ANGLO-CHINESE TRADE AND FINANCE 1854-1914

一八五四至一九一四年之中英貿易與投資

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by

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Preface

During the course of research and the preparation of this study, I owe an inestimatable debt to my supervisor, Dr. P.L. Cottrell, for his guidance, encouragement and inspiration besides acute as well as extensive comments on the style and contents of the thesis. I am also grateful to Dr. P.J. Musgrave who has read the draft of the whole thesis and whose invaluable advice and encouragement have certainly improved its final form. Professor R. Davis has read the draft of chapter one and I have benefited greatly from his comments.

Among those who have allowed me access to company archives and unpublished research works, I am particularly grateful to Mr. J.F. Curtis of Matheson and Company for permitting me to consult the Jardine Matheson Archive deposited at the Cambridge University Library; to the Joint Secretary to the Standard and Chartered Banking Group for providing me with a copy of the first shareholders of the Chartered Bank of India, Australia and China, and to Professor I. Stone of Baruch College, City University of New York for sending me the late Professor M. Simon's estimates of the total new British new portfolio investment in China between 1865 and 1914 on decennial basis so that a comparison with my estimates has been made possible.

Record keepers and librarians have, in many respects, smoothed the difficulties during my research: I am, therefore, indebted to the staffs of the Public Record Office, the Company Registration Office of the Department of Trade and Industry, London, the London School of Economics Library, the British Museum Library, the Senate House Library, the School of Oriental and African Studies Library, the Cambridge University Library and the Leicester University Library.

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ABBREVIATIONS AND NOTES ON CITATIONS.

Throughout the thesis, the place of publication of all the works cited is London unless otherwise stated and the following abbreviations are used.

B.H.	Business History.
B.P.P.	British Parliamentary Papers.
C.E.J.	Chinese Economic Journal.
E.E.H.	Explorations in Economic History.
E.H.	Economic History.
E.H.R.	Economic History Review.
E.J.	Economic Journal.
H.L.	House of Lords.
I.U.P.	Irish University Press.
J.A.S.	Journal of Asian Studies.
J.E.H.	Journal of Economic History.
J.M.	Jardine Matheson Archive.
J.R.S.S.	Journal of Royal Statistical Society.
M.A.S.	Modern Asian Studies.
O.E.P.	Oxford Economic Papers.
P.R.O. B.T.	Public Record Office, Board of Trade Files.
P.R.O. F.O.	Public Record Office, Foreign Office Files.
Q.J.E.	Quarterly Journal of Economics.
S.C.	Select Committee.

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Summary.

The intention of this thesis is to study the underlying trends of Anglo-Chinese trade and finance in the period 1854 to 1914. Before the mid-1890s, commercial relations between Britain and China were mainly based on an exchange of goods. Even though large scale portfolio investment began to flow to China from the 1850s, it was mainly used to improve efficiency in Anglo-Chinese trading operations. This characteristic is not difficult to explain because for three decades after the signing of the Treaty of Nanking in 1842, Anglo-Chinese import and export trades flourished. After the mid-1870s, the golden age of the Chinese trade was gone: the British and European markets for Chinese tea and silk dwindled; British exports to China stagnated whilst the expansion of Indian opium exports to China was seriously undermined by local Chinese production. Meanwhile, the opening of the Suez Canal and the construction of Europe-China telegraph resulted in an increase in the number of merchants with small capitals who impaired the virtual control of the Chinese trade by the 'prince firms' - the prominent merchants. The situation turned from bad to worse in the nineties. Although British exports to China began to increase after 1894, mass inflation in Chinese export and import prices cast serious doubts upon genuine commercial expansion. Faced with a black future for the Anglo-Chinese import and export trades, some 'princes' tried to shift their activities to become Chinese government and railway loan contractors. With direct British diplomatic support, they succeeded in getting the bulk of the Chinese financial projects and with London supplying the capital required, British portfolio investment in China - and mainly in areas not directly concerned with the import and export trades - increased sharply after the mid-1890s and the structure of Anglo-Chinese trade and finance underwent fundamental changes.

Introduction

The intention of this thesis is to examine trading and financial developments between Britain and China during the period 1854 to 1914. In these sixty-one years, China was but a marginal market for British exports and a small supplier of British imports: it accounted for a mere 3·5 per cent. of the total value of British exports and 2 per cent. of the total value of British imports. Nor was China a major borrower of British capital in the nineteenth century: in the fifty years prior to 1914, it had only 1·9 per cent. of the total new British portfolio foreign investment. China's importante to Britain, however, is disguished in its humble shares of total values of British overseas trading and financial activities. The Chinese trade, firstly was all-important to British China merchants whose well-being depended on it. Secondly, the British government found that China was of major significance in its foreign policy because British merchants had built up Britain's commercial superiority in the Chinese Empire - a superiority which directly affected Britain's political standing and which the British government had to keep at all costs.

