913, and 1914-1921. This method will, it is believed, bring out the general changes that have taken place and it will afford the further advantage of avoiding the appearance of an exactness which must, as a matter of fact, be absent.

The general reason for the lack of information as to important items in the trade balances of China lies in the history of the Inspectorate General of Customs. This service was organized to supervise the collection of duties at the open ports of China. In the beginning no official attention was paid to the movements of gold and silver, since specie paid no duties; and but little attention was paid to the procuring of accurate values of imports and exports, since the duties were specific when it was possible to make them so. The

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Inspectorate General has slowly come to attempt the collection of complete information as to the foreign trade of the country. An important advance, made in 1889 shortly after the opening of the customs stations at Kowloon and Lappa, enabled information to be secured as to the nature and extent of the trade between Hongkong and the mainland. There was another advance in 1903, when a new method of valuation was brought into effect.

Merchandise Trade Balances. The total excess of imports over exports in the foreign trade of China for each of the four periods is shown in the following table. These balances are according to the statistics that have been used in the account of the trade in the previous chapters and they are presented without correction.

TABLE I

EXCESS OF IMPORTS IN THE FOREIGN TRADE OF CHINA
BY PERIODS IN MILLIONS OF HAIKWAN TAELS

UNCORRECTED

1871-1884	50
1885-1898	464
1899-1913	1,725
1914-1921	980

The values from which the sums in Table I are derived were recognized by the customs authorities to be incorrect, and in 1889 they began the publication of corrected values. These corrections cover the years 1888 to 1903. In 1903 a new method of valuation was adopted and the corrections were no longer necessary.

The reason for the correction of the values of imports and exports by the customs authorities is stated in the report

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TABLE I

EXCESS OF IMPORTS IN THE FOREIGN TRADE OF CHINA
BY PERIODS IN MILLIONS OF HONGKONG DOLLARS

PERIOD	EXCESS
1872-1884	30
1885-1898	464
1899-1903	1,725
1904-1907	980

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for 1889.¹ A clearer statement is to be found in an article upon the trade of China by G. Jamieson.² "The uncorrected values in the customs returns are," says Jamieson, "the market values at the port of landing or shipment, as the case may be. A moment's consideration will show that this is not the value at which the one sort of merchandise can be set off against the other, that is, the imports against the exports. Take, for instance, a consignment of Manchester goods arriving from England for sale by a local (Shanghai) agent which fetches on the market 10,000 taels. The whole of this sum is not available for remittance to the owner in England. The local agent, before he can put the goods on the market, has had to pay duty and landing charges, perhaps also storage and insurance, and he expects also a commission as seller. He makes up his account thus :

DESCRIPTION	AMOUNT TAELS
Paid duty	500
Commission charges	400
Balance to be remitted	9,100
TOTAL	10,000

If his principal has instructed him to invest the proceeds in native produce for shipment to London instead of remitting he will take care to purchase only such an amount as will leave him enough in hand to pay the export duty and his commission and charges. His account will then run thus :

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1889, Pt. I, p. 1.

² G. Jamieson, "Effect of the Fall in the Value of Silver on Prices of Commodities in China," *Journal of the Royal Statistical Society*, Vol. 56, pp. 646-669. The article is taken, we are told by the editor of the *Journal*, from the Foreign Office Report No. 305, 1893. Mr. Jamieson was at the time acting British consul general at Shanghai.

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DESCRIPTION	AMOUNT TAELS
Bought, say, 500 piculs tea at 15 taels	7,500
Paid duty at 2.50 taels	1,250
Commission and charges	350
	9,100
TOTAL	

The transaction is thus closed from an international point of view; there is no balance to be remitted on either side. But it is evident that it would be quite erroneous to represent, as the customs returns do, that the double transaction meant that imports to the value of 10,000 taels had come into the country and exports to the value of 7,500 taels had left. What really took place was an import of the value of 9,100 taels and an export of an identical value."¹

The correction of the customs authorities was, then, for the purpose of arriving at the significant totals for the estimating of balances. There can be no doubt that correction was necessary. The method of arriving at the corrected totals was as follows. From the market value of imports there was subtracted the total duty and charges calculated at 7 per cent. To the market value of exports there was added the export duty and charges calculated at 8 per cent. The result was stated to be, in the case of imports, the net value at the moment of landing and, in the case of exports, the net value at the moment of shipment.

The correction may be divided into two separate steps. There was first the allowance for import and export duties. As to the necessity for this correction and as to the amount of the correction there can be little doubt. The duties were known or they could be estimated with a certainty of sufficient accuracy.

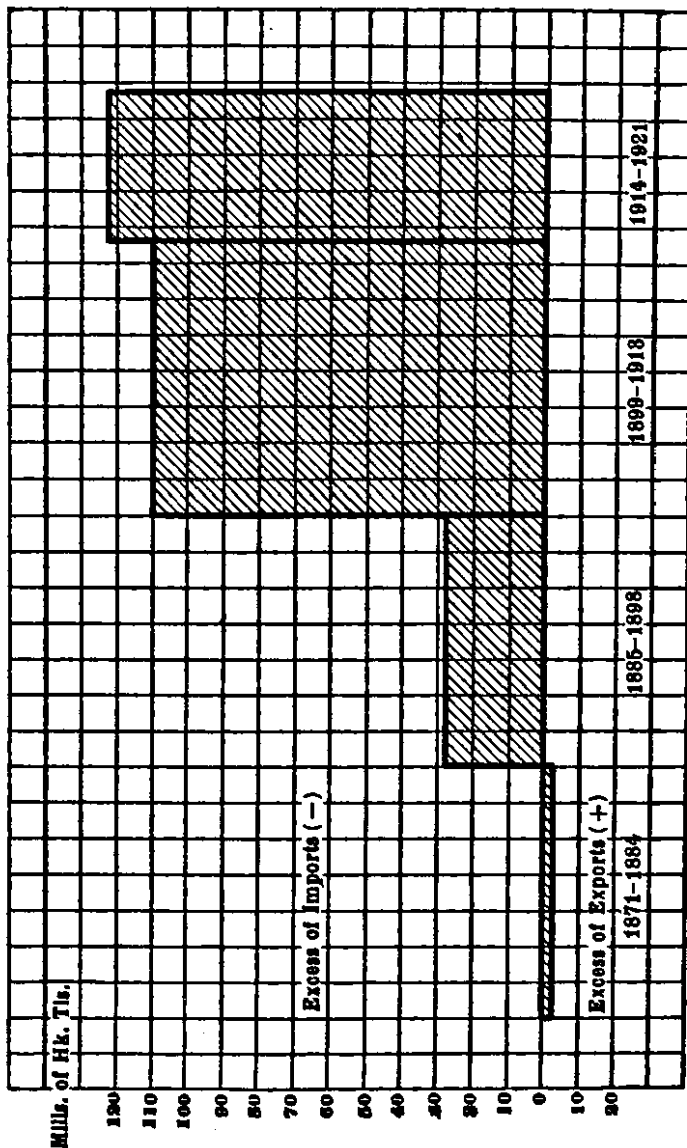
¹ Jamieson, *op. cit.*, pp. 649, 650.

The second step in the correction, the estimate of 7 per cent and 8 per cent on the market value of imports and exports as charges, is open to serious objection on the ground that these estimates are too large. Here is a question of fact upon which little material for an independent judgment can be found. "This estimate," says the statistical secretary of the Maritime Customs, "has been supplied to me by one of the leading firms at Shanghai."¹ Jamieson's comment on the same subject is this: "Collating all the information that I have been able to gather, I think that 4 per cent all round is enough to cover everything." Since there is this wide difference of opinion between those who were in a position to know the facts, it has seemed best to omit any attempt to introduce into the correction this second step. It must be a matter of conjecture and there is no reason to believe that a better estimate can be made than those which have been presented.