More significantly, a study of the Anglo-Chinese experience in the period 1854 to 1914, shows how commercial relations between these countries developed after free international trade was established and how they evolved from a basis of an exchange of goods in the beginning to include a substantial amount of British investment after the mid-1890s. This structural change in Anglo-Chinese trade and finance was due to the efforts of British China merchants and financiers.

Ever since the East India Company sent its supercargoes to China in the seventeenth century down to the early 1890s, Britain's commercial interests

in the Celestial Empire were overwhelmingly dependent on trade. Before the 1850s, the volume of British portfolio investment in China was negligible and although it began to increase in the next decade, it was mainly used to improve the efficiency of the operation of, and was therefore closely related to, the Chinese trade. For example, in the decade 1865 to 1874, all new British portfolio investment in China was put into telegraph construction and banking services and during the period 1865 to 1894, banks and telegraph and steamship companies still accounted for 49·4 per cent. of the total. This phenomenon is not surprising because in the three decades after 1842, i.e. when China was first thrown open for international trade, Anglo-Chinese trade developed rapidly: British imports from, and British exports to, China expanded while Chinese consumption of Indian opium increased and all of these trades were mainly in the hands of British merchants.

After the mid-1870s trading conditions became less and less favourable for British firms. China was now no longer the monopolistic supplier of tea and Eastern silk, the two branches of Chinese exports to Britain in which all British merchants were heavily engaged. Indian and Ceylonese tea plantations were so successful that by the 1880s, these two new producers seemed certain to take over the Chinese tea market in Britain. Another Chinese staple export, raw silk and silk products, was affected severely by Japanese competition. Since tea and silk were the only two Chinese commodities that were worth shipping to Britain in large quantities, the scale of the alarm of the merchants can be easily imagined.

Parallel with the fall in tea and silk imports, British exports to China, after a rapid growth in the '50s and '60s, did not make much progress for two decades after the mid-'70s. At the same time, the Indian opium

business was curtailed by expanding Chinese local production. In addition, the coming of small merchants after the opening of the Suez Canal in 1869 and the availability of the Europe-China telegraph in 1871 increased competition and undermined the previous absolute control over the Chinese trade held by the 'prince firms', i.e. the prominent British merchants and financiers. Therefore, the golden age of Chinese import and export trades for the 'princes' was gone and after the 1890s, when the Chinese government needed large amounts of capital to finance its railway construction and war indemnity payments, some prominent British China merchants, forced by the bleak future of the Chinese visible trade, abandoned their traditional dependence on import and export business and tried to get these Chinese financial undertakings.

Chinese government financial projects in the twenty year period 1895 to 1914, however, were not easy to secure because of Russian and Continental European rival contestants who were being supported strongly by their governments. Since the prospect of the Chinese trade was, if anything, poor, the British 'prince firms' had to have a firm hold of these financial contracts to survive and the only possible way to achieve this was to persuade the British government to commit itself to backing them. Fortunately, they succeeded and with British investors subscribing to Chinese government loans, total new British portfolio foreign investment in China in the period 1895 to 1914 was more than six-fold of that in the period 1865 to 1894. The proportion of banks and steamship and telegraph companies, i.e. trading service companies, in the period 1895 to 1914 were only 5·2 of the total while Chinese government and railway loans, i.e. investment not directly related to import and export trades, were almost 90 per cent. Therefore, the structure of Anglo-Chinese commercial relations underwent fundamental changes after the mid-1890s.

The above description is of the underlying trends of the development of Anglo-Chinese trade and finance in the period 1854 to 1914, and the understanding of this structural change is essential for understanding the direction in which British mercantile activities developed in China and why the British government came to rescue British financiers after the mid-1890s by direct intervention. Existing studies of Anglo-Chinese trade have, in one way or another, overlooked this complexity of trade and finance; A.J. Sargent's Anglo-Chinese Commerce and Diplomacy (Oxford, 1907), published seventy years ago, is very helpful to build up one's knowledge and interest in this field, but it only described British trade in China - mainly in the nineteenth century - with no attempt to look at how trading and financial interests interacted. F.E. Hyde's The Far Eastern Trade 1860-1914 (1973) is another major study, but it is more geared to the role of the shipping industry than anything else.

Academic inquiries into British overseas investment are more numerous than the studies of commercial relations between Britain and China. L.H.Jenks' The Migration of British Capital to 1875 (first published in the U.S.A. in 1927 and reprinted several times, the latest edition in London, 1971), A.K. Cairncross' Home and Foreign Investment 1870-1913 (Cambridge, 1953) and Simon's influential article[1] are classic works. Probably due to its small share in total British capital flowed abroad, China has not been treated separately by them. Studies of the volume of British investment in China, nonetheless, are not totally non-existent. Paish made some stock estimates of Chinese borrowing from Britain between 1907 and 1913,[2] and his 1913 data have been

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[1] M. Simon, 'The Pattern of New British Portfolio Investment, 1865-1914', in J.H. Adler (ed.) Capital Movements and Economic Development (1967) and also reprinted in A.R. Hall, The Export of Capital from Britain (1968).