The correction to be made for the purpose of arriving at an estimate of China's trade balances for the purpose of this chapter is to accept the first part of the customs correction only. The customs correction was made for the period from 1888 to 1903. The present correction is carried back to the year 1871. It consists of adding to the value of the exports the export duty and of deducting the import duty from the value of the imports. It is obvious that it will change the trade balance by the sum of the two sorts of duty.

Before presenting the corrected balances attention must be called to a further correction of minor importance. It has been pointed out, in the account of the opium traffic in chapter three, that when the trade between Hongkong and

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1889, Pt. I, p. 2.



**China's Merchandise Trade Balance—Corrected
Data in Table II, Chapter VII**

Annual Averages in millions of Hk. Tls.

1871-1884	+ 1.4
1885-1898	- 27.1
1899-1913	- 110.0
1914-1921	- 122.5

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the mainland was brought under the control of the customs it was brought out that for the years before 1887 there had been an import of opium into China which had escaped the customs authorities. This traffic was to the extent of about 15,000 chests, which we may estimate to have been of a value of about 350 Haikwan taels each, a total of about 5 million taels for each year.

When these corrections are taken into account the balance of merchandise trade is found to have been as follows :

TABLE II

CHINA'S MERCHANDISE TRADE BALANCES BY
PERIODS IN MILLIONS OF HAIKWAN TAEIS

EXCESS OF EXPORTS (+)	CORRECTED	EXCESS OF IMPORTS (-)
1871-1884	+	20
1885-1898	-	290
1899-1913	-	1,650
1914-1921	-	980

The Export of Gold. From the point of view of the Chinese, gold is a commodity for which there is always a demand in the markets of the world and which is conveniently compact. It is easily hidden, easily transported, and easily sold for silver. Gold does not, as does silver, enter bank reserves nor does it perform the functions of money. The movement of gold into and out of China is connected with the price of gold in silver and the disturbed or peaceful state of the country.

The connection between the movement of gold and its price in silver appears in the statistics of the net export of gold by periods which are given below. The period from 1885 to 1898 was, at the same time, that of the greatest rise in the

silver value of gold and of the greatest net annual export of gold from China. A closer examination reveals the fact that the movement of gold varied with changes in its silver value from year to year. Two examples will be given. From 1891 to 1894 the gold price of silver declined rapidly. From the point of view of the Chinese holder of gold, the price at which gold could be sold for silver money rose rapidly. The equivalent of the U. S. dollar in Haikwan taels was Tls. 0.83 in 1891 and Tls. 1.29 in 1894. During these years the net export of gold from China increased from the equivalent of 4.4 million dollars in U. S. currency to 9.8 million dollars. During the years 1895 and 1896 the gold price of silver rose slightly, or, in other words, the value of gold in silver money declined. The effect upon the export of gold from China was immediate. From the net export of 9.8 million dollars, U. S. currency, in 1894, there was a decline to a net export of 5.3 million dollars in 1895. The second example is from the period of the World War. There was a net export of gold from China during the years 1914 and 1915, that is, before the great rise in the gold price of silver during the later years of the war. This rise brought about a net import of gold in 1916 and in 1919 this net import reached a total equivalent to 52 million dollars in U. S. currency. The decline in the gold value of silver in 1920 brought about a considerable export of gold from China during that year and the next. The great imports and exports of gold during the fourth period, 1914-1921, as compared with earlier periods, is evidence of extensive speculation.¹

¹ "Chinese Maritime Customs the Foreign Trade of China," 1921, p. 19. "The abnormally high value of silver created a keen desire among the populace, extending even to the lower classes, to turn into gold whatever savings in silver they possessed, the favorite form being to purchase gold articles for personal adornment."

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The second influence upon the movement of gold is the disturbed or quiet state of the country. An example of this is to be found in the net import of gold in 1900, the year of the Boxer Uprising. During this year for the first time since the customs authorities began the publication of the statistics of gold and silver movements, the import of gold exceeded the export. "Large quantities of gold coins," we are told in the customs report for the year, "chiefly from Japan, were imported by the banks for sale to Chinese who bought them freely as conveniently portable during a period of suspense."¹ The import of gold in 1911 and 1912 is to be explained as in part due to the revolution which brought in the republic. The influence of disturbances within China is not so clearly to be seen in the statistics of gold movements as is the influence of changes in the ratio between gold and silver.

A part of this annual net export of gold from China comes from mines within the country and some comes from the Amur region of Siberia, in ways which prevent its appearance in the import statistics. There is a certain amount of gold sent into the country in parcel post packages and a larger amount is brought into the country by returning emigrants. This gold finds its way into the hands of bankers who send it to Europe and to America.

The statistics showing the import and export of gold and silver in China's trade do not go back further than the year 1888. An attempt has been made to arrive at an estimate of the movement of gold for the years previous to 1888, but without success. The customs reports for these early years have little to say about the movement of silver, and nothing at all about the movement of gold. Jamieson attempts no

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1900, Pt. I, p. 11.

separate estimate of the net export of gold for the years 1871-1884. He gives a table of the imports and exports of specie at Hongkong, which was, he says, furnished him by one of the banks in that city. This table shows a net export of gold for the years 1884-1892.¹ Statistics from a German periodical are reprinted by Soetbeer and these statistics show a very small net export of gold.² It may be concluded that there was a net export of gold from China before 1888, but there is no information upon which to base an estimate of the amount of this export for the first period, 1871-1884.

The following table shows the net export of gold from China for the four periods as it is reported in the statistics of the Maritime Customs:³

TABLE III

TOTAL NET EXPORTS OF GOLD FROM CHINA BY PERIODS
IN MILLIONS OF HAIKWAN TAELS

1871-1884	?
1885-1898	67
1899-1913	11
1914-1921	4

Imports of Silver. The movement of silver, unlike that of gold, was toward China throughout the years from 1871 to 1921. This general movement is apparent from the statistics of the aggregate imports for each of the four periods. For each of the periods there is a net import. Before the aggregate net imports for the different periods is presented an estimate will be made of the import of silver during the years before 1888.

¹ Jamieson, *op. cit.*, p. 655.

² A. Soetbeer, "Materialien zur Erläuterung und Beurteilung der wirtschaftlichen Edelmetallverhältnisse," Berlin, 1886, p. 45.

³ The difficulty presented by the position of Hongkong is dealt with under the discussion of the movement of silver.

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The material for estimating the import of silver into China for the first period, 1871-1884, is more satisfactory than for estimating the export of gold. In the first place, we have the estimate of Jamieson. It is true that Jamieson's estimate was arrived at by making an estimate first of the probable excess of exports and by concluding that sufficient silver had to be imported to balance the indebtedness of the world to China. Nevertheless, he was in a position to know the facts and it is reasonable to suppose that he would make no such estimate as he does if it had been a matter of common knowledge among the business men of Shanghai that in 1892, when he wrote, the movement of silver toward China had but recently set in. Jamieson's estimate is that during the years from 1871 to 1884 there was a net import of silver into China amounting to 100 million Haikwan taels.¹

The customs reports of the period do not, as has been said, state the amount of silver imported into China, but there are occasional comments on the import during a particular year, as for instance for 1876 when the import of silver is said to have been unusually large during the later months of the year.² From these comments it may be said that it is probable that there was a net import of silver during the period.

Soetbeer, in the report which he refers to,³ gives the annual average net import of silver for the five years 1881 to 1885. Converted into Haikwan taels the amount is 4 million taels. If this is assumed to have been the average annual import for the whole period the total comes to 56 million taels. It is possible, however, that the report quoted by Soetbeer is for

¹ Jamieson, *op. cit.*, p. 654.

² "Chinese Maritime Customs Trade Reports," 1876, p. 8.

³ Soetbeer, *op. cit.*, p. 45.

Shanghai alone, since the amount is stated in Shanghai taels and Mexican dollars.

Finally, there is a table in the Herschell Report, which is arrived at by finding the excess of imports over exports or exports over imports of silver into or from China in the trade of the United Kingdom, France, British India, and the United States.¹ This report states the average annual net import of silver into China to have been about 7 million Haikwan taels.

Taking all of these estimates into consideration, the total net import of silver into China during the period from 1871 to 1884 may be estimated to have been about 80 million Haikwan taels.

For the years 1885 to 1887 the net import of silver is estimated to have been at the average rate for the eleven years of the period after 1887. For the remaining years there are annual reports of the movement of silver in the customs returns.

The statistics of silver imports and exports were supplemented in the customs reports for a number of years by tables purporting to show the movement of gold and silver into and out of the "commercial area" of China, by which was meant China including Hongkong. An examination of these statistics for the "commercial area" of China shows that the net import of silver as it is presented in the table below may be somewhat too small for the third period. The difficulty which Hongkong presents has been avoided so far as possible, it is believed, by using statistics showing net imports and exports of silver, eliminating in this way the use of figures which

¹ Report of the Commission appointed to inquire into the Indian currency, commonly known as the "Herschell Report," Washington, 1893, p. 642.

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include the movement of silver between Hongkong and the neighboring Chinese ports. The statistics for the "commercial area" were dropped from the customs reports in 1913 with the remark that their value had at all times been "exceedingly doubtful."¹

The following table shows the net imports of silver into China for each of the four periods:

TABLE IV
TOTAL NET IMPORTS OF SILVER INTO CHINA BY PERIODS
IN MILLIONS OF HAIKWAN TAEIS

1871-1884	80
1885-1898	100
1899-1913	61
1914-1921	120

The general facts concerning the merchandise trade balances of China and the net imports of silver into the country have been presented in Tables II and IV. A comparison of these tables shows that no such connection can be established between the two sets of facts as might have been expected. During the first period, 1871-1884, there was an excess of merchandise exports and a net import of silver; but the import of silver was considerably greater than the excess of exports. During the remaining periods there was a great and growing excess of imports. There was at the same time a net import of silver during each of the periods. For the explanation of these facts we must turn to the examination of the other items in the balance of international payments for China.

Remittances from Chinese Emigrants. Remittances to China by Chinese oversea play so large a part in the country's balance of international payments that it has been thought

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," Pt. I, p. 13.

best to deal with them in a separate account such as has been given of merchandise balances and the movements of gold and silver.

The Chinese show a greater reluctance to leave their homes and try their fortunes in new lands than do the people of any Western country. Plans for the redistribution of population within China have, for this reason, never met with great success. This reluctance is explainable upon the same grounds as the immobility of labor among Western countries. In the case of the Chinese, there is added the great force of customs which have grown up around the worship of ancestors and the family organization of the Chinese. In the early days of the trade the prohibition of emigration by law acted to some degree as a deterrent.

But it is not so much in their reluctance to leave for foreign lands that the Chinese differ from the people of most other countries as it is in the enduring ties which bind them to the city or district in China from which they or their ancestors have come. A Chinese living in the United States will state that his home is Canton when he and his father were born in California. A Chinese living in the Philippines will count himself a native of Amoy though he may never have seen China. Any number of examples of this sort might be given. The fact is that Chinese abroad retain a lively interest in that part of China which they continue to look upon as the family home. The children of wealthy Chinese in Java, in Singapore, or even in Cuba are in many cases sent to China for a part of their education. Considerable sums of money have been given by Chinese abroad to educational institutions in China and a school has been established in the city of Nanking for the education of their children. It is a well-known fact that the Revolution of 1911 was financed in large part

by Chinese living outside of China. The provisional constitution of the Chinese Republic recognizes this continued interest of the Chinese abroad and provides that they shall have the power to elect representatives to the national legislature.¹

Emigration from China has consisted of the recruiting of contract laborers or the independent venture of Chinese merchants and laborers abroad. The first of these forms was known in the early days as the coolie trade. It flourished in Hongkong and Macao around 1850.² This traffic was brought to an end in Hongkong in 1850 and in Macao in 1875. "During the twenty-five years it had continued about half a million coolies were taken away. Though called contract emigration it was pure slavery and reproduced all the horrors of the slave trade, especially with respect to the treatment of the coolies on board ship, their sufferings, and high rate of mortality."³ Since the suppression of the coolie traffic in 1875 there have been attempts to secure large numbers of Chinese contract laborers under different conditions. These attempts have not met with much success,⁴ with the exception, however, of the recruiting of Chinese laborers for work behind the line of battle and in the camps of the Allies in France during the World War. Estimates of the number recruited for service during the war vary from 70,000 to 100,000.

¹ "China Year Book," 1914, p. 465. It is an interesting fact that election is to be through Chinese chambers of commerce abroad.

² "The first ship with contract laborers aboard left Amoy in 1847 carrying four or five hundred coolies to Havana. Morse, "International Relations," Vol. I, p. 363.

³ "Encyclopedia Sinica," p. 133.

⁴ An account of an unsuccessful attempt to use Chinese contract laborers in the South African mines is to be found in "An Experiment in Alien Labor," by E. George Payne, University of Chicago Press, Chicago, 1912.

By far the more important emigration of Chinese has been of the second sort, which has been called the independent venture of merchants and laborers abroad. There has been some emigration of this sort from China for hundreds of years, but the reports of the Chinese customs indicate that the number of emigrants increased greatly during the years around 1880.

The following comments upon the Chinese in different parts of the East show that they have prospered and that they have made an important place for themselves in the countries to which they have gone.¹ The Chinese in the Straits Settlements, we are told, are engaged in banking, shipping, in the mining of tin, and in the raising of rubber. They are "the leaders of all the biggest businesses," they are "the middlemen in the trade of Singapore and, indeed, of Malaysia." Many of the great estates of Java are owned by Chinese and managed by them. They are an important factor in trade throughout the Dutch East Indies. "They monopolize the retail trade, and are the middlemen between the Dutch importers and exporters and the native producers and consumers." The Chinese of Siam "furnish most of the carpenters, machinists, engineers, and owners and drivers of horses." The Chinese of the Philippines control 90 per cent of the retail trade of the islands and a large part of the wholesale business.² "They furnish the middlemen without whom

¹ These comments are from an account by H. F. McNair entitled "Christian Work Among Chinese Abroad," pp. 358-362, in "The Christian Occupation of China," M. T. Stauffer, editor, Shanghai, 1922. The writer was given the opportunity of seeing much of the material gathered for this report.

² A statement of the reasons for the Chinese control of the retail trade of the Philippines is to be found in Hugo H. Miller's "Economic Conditions in the Philippines," Ginn and Company, Boston, 1920, pp. 419-421. The Chinese "are content with a small profit, are thrifty, and accumulate capital. . . . They have built up a large commercial organization consisting of importers, wholesalers, middlemen, and buyers and a credit system extending through all of these. Thus the Chinese storekeepers can offer credit where the Filipinos cannot."

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the East and the West do little business." In Japan, Korea, and Siberia the Chinese are successful business men. In the United States and Canada they are owners of restaurants, farmers, and laundrymen, and a number are engaged in the trade of these countries with China.

It is obvious that there must have been, since 1880 especially, a large and increasing remittance of funds to China by these Chinese in foreign countries. Of this general fact there can be no doubt; the more difficult problem is to arrive at a satisfactory estimate of the amount remitted during the four periods. The first step in the solution of this problem is to estimate the approximate number of Chinese abroad during each of the periods. For this purpose the following estimates of the number of Chinese abroad are presented. Such estimates are included as seem to be worth consideration.