[2] Sir G. Paish, 'The Export of Capital and the Cost of Living', The Statist, supplement to 14.2.1914.

revised by Feis.[1] On the other hand, Remer, calculating on the basis of the market value of the assets of British firms and the volume of Chinese government loans from Britain, has constructed the total volume of British investment in China in 1902 and in 1914.[2] In addition to the limitation of the small number of estimates, these studies were interested strictly in the volume of British capital outflows to China and did not discuss it in relationship to Anglo-Chinese trade.

There are also a number of books dealing with the general history of British business organisations in China in the nineteenth century. G.C. Allen and A.G. Donnithorne's Western Enterprise in Far Eastern Development, China and Japan(1954) is the first comprehensive study in this field. C.M. Hou's Foreign Investment and Economic Development in China 1840-1937 (Cambridge, Mass., 1965) follows the same approach. Yu-tang Sun's[3] and Ching-yü Wang's[4] edited volumes have made the best use of Chinese sources. The field survey conducted in the 1930s by the East Asian Research Institute is a very good Japanese study of the foreign firms in China that were then still in existence.[5] However, these books were concerned with the history

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[1] H. Feis, Europe, The World's Banker, 1870-1914 (New York, 1965)

[2] C.F. Remer, Foreign Investments in China (New York, 1933)

[3] Yü-tang Sun 孫毓棠 (ed.), Chung-kuo chin-tai kung-yeh shih tzu-liao 1840-1895. 中国近代工业史资料 (Source materials on the Modern Industrial History of China, 1840-1895) 2 vols. (Peking, 1957); also idem, Chung-jih chia-wu chan-cheng ch'ien wai-kuo tzu-pen tsai chung-kuo ching-ying ti chin-tai kung-yeh 中日甲午戰爭前外國資本在中國經營的近代工业 (Foreign Investments in Chinese Industries before the Sino-Japanese War of 1894) (Shanghai, 1956)

[4] Ching-yü Wang 汪敬虞 (ed.) Chung-kuo chin-tai kung-yeh shih tzu-liao ti-erh chi, 1895-1914 nien 中国近代工业史资料第二辑 1895-1914年 (Source Materials on the Modern Industrial History of China, 1895-1914), 2 vols. (Peking 1957)

[5] Tōa Kenkyūjo, 東亜研究所 (East Asian Research Institute), Shogaikoku no tai-shi tōshi 諸外国の対支投資 (Foreign Investments in China), 3 vols. (Tokyo, 1942-3)

of foreign investment in terms of the area of business in which they were engaged; but none of them attempted to explain how the worsening trading conditions after the mid-1870s affected British trading firms' investment activities.

The history of some of the 'prince firms' in China, on the other hand, provides a good deal of knowledge on how they operated and developed. Representative volumes include E. LeFevour's Western Enterprise in Late Ch'ing China, A Selective Survey of Jardine, Matheson and Company's operations, 1842-1895 (Cambridge, Mass., 1968), M. Collis, Wayfong, the Hongkong and Shanghai Banking Corporation (1965), C. MacKenzie, Realms of Silver (1954), which is a history of the Chartered Bank of India, Australia and China and C. Drage's Taikoo (1970) and F.E. Hyde and S. Marriner's The Senior John Samuel Swire, 1825-98 (Liverpool 1967), both of which have described the story of Butterfield and Swire. Generally speaking, all of them have dealt with the development of each individual firm, but without paying much attention to the underlying trends of Anglo-Chinese trade and finance between 1854 and 1914.

Finally, the development of British political support for British merchants and financers in China in the nineteenth century has caught the attention of diplomatic and imperial historians. D.C.M. Platt's Finance, Trade and Politics in British Foreign Policy 1815-1914 (Oxford, 1971), C.K. Fieldhouse's Economics and Empire (1973), D. McLean's 'British Banking and Government in China, 1895-1914' (unpublished Ph.D. thesis, University of Cambridge, 1973)[1] and N.A. Pelcovits's Old China Hand and the Foreign

[1] Also see D. McLean, 'The Foreign Office and the First Chinese Indemnity Loan, 1895', Historical Journal, XVI (1973) idem, 'Chinese Railways and the Townley Agreement', Modern Asian Studies, VII (1973); idem, 'Commerce, Finance and British Diplomatic Support in China, 1885-6', Economic History Review, 2nd ser., XXVI (1973) and idem 'Finance and "Informal Empire" before the First World War', ibid, 2nd ser. XXIX (1976).