TABLE V

ESTIMATES OF THE NUMBER OF CHINESE ABROAD ¹

Ratzell	1876	2.3 million
Williams	1899	4 "
Edkins	1900	3 "
Morse	1903	7.3 "
Gottwaldt	1903	7.6 "
Richard	1908	9 "
McCair	1921	8.6 "

¹ These reports are to be found in the following works, named in the order in which the estimates are presented above. Friedrich Ratzell, "Die Chinesische Auswanderung," Breslau, 1876, p. 257. F. W. Williams, "The Problem of Chinese Immigration in Further Asia," annual report of the American Historical Association, 1899, Vol. I, p. 179. In a note on this page the statement is made that Reclus estimated the number of Chinese abroad at "a little less than 2 million all told twenty years ago." J. Edkins, "Chinese Currency," Shanghai, 1901, p. 54. H. B. Morse, "An Inquiry into the Commercial Assets and Liabilities of China in International Trade," published by the Chinese Maritime Customs, Special Series, No. 27, Shanghai, 1904. H. Gottwaldt, "Die überseeische Auswanderung der Chinesen," Bremen, 1903, p. 89. L. Richard, "Comprehensive Geography of the Chinese Empire," English translation, Shanghai, 1908, p. 478. Richard's

Accepting these estimates as a basis and making allowance for the growth in emigration as well as for the wider extent of the territorial dominion of China in earlier times, we arrive at the following :

TABLE VI

ESTIMATE OF THE NUMBER OF CHINESE ABROAD BY PERIODS

1871-1884	2 million
1885-1898	4 "
1899-1913	7 "
1914-1921	8 "

In attempting to estimate the amount of the remittances by these Chinese emigrants we have independent estimates for certain countries by Morse and Gottwaldt for 1903 or the years immediately preceding. These estimates are found upon investigation to be at the rate of slightly less than 10 Haikwan taels a year for each emigrant. This figure may be accepted for the two periods after 1898, but it is too large for the earlier periods. It is well known that bank remittances were used much more freely by Chinese oversea in making their remittances during the later periods than during the earlier periods. Some hint of the increase in remittances is to be found in the study of the import of American flour into the ports of southern China. The import at Swatow, for example, was 5,800 piculs in 1892 and no less than 111,809 piculs in 1901. This increase in the import of American flour

figures are said to be according to the "latest official investigations." The account by H. F. MacNair quoted *supra*, p. 218, in "The Christian Occupation of China," p. 362, *op. cit.*

¹ In the case of the estimate by Ratzell the number of Chinese which he states to have been in Formosa at the time he wrote is deducted from the estimate as it appears in his book, since Formosa was at the time a part of the Chinese Empire.

The figures in Tables V and VI agree with estimates by Professor MacNair. See his "The Chinese Abroad," Shanghai, 1924, p. 312.

was, in the opinion of the customs officials, connected with the remittances of emigrants and with their return to China.¹ A further reason for believing that these remittances have been greater in recent times, is the larger number of gifts to educational institutions in China by these oversea Chinese in recent years. In the latest report quoted above we are told that "Mr. Tan Kah-kee, of Singapore, recently provided four million dollars for the building and endowment of a university in Fukien." Taking into account the available information, the annual remittance for each emigrant has been estimated as follows for the four periods: for the first period, 3 Haikwan taels; for the second, 5 taels; for the third, 10 taels; and for the fourth, 10 taels.

Upon this basis the following estimate of the total remittances of Chinese abroad for each of the periods has been prepared.

TABLE VII

ESTIMATE OF THE TOTAL REMITTANCES TO CHINA BY CHINESE
ABROAD BY PERIODS, IN MILLIONS OF HAIKWAN TAEIS

1871-1884	84
1885-1898	280
1899-1913	1,050
1914-1921	640

China's Balance of International Payments. The chief items in the balance of international payments for China have now been presented and an attempt has been made to arrive at estimates for each of the periods. These items will now be brought together in a separate table for each period. Estimates of loan and indemnity payments for the third and the fourth periods will be explained in the comments on the tables for these periods.

¹ "Chinese Maritime Customs Returns of Trade and Trade Reports," 1901, p. 4.

There are certain items which have been omitted from the balances of international payments as they are presented below. Among the credits these items are: remittances for the maintenance of foreign legations, war vessels and garrisons, and foreign merchant vessels in Chinese ports, for the expenditure of foreign travelers in China, and for the maintenance of foreign missions and schools in China. Among the debit items they are: remittances for the maintenance of Chinese legations and consulates in foreign countries, and of Chinese students abroad, for freight and insurance premiums, and remittances to cover the net profits of foreigners who have investments in the treaty ports or who are in business in China. These omissions have been made for several reasons. First, because the items are not great when the whole balance of payments is taken into consideration; next, because they may, in spite of the fact that the items on the credit side are probably somewhat larger, be held to come somewhere near to offsetting each other; and, finally, because they are not believed to be significant of any fact of great importance in China's trade relations.

TABLE VIII

THE IMPORTANT ITEMS IN CHINA'S BALANCE OF
INTERNATIONAL PAYMENTS FOR THE FIRST PERIOD,
1871-1884, IN MILLIONS OF HAIKWAN TAELS

	DEBITS (-)	CREDITS (+)
Net import of silver	- 80	
Excess of merchandise exports		+ 20
Emigrants' remittances		+ 84
	<hr/>	<hr/>
	- 80	+ 104

No comment need be made upon this table except to call attention to the fact that these items are estimates in every case.

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TABLE IX

THE IMPORTANT ITEMS IN CHINA'S BALANCE OF INTERNATIONAL
PAYMENTS FOR THE SECOND PERIOD, 1885-1898,
IN MILLIONS OF HAIKWAN TAELS

	DEBITS (-)	CREDITS (+)
Excess of merchandise imports	- 290	
Net import of silver	- 100	
Net export of gold		+ 67
Emigrants' remittances		+ 280
	<hr/>	<hr/>
	- 390	+ 347

The difference between the total debits and credits for the second period may well be held to be covered by the loans of the period.¹ The three largest loans of the period do not appear among the credits at all since they were for the payment of the indemnity which was agreed to at the close of the Sino-Japanese War. The whole of this indemnity was paid

TABLE X

THE IMPORTANT ITEMS IN CHINA'S BALANCE OF INTERNATIONAL
PAYMENTS FOR THE THIRD PERIOD, 1899-1913,
IN MILLIONS OF HAIKWAN TAELS

	DEBITS (-)	CREDITS (+)
Excess of merchandise imports	- 1,650	
Net import of silver	- 61	
Payments of interest and principal on loans and indemnities	- 660	
Net export of gold		+ 11
Emigrants' remittances		+ 1,050
Remittances by Russia and Japan during the Russo-Japanese War		+ 150
Proceeds of new loans		+ 570
Expenditure on "foreign" railways		+ 300
Investments by foreign individuals and corporations		+ 200
	<hr/>	<hr/>
	- 2,371	+ 2,281

¹ For a full list of these loans, see Morse, "International Relations," Vol. III, p. 448.

in London from the proceeds of these loans and it is only the payments of interest and principal during the succeeding years that enter into the balance of payments. By these payments to the Japanese government in London the reserve was established which enabled the Japanese government to take the first steps in the introduction of the gold standard in Japan.¹

The payments of interest and principal on loans and indemnities have been calculated from the available information. Of the total, 240 million taels is for the payment of the annual charges of the Boxer indemnity.² Payments on railway loans are estimated to have been 120 million taels.³ The payments of interest and principal upon general loans is estimated to have been 300 million taels for the period. Much of this is for charges upon the loans negotiated for the payment of the Japanese war indemnity.⁴

The proceeds of new loans among the credit items have been calculated from the lists already referred to. Of the total for this item 250 million taels was for railways, other than "foreign" railways, and 320 million taels from general loans.

The expenditure upon "foreign" railways is the amount which is estimated to have been spent upon the railways which were built by foreigners and which were in 1914 under foreign control. They are sometimes referred to as the "concession" railways and include the following lines: The Chinese Eastern and the South Manchuria, built by the Russians and

¹ Count Matsukata Masayoshi, "Report on the Adoption of the Gold Standard in Japan," Tokyo, 1899, pp. 169-172.

² The amount of these charges is shown in Chap. V.

³ "China Year Book," 1914, pp. 349-351. Edouard de Laboulaye, "Les Chemins de Fer de Chine," Paris, 1911, p. 363, estimates the annual payment for 1911 at 40 million francs, about 11 million Haikwan taels.

⁴ The tables showing these loans are to be found in the "China Year Book," 1914, p. 347, and in Morse, "International Relations," pp. 448, 449.

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improved and extended by the Japanese; the Shantung Railway, built by the Germans; and the Yünnan Railway, built by the French.¹

The investments by foreign individuals and corporations have been estimated at 200 million Haikwan taels for the period. Attention has been called to the fact that many of the flour mills of Manchuria were built by Russians and Japanese. The investments by foreigners in the industrial development of such cities as Shanghai, Hankow, and Tientsin were considerable, but they are difficult to estimate. It is believed that the estimate which has been made is a minimum.

TABLE XI

THE IMPORTANT ITEMS IN CHINA'S BALANCE OF INTERNATIONAL
PAYMENTS FOR THE FOURTH PERIOD, 1914-1921,
IN MILLIONS OF HAIKWAN TAEI

	DEBITS (-)	CREDITS (+)
Excess of merchandise imports	- 980	
Net import of silver	- 120	
Payments of interest and principal on loans and indemnities	- 250	
Net export of gold		+ 11
Proceeds of new loans		+ 350
Emigrants' remittances		+ 640
Investments by foreign individuals and corporations		+ 100
	- 1,350	+ 1,101

The payments of interest and principal on loans and indemnities are not easily calculated for the period. In the first place the rate of exchange was such during many of the years that payment of obligations in gold currencies

¹ The "capital cost" of these lines is estimated by Morse, "International Relations," Vol. III, p. 450, to have been 42.7 million pounds sterling, but this estimate did not include the whole of the Japanese expenditure upon the improvement of the South Manchuria.

called for the expenditure of smaller sums in Haikwan taels than during the third period. The average value of the tael for the years 1899-1913 was \$.70, U. S. currency, and for the years 1914-1921 it was \$.97, U. S. currency. In the second place the Allied powers agreed after China's declaration of war upon Germany to a suspension of Boxer indemnity payments for five years.¹

The proceeds of new loans is, however, a more difficult item to calculate than the preceding one. Certain loans which had been agreed to during the months before the outbreak of the European War could not be undertaken after the war began. Advances had been made upon some of these loans and it is not certain whether the exact amount of these advances is known. The war caused the officials of the Chinese government to turn to Japan for loans and we have no way of knowing the exact amount of these loans. It is commonly stated that the total is between 250 and 300 million Haikwan taels.² In addition to the Japanese loans of the period there were small loans from other foreign countries. The number of these small loans was so great that they account for a considerable sum.³ Much might be written of the foreign loans of this period and of the disorganization of the finances of the Chinese government which would be little to the credit of either foreigners or Chinese officials.

¹ "China Year Book," 1921-1922, p. 256. Two thirds of the payments to Russia were to be continued, but China stopped these payments in August, 1920.

² A total of over 300 million yen was the usual estimate in newspaper accounts of these loans. A well-informed writer upon China in "Currencies after the War," compiled by the international secretariat of the League of Nations, London, 1920, accepts this total. An estimate of \$300 million, U. S. currency, is to be found in Arnold, "Commercial Handbook of China," Vol. II, p. 213.

³ "China Year Book," 1921-1922, pp. 260-263. Hollington K. Tong, "China's Unsecured Foreign Debts," the *Weekly Review* (Shanghai), Vol. XXIII, no. 2, p. 47, Dec. 9, 1922.

The investments by foreign individuals and corporations are estimated at 100 million Haikwan taels. This is chiefly accounted for by the development of industrial enterprises in Manchuria by Japanese. At the Anshan Steel Works of the South Manchuria Railway Company, the first blast furnace was completed in April, 1919, and in the report of the company for 1920 the capital expenditure upon this industrial undertaking alone was reported to have been 37,690,000 yen.¹ During the same period there was further foreign investment in the chief treaty ports of China. In view of these facts, the estimate of the total foreign investment cannot be considered too great.

Conclusion. The following general statements may be made about the subjects which have been dealt with in this chapter. In the first place, there was throughout the four periods a net import of silver into China during each period, but the total import of silver must be counted small when the size of the country and its great population are taken into account.

In the second place, the years 1871-1921 witnessed a change in the merchandise trade balance of the country. This change became marked during the years 1897 to 1902; in other words, during the end of the second period and the beginning of the third. These years saw the end of the reluctance to accept foreign goods, which had been a characteristic of the Chinese people from the earliest days of the trade.² During these years railways came to be of some importance; the opening of the country to foreign influence was accelerated

¹ "The South Manchuria Railway," a booklet issued by the Railway Company, Dairen, 1920. A general account of the industrial development of South Manchuria by Japanese is to be found in "The Economic History of Manchuria," compiled in commemoration of the decennial of the Bank of Chosen, Seoul, 1920, pp. 177-203.

² An exception must of course be made in the case of opium.

as a result of the Sino-Japanese War and the suppression of the Boxer Uprising; the first foreign loans of importance were negotiated; and in general those changes were taking place which have been dealt with in the fourth and fifth chapters of the account of the trade.

A third general fact is that during the third and fourth periods, that is, from 1899 to 1921, China's indebtedness was increased by growing obligations to pay interest and principal on loans and indemnities. These debit items are large when they are compared with the corresponding credit items, the proceeds from new loans. The chief reason for this is that the large payments by China on account of the loans for the payment of the Japanese indemnity and the further charges for the Boxer indemnity are offset by no corresponding credits. At the beginning of the World War it was probably true that more than half of China's foreign obligations were the result of these two indemnities. China has not been a borrower on a large scale for such purposes as railway construction or industrial development. There has been some foreign investment in industries and some in railways, but such investment has usually been in enterprises, such as the South Manchuria Railway or the Yunnan Railway, which remain in the hands of foreign corporations. From the point of view of the balancing of China's international payments this makes no difference, but under the principle of extra-territoriality and in the light of national ambitions in the Far East it has a high degree of political importance.

The chief factor in the payment for China's growing imports of goods and silver has at all times been remittances to China from Chinese abroad. China has exported the skill of her merchants, the dexterity of her handicraftsmen, the strength of her laborers. The ties which bind her people

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abroad to their homes in China have brought it about that the chief factor among China's credit items in her international balances after merchandise exports have been remittances from her people oversea.

CHAPTER VIII

SUMMARY AND CONCLUSION

We have now completed the study of the history of the foreign trade of China which has been presented in some detail for the years after 1871. In this concluding chapter an attempt will be made to state the broad generalizations brought out by this detailed study and to provide, or at least to suggest, something in the way of explanation.