Office (New York, 1948) have surveyed the relationship between British government and the mercantile community in China. However, they only told part of the story by examining the actions of the British government and overlooked the part of financiers who were forced to seek government support due to the structural changes in Anglo-Chinese trade outlined above.

Therefore, it is hoped that by analysing the underlying trends in Anglo-Chinese trade and finance, the study of commercial relations between these two countries in the period 1854 to 1914 can be put into its proper perspective. The thesis starts with a brief description of British trading and investment activities in China before 1854. After discussing the compilation system and the accuracy of British and Chinese trade statistics in chapter two, the next chapter deals with the development of import and export trades. Chapter four estimates the volume of new British portfolio investment in China in the period 1865 to 1914 to provide essential quantitative data for the analysis of the development of British investment in China. Chapter five looks at British overseas investment from another angle - using Chinese joint stock companies as a case study - to analyse two of the most neglected aspects: the trade cycle in terms of the timing of the formation of companies and social and geographical compositions of their shareholders. Chapter six re-appraises the effects of fluctuations in the Chinese currency on the British trade with, and investment in, China. Finally, chapter seven sets out to reveal the relationship between the British Foreign Office and British financiers in China.

Chapter One: ANGLO-CHINESE TRADE AND FINANCE BEFORE 1854

I. The East India Company and the Private Merchants

A. The China Trade Under the East India Company

Long before the beginning of the period with which this study is concerned, trading relations between England and China had commenced. In 1600 the East India Company, the first great trading company to have been organised on the principle of joint stock, was granted a monopoly of trading to the East. During its existence it also rendered the 'English influence dominant in India' and was an important factor in the political history of Britain.[1] The Honourable Company first traded with India and Japan but gradually extended its influence to China. But by the time the English East India Company came into existence, the Portuguese and Dutch were already trading actively in the East. Equipped with superior maritime strength and knowledge, the Portuguese reached China in 1535. As for the Dutch, they secured a foothold at Java at the end of the sixteenth century and took away the commanding position in the Eastern trade from the Portuguese in the following century. Early British attempts to open direct trade with China were discouraged, and sometimes obstructed by these two early comers.[2]

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[1] W. Cunningham, The Growth of English Industry and Commerce in Modern Times, The Mercantile System. Part I (Cambridge, 1921), p.255. The early operation of the Company was to raise a stock for each voyage. After 1657 a 'new general stock' was created to form the permanent capital of the Company. For the role of the Company in India, see C.H. Philips, The East India Company 1784-1834 (Manchester 1940). The early economic activities and business methods of the Company are explored by K.N. Chaudhuri, The English East India Company 1600-1640 (1965).

[2] See, for instance, H.B. Morse, The Chronicles of the East India Company Trading to China 1635-1834, (Oxford, 1926-29) 5 vols., hereafter Chronicles I, chapters 1-3.

The East India Company's first persistent attempt to procure Chinese products was made from Hirado, an island of Japan in 1609; but nothing materialised. Subsequently in 1645 four ships, under the leadership of Captain Weddell, were sent to China via Goa which was then under Portuguese control. After reaching Macao in 1637, the fleet sailed up to Canton. Due to misunderstandings, the English opened fire when the Chinese approached them. Captain Weddell was allowed to trade only when he had admitted his faults. The Company, however, did not give up its desire to trade with China. In 1671 a factory was set up at Taiwan. Five years later, the Company gained its first footing in China proper by opening a factory at Amoy. But these two places were then under the control of the forces in rebellion against the Manchu regime and therefore, shut off from the imperial administration. At Taiwan, bribery to the Chinese officials preceded smooth trading. The Company ships did go to Amoy in 1683 once more, but little trade was done. The unsatisfactory conditions at both places tempted the Company to try Canton again. Four years later, Captain John Hurle of the Macclesfield was able to report its anchorage at Macao. He was invited to Canton by the Hoppo, the Chinese Customs General. Thanks to the courtesy of the Chinese merchants, he did some trade and the voyage was satisfactory. The English, by now, had thrust their feet over the threshold of the China trade.

While the Company was eagerly working towards the expansion of the China trade, the reaction of the Manchu Government was scarcely satisfactory. Traditionally, Chinese governments had never accepted the idea of making a profit from foreign trade. On the contrary, they regarded

foreign traders as tributaries who were, as a rule to be highly rewarded. Foreign trade was, from this logic, a favour to the 'barbarians' neighbouring the Celestial Empire and therefore, the foreign merchants had no right to demand a change in the trading conditions. In addition the Manchu Government had another worry. The Manchu were a tribe in the north-east of China and had taken over from the Ming Dynasty in 1644. But some of the Chinese, remaining loyal to the former dynasty, continued to resist the Manchu regime. The most notable was the Taiwan-based Cheng who was only killed by the Manchus fifty years after the fall of the Ming. The Manchu government therefore, was somewhat suspicious about possible anti-government forces which would, if under assistance from the foreigners, become uncontrollable. Thus, its policy towards foreign traders was one of suspicion. In order to guarantee the proper behaviour of the foreign merchants, the Chinese Government made the Hong merchants responsible. They were often referred to as the 'co-hong', 'Hongie' or the 'thirteen hongs', which formed a guild in 1720 to deal with foreign trading.[1] They were wholly responsible for the conduct and business of the foreign merchants, when ships arrived at Canton, the Hongie concerned would take over all the necessary procedures such as the payment of custom dues, the sale of commodities, the purchase of Chinese products, etc. In return