The importance of the early trade of China does not lie in the economic relations which were established at the time between China and the nations of the West. The early trade was confined to the single port of Canton; it was in the hands of groups of monopolists; and it was limited to the exchange of a very few products. It is not to be expected that trade under these conditions could bring about economic changes of a general sort. The early trade of China is important for other reasons. For many years foreign trade was the sole means of communication between China and the rest of the world. The foreign merchant on the coast of China was the pioneer in the establishment of relations between China and the other nations. The foreign trade of the country has, therefore, played an important part in shaping China's international relations of all other sorts. The principle of extraterritoriality, the very fact that treaty ports came to be established, the nature of the tariff regulations governing the trade, the supervision of the collection of customs duties by foreigners, in short, the whole legal system, if it may be so called, which has determined the relations between China and the rest of the world since the days of the

arly trade, can be understood only when it is regarded as the recognition in international law and diplomatic practice of the position which the insistent and adventurous Western merchant has made for himself on the coast of China. During the early days of the trade the Western trader was the new factor in China's affairs and the system of law and custom which grew up around him has remained important ever since. In many respects this system is still in force. The matters concerning China dealt with at the Washington Conference of 1921-1922 serve to illustrate this. The tariff problem of China, to give a concrete example, is not a question of commercial or fiscal policy; it is a problem, from the point of view of the Chinese, of securing the right to determine what the commercial and fiscal policy of the country shall be. For the Chinese the tariff question is one of international politics. Other examples of the same sort might be given, such as the problem of railway administration. The early trade of China is important chiefly because it has had political and legal consequences of an enduring sort.

The general fact about China's trade as a whole which strikes the student as most noteworthy is its small volume. This is said, of course, with the size and the population of the country in mind. The account of the trade which has been given in the earlier chapters has shown the removal of every restriction upon the foreign trade of China which could by any possibility be made the subject of diplomatic negotiation. The removal of most of these restrictions was accomplished by the year 1860, and in 1896 it was practically complete. Nevertheless, the trade of China did not increase greatly, and it remained comparatively small in 1921. The general problem presented by the study of the trade is to find an explanation of this fact.

It may be remarked that the limited size of China's foreign trade has usually been veiled by expressions which call attention to the "vast potentialities." The trade of China has always exerted a certain power over the imaginations of those who have written from the point of view of trade promotion. Such writers commonly accept four hundred million as the population of China and proceed upon this doubtful fact to build the most fanciful calculations of the magnitude of the trade to be expected, based often upon the assumption that the purchasing power of the individual Chinese is equal to that of the Westerner. No consideration is given to the time that must elapse or to the sweeping changes that must take place in every department of Chinese life in order to bring their calculations within the bounds of possibility. Every advance in the penetration of foreign trade into China has brought out exaggerations of this sort. The considerable increase from time to time in the imports of cotton manufactures has been hailed as the beginning of the great trade which is constantly supposed to be in sight. This viewpoint has had its influence upon the policies of governments and the fear of being excluded from the benefits of the expected trade has been one of the reasons, on the one hand, for international suspicions and, on the other, for international agreements and understandings. It is, of course, entirely reasonable for governments to take steps to see that their citizens are not unfairly excluded from the Chinese market, but they have frequently gone much further than this. The international jealousies exhibited in China throughout the whole period from about 1885 to the present day cannot be understood without bearing in mind the extravagant hopes that have been entertained of a vast and early increase in the foreign trade of the country.

The foreign trade of China, has, however, never been great. Let us consider the facts. While China has, within the borders of her broad country, about 20 per cent of the world's population, her share of the world's trade has never reached 2 per cent. It has been pointed out in the fifth chapter¹ that the foreign trade of China was 1.5 per cent of the international trade of the world during the years 1896-1898, and 1.7 per cent during the years 1911-1913. In 1921 the foreign trade of China was 1.9 per cent of the world's trade.² The statistics of the trade per head of population bring out the same fact. The per capita trade of China was 1.09 Haikwan taels in 1901, 2.12 taels in 1911, and 3.77 taels in 1921.³ These figures, while they show a considerable growth in the trade which has been given full recognition in the preceding pages, must for present purposes be compared with similar statistics for other countries. Let the comparison be limited to the countries of the Far East. The foreign trade of India grew from 3 per cent of the world's trade in 1896-1898 to 3.5 per cent in 1911-1913. The foreign trade of Japan grew from 1 per cent to 1.6 per cent during the same years. In 1921 the per capita trade of India was twice as great as that of China and the per capita trade of Japan about ten times as great.

India provides an interesting contrast with China. India has developed a great export trade. Her exports have been continuously greater than her imports and she has imported

¹ Pp. 123-125.

² The percentage for 1921 is based upon totals given in the "Statistical Abstract of the United States," and it must be accepted with an understanding of the difficulty of reducing the figures for various countries to common terms.

³ "Chinese Maritime Customs Foreign Trade of China," 1921, Pt. I, p. 11.

large quantities of silver. China, on the other hand, has failed to develop a great trade and her imports of silver have been upon a moderate scale. During the whole of the period from 1871 to 1913 the total net import of silver into China is estimated to have been 260 million Haikwan taels. This estimate, as has been indicated in the preceding chapter, is probably too small, but the total net import of silver for the whole period cannot have been much greater than 300 million Haikwan taels. During these years the total net import of silver into India was about 1,800 million Haikwan taels.¹ India has, since 1871, imported about six times as much silver as China.

The general answer to the problem presented by the smallness of the foreign trade of China is to be found in the passive resistance which China offers to the penetration of trade. By passive resistance is meant not an organized nor even a conscious opposition to the spread of trade, though there have been boycotts of particular countries from time to time. The essential obstacle is the hampering and confining influence that flows from the very nature of Chinese civilization. In order to explain this passive resistance it will be necessary to consider the reason for it and some of the ways in which it operates.

In the first place, China consists of a vast number of small agricultural communities in which probably three fourths of the Chinese people live. The Chinese people are a village people. It is believed that there are no fewer than a hundred thousand villages within the country, each with its group of

¹ The statistics of the net import of silver into India are from "Chinese Maritime Customs Returns of Trade and Trade Reports," 1906, Pt. I, p. 61, and Benjamin White, "Silver" London, 1919, p. 80.

perhaps ten hamlets about it.¹ The circumstance that the Chinese people live in these scattered villages, each with a considerable degree of economic independence, brings it about that serious restrictions upon the development of trade are tolerated. The most important of these restrictions is the lack of transportation facilities. There are a few railways in China and there is a network of canals in certain parts of the country as, for example, in the districts around Canton and inland from Shanghai. There are, finally, the great navigable rivers, such as the Yangtze and the West River. Away from the rivers, the railways, and the canals, the only means of transportation are carts, pack animals, and coolies. The expense of transportation by these means is evident.² Another restriction is a currency system which, by the standard of uniformity, is probably the worst in the world. The intricacies and complications of money changing in China are almost beyond belief. The state of the weights and measures is one of endless confusion. The lack of certainty and uniformity in taxation and the decentralization of the government, which is one of the chief political problems of the country, constitute further hindrances to trade. These restrictions are frequently commented upon, but it is not so frequently

¹ The general opinion of students of Chinese agriculture is that it is reasonable to estimate that 75 per cent of the people of the country live in agricultural villages. The estimate of the number of villages is from the report on agricultural education in "Christian Education in China, the Report of the China Educational Commission of 1921-1922," Shanghai, 1922, p. 187. The report on agricultural education was written by Dr. K. L. Butterfield after consultation with competent Chinese and foreign students of Chinese agriculture.

² "On the road from the Wei basin (in Shensi province) to the Chengtu plain (in Szechwan province) one may meet coolies carrying on their backs loads of cotton weighing 180 pounds. They will carry these loads 15 miles a day for 750 miles at 17 cents silver (Chinese currency) a day, which is the equivalent of 14 cents a ton mile."—Julean Arnold, "Changes in the Economic Life of the Chinese People," *Chinese Social and Political Science Review*, Vol. VI, No. I, p. 34.

pointed out that they would be intolerable if the Chinese people were not divided and separated by their village life.

In the second place, China succeeded, through the centuries, in carrying agriculture and industry to a high degree of development under her traditional and customary methods. We need do no more than recall the comments which have been made from time to time in the preceding pages upon the silk and tea trades to appreciate the truth of this statement properly. The Chinese have given patient labor over hundreds of years to the development of these industries and they have made improvements in them such as have been discoverable by the observation of mistakes over long periods of time and such as have been enforceable by custom and tradition. In the production of silk the Chinese found a rough way of eliminating diseased eggs by exposure to the cold. They invented a loom for the weaving of brocades and figured silks such as are now woven upon the Jacquard loom in the West. The Chinese carried the art of dyeing with vegetable dyes to a high degree of perfection. This success of the Chinese under the rule of custom and tradition has been an important factor in their unwillingness to change. It is plain to the scientific observer of our day that the microscope is a better eliminator of diseased silkworm eggs than is exposure to the cold. No doubt the Chinese will see this in time. The point which I desire to emphasize is that they were not helpless before the microscopic method was discovered. The methods of Western industry, based upon what the Chinese call Western science, did not in China present themselves to an ignorant or semi-civilized people; on the contrary, they came into competition with the devices of a highly skilled people who had surpassed their neighbors in industry and agriculture and whose methods were worked into traditions handed down through centuries.

In the third place, we must consider the self-contained culture of China. Much has been written about the conservatism of the Chinese and their resistance to change. There is no need to do more than call attention to this general and familiar fact here. Certain examples may be given to show its direct effect upon the trade of the country. It has been pointed out in the preceding chapters that the import trade has been hampered by the preference of the Chinese for their own products. The failure of the Chinese to adopt woolens and their slowness to adopt imported cottons and kerosene rested not merely upon unreasoning conservatism, but largely upon the conviction that their fathers had found the sort of thing suitable to the climate of the country and the conditions under which they must live. It is to the nature of this Chinese culture, too, that we must look for an explanation of the fact that Chinese emigrants continue, generation after generation, to maintain their connection with their family homes and look forward to returning with a competence to spend their declining years in China.

The fact that Chinese commerce is better organized than Chinese industry has been pointed out. It is this circumstance which accounts, to a certain point, for the development of trade, but it also resulted in the failure of the Chinese to introduce improvements. In the cases of both tea and silk it was impracticable, as has been said, to carry out proposed plans for reform because the merchants had no means of reaching the thousands of individual producers, and for the further reason that the merchants were interested chiefly in the sale and purchase of the commodities, not in the general success of the industries. The position of the Chinese government has been considered and its failure or inability to bring about such standardization and reform as would have facilitated trade.

The effect of all these factors working together has been to create and continue what has been called the passive resistance of the Chinese to the penetration of trade into the country. The differences between China and Japan are apparent to any one who is acquainted with the history of the astounding change which has taken place in the latter country during the past fifty years under a powerful centralized government and effective leadership. The difference between China and India is not so obvious. It will probably be found to lie in the earlier development of railways in India, in the fact that the older forms of industry and agriculture were less efficient than in China, in the greater homogeneity of Chinese culture, and in the fact that Western leadership in industry and government has exerted a great influence in India.

In spite of the important differences which have been pointed out, I do not believe that the trade of China presents a problem fundamentally different from that of the other countries of the East or from that of the countries of the Western world. The whole account of the history of the trade shows that the changes which are taking place in China are not unlike those which are taking place in India.¹ The differences between India and China have been differences of degree rather than of kind. The essential similarity between the international trade of China and of other countries is

¹ One difference between the trade of China and that of India requires special mention lest it be thought to constitute an important exception to the statements which have been made. This difference lies in the fact that Indian trade has been characterized by an excess of exports, while the trade of China shows a change to an excess of imports during the years around 1900 and, in general, an increase of imports at a more rapid rate than the increase of exports. The explanation of this difference is to be found in the important part which emigrants' remittances play in the foreign trade of China. These remittances have been shown in the preceding chapter to have been at all times a factor of first importance in China's balance of international payments.

obscured by the common failure to recognize that there are, from the point of view of trade with other countries, two Chinas, an exterior China and an interior China. The "interior" is the name ordinarily given to the part of the country lying beyond modern facilities for transportation. We may as well accept it as the name for the part of China into which foreign trade has failed to penetrate and, in turn, give the name "exterior" China to that part of the country which shows the effect of the development of foreign trade.

The best example of a wide district with the characteristics of exterior China is Manchuria. Manchuria is better provided with railways than is any other part of China. Manchuria has developed a great export trade in bean products and food grains. Since 1908 her trade has been characterized by a general net excess of exports, and considerable quantities of silver have been imported.¹ In fact, the trade of Manchuria bears every resemblance to the trade of India. Other parts of exterior China are the districts around the chief treaty ports, such as Shanghai, Canton, Tientsin, and Hankow, less extended districts around the treaty ports of smaller importance, and comparatively narrow strips of country along the navigable rivers and the railways. Exterior China has grown since the early days of the trade, but in spite of this growth it may be estimated that in 1921 no more than half of the Chinese people were included in it.

Interior China is that part of the country which lies beyond the currents of foreign trade. The best example of a wide and populous region which presents the characteristics of interior China is the great plain of Szechwan province, often

¹ In the "Economic History of Manchuria," p. 285, Seoul, 1920, we are told that one of the reasons for the establishment of branches of the Bank of Chosen (Korea) in Manchuria was its desire to operate in a field into which specie was being imported.

called the Chengtu plain. The valleys of southern Shensi are another example. Interior China includes the whole of Kansu province and most of Shansi province. Of Szechwan, Shensi, and Kansu a recent writer says, "It seems safe to assume that nowhere in the world are there such vast, well-populated, and comparatively wealthy areas still without railways of any kind."¹ It may be estimated that there are about sixty million people in these three provinces. The features that mark interior China are to be found not only in such remote provinces but over most of the country whenever one is two days' journey — say, from fifty to seventy-five miles — from railway or river. Wheat may sell in Szechwan province or in Shensi province for one fourth its price in Shanghai or Tientsin; eggs may sell in Shensi for one third their price in Hankow; and these differences may continue. "Wheat can be shipped," we are told, "from Seattle to Hankow nearly seven thousand miles for less than one half of what it costs to ship it from the Wei valley in Shensi to Hankow," a distance of about six hundred miles.² In interior China wages may be what they have been for decades, ten or fifteen cents in Chinese currency a day, while they are from forty cents to a dollar in Shanghai. These differences are such that the trade between interior and exterior China presents many of the characteristic phenomena of international rather than of domestic trade.

This distinction between exterior and interior China is another way of stating the fact that China has offered resistance to the penetration of foreign trade and so of explaining the

¹ Eric Teichman, "Travels of a Consular Officer in Northwest China," Cambridge, 1921, p. 207. This description of northwestern China forms an interesting contrast with the account of the conditions of exterior China in the *Economic History of Manchuria* referred to above.

² Julean Arnold, "Changes in the Economic Life of the Chinese People," *Chinese Social and Political Science Review*, Vol. VI, No. I, p. 35.

smallness of the trade which has been said to be its chief characteristic. What has been presented in the preceding chapters as the foreign trade of China is the trade between exterior China and the outside world. For the purposes of international trade interior China does not exist. Viewed thus the smallness of the foreign trade figures is no longer surprising.

This smallness of China's foreign trade, it must be insisted, is not to be misunderstood. In the earlier pages of this closing chapter it was shown that political and legal consequences of an enduring and important sort flowed from a trade far smaller than that of the present. If this was the case with the insignificant trade of earlier times, we need not be surprised to find industrial, economic, and social consequences of an important sort resulting from the present trade. China is being slowly transformed from a country of agricultural villages and residential towns, from a country of peasant farmers and landed proprietors, into something else. China is undergoing an economic revolution which may well be looked upon as the cumulative effect of the penetration of foreign trade. In its consequences China's trade is by no means a fact of little importance. It is rather the first and most easily measured of the whole interrelated set of phenomena which will make the China of to-morrow as different from the China of the past as is modern Europe from the the Europe of the Middle Ages.