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[1] The Hong merchants were often refered as 'The Thirteen Hongs'. In fact, the number of hongs fluctuated during the Ch'ing period. They had long existed before 1720, the year some writers erroneously attributed to their birth when they formed a guild. For the history of the Hongs, see Chia-pin Liang 梁嘉彬, Kuang-tung shih-san-hang k'ao 廣東十三行考 (A Study of the Thirteen Hongs of Canton) (Shanghai, 1937).

for the Hong's responsibility, the Chinese Government ordered that no foreigner was allowed to trade with anybody other than this monopolistic guild. Very strict and often disputed regulations were to be obeyed by foreigners,[1] and if foreign trade was to go on, it must be isolated as far from China proper as possible - Canton having been chosen for this purpose in addition to its having been a trading port from the seventeenth century. On the other hand, the English Company was far from happy with these restrictions. Prompted by the excessive extortions at the Customs and the high cost of tea at Canton, the Company shifted to Ningpo in the north thus reducing the entry of English ships at the former port: there were 27 in 1754, 12 in 1755, 15 in 1756 but only 7 in 1757. The Governor-General at Canton, alarmed by the decrease in revenue, memoralised the Throne who decided to restrict foreign trade to Canton by imposing higher duties at Ningpo and other northern ports. In 1757 the Company was prepared to break Canton's de facto monopoly and sent James Flint, who had mastered the Chinese language, to Ningpo to present its complaints to the Emperor. He

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[1] The foreign merchants were made to observe very strict regulations. They included: no foreign warships may sail inside the Boque; neither foreign women nor firearms may be brought into the factories; all pilots and compradores must register with the Chinese authorities at Macao; foreign ships must not enter into direct communication with Chinese people and merchants without the immediate supervision of the compradore; foreign factories shall employ no maids and no more than eight male servants; foreigners may not communicate with Chinese officials except through the proper channel of the Co-hong; foreigners are not allowed to row boats freely in the river. They may, however, visit the Flower Gardens and the Temple opposite the river in groups of ten or less three times a month - on the eighth, eighteenth and twenty-eighth; foreigners may not sit in sedan-chairs; foreign trade must be conducted through the hong merchants. Foreigners living in the factories must not move in and out too frequently, although they may walk freely within a hundred yards of their factories; foreign traders may not remain in Canton after the trading season; foreign ships may anchor at Whampoa but nowhere else; foreigners may neither buy Chinese books, nor learn Chinese; the hong merchants shall not go into debt to foreigners.

did succeed in transmitting the petition to the Emperor but he was put in jail at Macao. The more prolonged effect of the 'Incident of James Flint' was the issuing of an edict of 1759 which renewed the regulation of single-port trading at Canton that lasted until the signing of the Treaty of Nanking. There continued to be two main problems, the legal control over foreigners and the conditions under which foreign trade was allowed, which restricted Anglo-Chinese trade until well into the nineteenth century.

The Company attempted to remove the deadlock at the diplomatic level. As early as 1787, it sent the Cathcart Embassy to China in order to negotiate a fairer system of commerce. It did not reach China because of Cathcart's illness. In 1793 Lord Macartney's mission was sent. He was received by the Emperor, Chien-lung, and was treated with utmot hospitality. But he was also regarded as being no more than a traditional tributary to the Throne. Therefore, even though he presented the Company's requests for the liberalisation of trade in the name of the Crown, the Chinese officials declined to consider his proposals. Evidently, the Macartney mission was a tangible failure. Nothing to regulate commerce had been touched upon but the Company did not give up and sent Lord Amherst, who arrived at Peking in 1816 in a renewed attempt. But he refused to perform the ceremony of Kowtow (bowing with one's forehead touching the ground while kneeling) during the audience. The Emperor, Chia-ching, became angry and ordered the envoy to be expelled though he also informed the Governor-General at Nanking to treat him with courtesy. The final failure of the venture of Lord Amherst made it clear to the English merchants that diplomatic contact was not at all effective.