APPENDIX

APPENDIX

TABLE I

THE TOTAL FOREIGN TRADE OF CHINA IN THOUSANDS
OF HAIKWAN TAEELS

1871	136,956	1899	460,533
1872	142,605	1900	370,067
1873	136,088	1901	437,960
1874	131,074	1902	529,545
1875	136,716	1903	541,092
1876	151,120	1904	583,547
1877	140,679	1905	674,989
1978	137,976	1906	646,727
1879	154,509	1907	680,782
1880	157,177	1908	671,166
1881	163,364	1909	757,151
1882	145,052	1910	843,798
1883	143,765	1911	848,842
1884	139,908	1912	843,617
		1913	973,468
1885	153,206		
1886	164,686	1914	925,468
1887	188,124	1915	873,337
1888	217,184	1916	998,204
1889	207,832	1917	1,012,450
1890	214,238	1918	1,040,776
1891	234,952	1919	1,277,807
1892	237,685	1920	1,303,882
1893	267,995	1921	1,507,378
1894	290,207	1922	1,599,942
1895	314,990	1923	1,676,320
1896	333,671		
1897	366,330		
1898	368,616		

TABLE 2

EXPORTS FROM CHINA IN THOUSANDS OF HAIKWAN TAELS

1871	66,853	1899	195,785
1872	75,288	1900	158,997
1873	69,451	1901	169,657
1874	66,713	1902	214,182
1875	68,913	1903	214,352
1876	80,851	1904	239,487
1877	67,445	1905	227,887
1878	67,172	1906	236,457
1879	72,281	1907	264,381
1880	77,884	1908	276,660
1881	71,453	1909	338,993 (See chart:
1882	67,337	1910	380,833
1883	70,198	1911	377,338
1884	67,148	1912	370,520
		1913	403,306
1885	65,006		
1886	77,207	1914	356,227
1887	85,860	1915	418,861
1888	92,401	1916	481,797
1889	96,948	1917	462,932
1890	87,144	1918	485,883
1891	100,948	1919	630,809
1892	102,584	1920	541,631
1893	116,632	1921	601,256
1894	128,105	1922	654,892
1895	143,293	1923	752,917
1896	131,081		
1897	163,501		
1898	159,037		

TABLE 3

NET IMPORTS INTO CHINA IN THOUSANDS
OF HAIKWAN TAELS

1871	70,103	1899	264,748
1872	67,317	1900	211,070
1873	66,637	1901	268,303
1874	64,361	1902	315,364
1875	67,803	1903	326,739
1876	70,270	1904	344,061
1877	73,234	1905	447,101
1878	70,804	1906	410,270
1879	82,227	1907	416,401
1880	79,293	1908	394,505
1881	91,911	1909	418,158
1882	77,715	1910	462,965
1883	73,568	1911	471,504
1884	72,761	1912	473,097
		1913	570,163
1885	88,200		
1886	87,479	1914	569,241
1887	102,264	1915	454,476
1888	124,784	1916	516,407
1889	110,884	1917	549,519
1890	127,093	1918	554,893
1891	134,004	1919	646,998
1892	135,101	1920	762,250
1893	151,363	1921	906,122
1894	162,103	1922	945,050
1895	171,697	1923	923,403
1896	202,590		
1897	202,829		
1898	209,579		

TABLE 4

CENTERED MOVING AVERAGE OF THE EXPORTS FROM CHINA
IN THOUSANDS OF HAIKWAN TAELS

1871		1899	169,395
1872		1900	179,531
1873	69,444	1901	190,595
1874	72,243	1902	199,335
1875	70,675	1903	213,113
1876	70,219	1904	224,673
1877	71,332	1905	236,513
1878	73,127	1906	248,974
1879	71,247	1907	268,876
1880	71,225	1908	299,465
1881	71,831	1909	327,461
1882	70,804	1910	348,869
1883	68,228	1911	374,198
1884	69,379	1912	377,645
		1913	385,250
1885	73,084		
1886	77,524	1914	406,142
1887	83,484	1915	424,625
1888	87,912	1916	441,140
1889	92,660	1917	496,056
1890	96,005	1918	520,610
1891	100,851	1919	544,502
1892	107,082	1920	582,894
1893	118,312	1921	636,301
1894	124,339	1922	
1895	136,522	1923	
1896	145,003		
1897	158,543		
1898	161,680		

TABLE 5

CENTERED MOVING AVERAGE OF THE NET IMPORTS INTO CHINA
IN THOUSANDS OF HAIKWAN TAELS

1871		1899	231,316
1872		1900	253,813
1873	67,245	1901	277,245
1874	67,278	1902	293,107
1875	68,461	1903	340,314
1876	69,294	1904	368,705
1877	72,868	1905	388,912
1878	75,166	1906	402,468
1879	79,494	1907	417,287
1880	80,390	1908	420,460
1881	80,943	1909	432,307
1882	79,050	1910	444,046
1883	80,831	1911	479,177
1884	79,945	1912	509,394
		1913	507,696
1885	84,854		
1886	95,097	1914	516,677
1887	102,722	1915	531,961
1888	110,501	1916	528,907
1889	119,806	1917	544,459
1890	126,373	1918	606,013
1891	131,689	1919	683,956
1892	141,933	1920	763,063
1893	150,854	1921	836,765
1894	164,571	1922	
1895	178,116	1923	
1896	189,760		
1897	210,289		
1898	218,163		

TABLE 6

THE EQUIVALENT OF THE HAIKWAN TAEI

The following table shows the equivalent of the Haikwan taei in American dollars and in English money at the average sight rate of exchange on London and New York for each year. It has been compiled from the annual "Returns of Trade and Trade Reports" of the Chinese Maritime Customs.

1871	1.58	6s.	6d.	1899	.73	3s.	0 1/8d.
1872	1.60	6s.	7 3/4d.	1900	.75	3s.	1 1/4d.
1873	1.56	6s.	5d.	1901	.72	2s.	11 9/16d.
1874	1.54	6s.	4 1/8d.	1902	.63	2s.	7 1/5d.
1875	1.50	6s.	2 1/5d.	1903	.64	2s.	7 2/3d.
1876	1.45	5s.	11 2/5d.	1904	.66	2s.	10 2/5d.
1877	1.47	6s.		1905	.73	3s.	0 1/16d.
1878	1.45	5s.	11 1/2d.	1906	.80	3s.	3 1/2d.
1879	1.35	5s.	7 1/3d.	1907	.79	3s.	3d.
1880	1.38	5s.	9 5/8d.	1908	.65	2s.	8d.
1881	1.365	5s.	6 1/2d.	1909	.63	2s.	7 3/16d.
1882	1.38	5s.	8 1/2d.	1910	.66	2s.	8 5/16d.
1883	1.355	5s.	7 1/4d.	1911	.65	2s.	8 1/4d.
1884	1.35	5s.	7d.	1912	.74	3s.	0 5/8d.
				1913	.73	3s.	0 1/4d.
1885	1.28	5s.	3 1/2d.				
1886	1.22	5s.	0 1/8d.	1914	.67	2s.	8 3/4d.
1887	1.20	4s.	10 1/4d.	1915	.62	2s.	7 1/8d.
1888	1.15	4s.	8 3/8d.	1916	.79	3s.	3 13/16d.
1889	1.15	4s.	8 3/4d.	1917	1.03	4s.	3 13/16d.
1890	1.27	5s.	2 1/4d.	1918	1.26	5s.	3 7/16d.
1891	1.20	4s.	11d.	1919	1.39	6s.	4d.
1892	1.07	4s.	4 1/4d.	1920	1.24	6s.	9 1/2d.
1893	.96	3s.	11 1/4d.	1921	.76	3s.	11 7/16d.
1894	.77	3s.	2 3/8d.				
1895	.80	3s.	3 1/4d.				
1896	.81	3s.	4d.				
1897	.72	2s.	11 3/4d.				

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