B. From Monopoly to Free Trade

No sooner had the East India Company begun to trade with China than it caught the attention of its critics. One main aspect of its affairs which was criticized was its export of bullion to the East. Europeans had a strong preference for Eastern goods like tea, silk, pepper etc. whereas the Eastern countries were basically self-sufficient. As far as China was concerned, Sir Robert Hart, the Inspector-General of Chinese Customs, wrote sixty years after the Treaty of Nanking that it was not the Chinese Government which actively opposed foreign commerce, but that the Chinese people did not require it.[1] In order to offset the balance of trade, the only alternative for the Company was to ship treasure. Two hundred years after the formation of the Company, the proportion of silver sent to China in total exports was still high.[2] In fact, the sustained attack of the Company from this angle, especially the mercantilist writers, was a feature of the Company's history.[3] After the Industrial Revolution the home merchants were anxious to expand their overseas markets and thus they opposed the Company's monopoly on the grounds of not selling enough British goods to the East.[4] In 1813 when it was asking for a renewal of its charter, the free traders, including those from Manchester, Glasgow, Blackburn and West Riding, strongly petitioned against it.[5] In the end, the Government yielded to the merchants'

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[1] Sir R. Hart, These from the Land of Sinim (1901), p.61.

[2] Morse, Chronicles, II, p.415

[3] W. Cunningham, op.cit., pp.258-61, 456-8. For the mercantilists' ideas see D.C. Coleman (ed.) Revisions in Mercantilism (1969). For extracts of some important mercantilist works, see P.L. Cottrell and B.L. Anderson (eds.), Development of Money and Banking in England (Newton Abbot, 1974)

[4] A. Redford, Manchester Merchants and the Foreign Trade, 1794-1858, I (Manchester, 1934), pp.108-110

[5] Ibid., p.111

pressure and abolished the monopoly of the Company in India though granting it a further twenty years of privileged trading to China. Thereafter, all other outward trade was "to be opened to all ports of the Empire generally, and homeward commerce to other ports than London, if provided with warehouse and docks". It should be noted that British and Indian merchants had established trading relations with China from their bases in India. These 'country merchants' were licensed by the Company to trade after paying certain fees. So the opening of India was simply an indirect liberalisation of China trade.

Parallel with the advance of the free traders in Britain, the country merchants made considerable progress in their China trade too. At one stage the Company became worried about their destructive effect on its monopoly. So in 1780, it sent strict orders to their representatives at Canton to expel from China all British subjects who were not attached to the Company's factory. Six years later, it even secured a Parliamentary Act which entitled the factory to control 'country merchants' voyaging to China. As a result, the number of 'private English' came down from seven in 1780 to one in 1783.[1] But this action was far from successful in stopping the private merchants because they now posed as officials of other continental countries and, being exempted from the Company's control, had no difficulty in getting into Canton.[2]

Originally, the country merchants brought products from India or the Archipalego, like cotton and pepper, to China to exchange for sugar

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[1] M. Greenberg, British Trade and the Opening of China 1800-1842 (Cambridge, 1951), p.22.

[2] Ibid., p.27.

and sugar candy. As the Indian market for Chinese goods was limited, country merchants usually had a surplus, which the Company, owing to its constant deficit with China, took up to pay for its tea investments. In return, it credited the country merchants with its Bills payable in London or Bombay. Up to this stage their trade was complementary rather than in conflict, so it went on smoothly. When the Company lost its monopoly in Indian trade, British merchants poured into India and consequently, there was a further expansion of the country trade. But the significance lay not only in the expansion of the number of British merchants but also in the changed composition of the goods that they now shipped to China. Increasingly, opium became the export product in which everyone of them was interested.

The import of opium into China by the Company was first referred to in 1733.[1] But it was not until the second decade of the nineteenth century before its volume became really substantial.[2] By 1823, it had outstripped cotton to head the list of Indian exports to China.[3] However, opium smoking was forbidden in China. When China enforced this regulation in the twenties, the opium trade was driven out of Canton, but the country merchants continued this trade by making use of the 'outer anchorages', i.e. deserted islands outside Canton, such as Lintin and Kumsingmoon, from where they smuggled opium to coastal ports by 'opium clippers'.[4] Chinese naval weakness coupled with the corruption of the local administration

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[1]Morse, Chronicles, II, p.215.

[2]See App. I

[3]Greenberg, op.cit., p.81

[4]Opium was first shipped from India to receiving clippers at the 'outer anchorages'. Then a third type of vessel transhipped the opium to the clippers stationed along the coast of China and brought it ashore. For details, see, for instance, B. Lubbuck The China Clippers (Glasgow, 1914), pp.4-5.

were the factors which allowed this illicit trade to go on. The volume of opium imported into China until 1821 averaged only 4,500 chests per year. After the repeated attempts of suppression by the Chinese government, it ironically went up to over 30,000 chests in 1835-6, and 40,000 chests in 1838-9.[1]

Consequently the balance between the import and export in favour of the country merchants was so large that it disturbed the already precarious operation of the Canton trade debt settling system. The country merchants found it extremely difficult to remit the proceeds of their sales back to India or London. Since investment in tea was a monopoly of the Company, and from the onset, the Indian market for Chinese goods was small, huge sums accumulated in the hands of their Canton agencies. Admittedly, there were a number of ways of transmitting them. For instance, the merchants could pay their money into the Treasury of the Select Committee[2] at Canton in exchange for Company bills; but even in the early years of the nineteenth century the Select Committee could accommodate no more than half of their surplus.[3] Besides, the Treasury only dealt with this transaction for a few months in a season, in addition to the fact that the duration of the bills was hardly satisfactory. In 1810 the bills on London were fifteen months sight; in 1821 they were at 730 days sight. In 1826 bills of shorter maturity time were

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[1] See App.I

[2] Select Committee was a management unit in Canton. It was composed of the Company's supercargoes. See pp.43-4 below.

[3] Greenberg, op.cit., p.157. In 1833 the Company's sale of bills only absorbed about one-third of the value of opium imported to Canton, but by 1834 the value of opium imports doubled the amount that the company used for tea investment. See W.E. Cheong, 'Trade and Finance in China: A Reappraisal', hereafter Cheong, 'Trade and Finance', Business History, VIII (1965), p.44.

available but only at a discount of one per cent.[1] Other means of remittance, whether 'respondentia bonds,'[2] company certificates,[3] or Continental Bills,[4] did not satisfy all the demands. Short of available means, most private merchants shipped treasure out of China. However, China forbade its exodus strictly and threatened to stop foreign trade unless the law was observed. By using tactics similar to those in bringing opium ashore, the private merchants could take specie out to their depôts.[5] But as the sale of opium was expanding, it is not difficult to see why the private merchants became increasingly opposed to the monopoly of the Company.

The private merchants, by and by, found a solution to the imbalance in their exchange transactions. From 1808 Americans brought their London bills to Canton and, encouraged by the local shortage of silver, they were eagerly picked up.[6] Some East India houses even offered bills drawn on their own account.[7] Furthermore, the Wars of Independence caused a cessation of the traditional supply of silver from Spanish

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1Greenberg, op.cit., p.157.

2'Respondentia bonds' were loans offered to shippers at Canton to help them to purchase goods and the sum was to be repaid in India within a fixed number of days after the landing of the cargo. But they had to depend on shipping spaces available. There were also frequent disputes over the conditions of the loans and the real value of the cargo.

3They were certificates held by the Company's servants, but their amount was limited and their sights were unsatisfactory.

4They were only occasional rather than regular.

5The only cargo of the opium clippers was opium and silver, Lubbuck, op.cit., p.7.

6W.E. Cheong, 'The Beginning of Credit Finance on the China Coast: The Canton Financial Crisis of 1812-15', hereafter Cheong, 'Beginning of Credit Finance', Business History, XIII (1971), p.92.

7Ibid., p.93.

America for several years after 1826. This caused an exchange crisis at Canton which in turn led to an improvement in the techniques of using bills and transfers.[1] "Thus the private homward trade tended to increase and diversify, while financial methods tended to be simplified and streamlined, both at the expense of the English Company".[2] After the crisis of 1825-7, the regular supply of American bills both enabled the private traders to stand independently of the Company and strengthened them financially. After losing the control of exchange operations, the Company's end was not far.

Unlike the East India Company, the country merchants were optimistic about the future prospects of China trade, and therefore, they were determined to overcome all difficulties. In the Select Committee on East India Company's affairs of 1830, J.F. Davis, then the best sinologist, gave evidence that the Chinese were as independent as any government in the world of foreign trade.[3] Mr. Marjoribanks, who was a former president of the Company's factory at Canton, also supported his view.[4] But the private merchants had an entirely different view. Matheson thought China offerred 'a vast field' of foreign trade.[5] William Jardine was of the opinion that the local Chinese merchants at Canton profited from the British trade as well.[6] In 1831 Jardine, discarding the traditional

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[1] Cheong, 'Trade and Finance', loc.cit., pp.34-47, especially pp.39-47

[2] Ibid., p.44.

[3] British Parliamentary Papers, hereafter B.P.P., 1830, V, House of Commons Select Committee on East India Company's Affairs, p.37, Q. 371.

[4] Ibid., Evidence of Mr. C. Marjoribank, pp.14-37; 52-76, especially Q.178 and 180.

[5] Ibid., p.43.

[6] Therefore, in the stoppage of trade in 1829, 'much distress prevails in Canton and the tea merchants with the silk weavers are becoming very discontented'. William Jardine to Remington and Company (his agency in India), Bombay, India Letter Book, Jardine Matheson Archive, hereafter J.M., ILB, 5·11·1829.

difficulty in selling Lancashire cotton piece goods, set up a special piece goods department and appointed permanent 'confidential agents' in Manchester.[1] By the vigorous effort of the traders, cotton manufactures had become a major branch of China trade by 1833.

As mentioned, the country trade quickly advanced after India had been thrown open. From 1817 onwards, it constituted three quarters of the total British imports at Canton. This level was maintained, except for two years, until the termination of the Company's monopoly in 1833.[2] In a debate in the East India House in 1833, it was claimed that the trade between India and China was three times as much as that between England and China.[3]

The progress of the country trade was the fruit of the efforts of the private merchants which originated from their belief in future development of the China market. But the future of China trade needed stronger diplomatic support. In December 1830 forty-seven private British subjects, including ship captains, petitioned the House of Commons. They argued that China trade was in turmoil under the restrictive Canton system and that it should be placed on a satisfactory basis. "The total failure of both embassies to Pekin [Macartney and Amherst] will forcibly suggest to your Honourable House how little is to be gained in China by any refinements of diplomacy."[4] But on the contrary, the Company was prepared to accept the Canton limitations so much so that the ever expanding and

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[1]Greenberg, op.cit., p.102

[2]See App. II

[3]Greenberg, op.cit., pp.15-6

[4]Quoted in ibid., p.178

ambitious private merchants were frustrated. Their next step, naturally, was to remove its long disputed monopoly.

Several decades after the publication of the Wealth of Nations, its principles were gradually put into practice, both in the direction of the domestic and foreign scene. As far as China trade was concerned, British free traders, manufacturers and theorists alike, impressed partly by the striking success of British manufactures in India after 1813 and partly by the American merchants at Canton, stepped up their campaign for the final opening of the Eastern trade. At this stage, the Liverpool importers of tea were even more anxious than the Manchester shippers of cotton and the Birmingham exporters of hardware. The Liverpool East India Association alleged that the Company had unduly enhanced the price of tea in Britain: it sold tea at 92 per cent over the original price at Canton while the Dutch and American traders were only selling it at 48 per cent advance on the prime cost.[1] On the other hand, the political economists attacked the Company's monopoly from a more abstract standpoint. Sir Henry Parnell, in his widely circulated book, On Financial Reform, attacked all preferential treatments of commerce. He also calculated that the East India Company made the price of tea "exclusively of duty, double what it was at New York and Hamburgh" and imposed "a tax of at least £200,000 a year in the form of increased price."[2] The classical economists were, on the whole, gaining support.[3]

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[1]Redford, op.cit., p.115

[2]Sir Henry Parnell, On Financial Reform, 4th edition (1832), p.5.

[3]For the influence of the classical economists on the officials at the Board of Trade in generating the free trade movement, see L. Brown, The Board of Trade and the Free Trade Movement 1830-42 (Oxford, 1958). But the Board does not seem to have affected the development of the Opium War which will be discussed later.

To come back to the East India Company, early in 1829 the Liverpool East India Association invited the cooperation of the merchants of Birmingham, Bristol, Glasgow and Manchester to free the China trade because the Company's charter was due to be renewed in 1833. For the next few years, they kept up their pressure. When the British Government was inquiring into the matter, they decided to maintain permanently a united delegation in London, with an appointment of a secretary of £300 salary a year.[1] The delegation was, in the main, to propagate the merits of freer China trade. They did not waste their efforts. After a couple of year's struggle, the Parliamentary inquiry of 1832 bowed to the demand of the free traders and refused to renew the charter of the Company. Therefore, the Company's rule of China trade of two hundred years, no matter how superficial the rule appeared to be after the rise of country traders, came to an official termination. It was then 'lawful for any of His Majesty's subjects to carry on trade with any countries beyond the Cape of Good Hope to the Straits of Maggellan".

It is easy to stress the economic significance of the fatal blow to the monopoly of China trade, but one has to remember that, by the early 1830s, private trade had already reached the level of two-thirds of British total trade with China. The expectation of free traders encouraged more people to go to China; the British community in Canton increased from 66 in 1833 to 156 in 1837. Undoubtedly, the volume of trade had increased,[2] but confined by the inelastic Canton system, there was soon an overtrading and a rise in prices of Chinese exports. The merchants soon realised that

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[1] Greenberg, op.cit., p.195

[2] See Tables 3 and 5.

the full blossoming of free trade was at a distance unless the existing Chinese system was removed.

The change was more significant politically. After 1834 the Foreign Office replaced the Court of Directors of the Company; and the superintendent of trade succeeded the supercargoes. In other words, the British Government moved behind the British mercantile interests. The change was so fundamental that one writer claimed that it was "perhaps the most important consequence of 1834."[1]

The efflux of silver from China due to the quickening pace of smuggled opium caused widespread alarm all over China. The shortage of silver led to a higher exchange rate between silver and copper cash in favour of the former and thus an economic imbalance.[2] Local officials repeatedly memoralised the Throne to put an end to the illicit trade. In 1838 Commissioner Lin Tse-Hsu was appointed to take charge of the task. When he arrived in Canton, he ordered foreign traders to surrender all their opium and sign a bond that they would, in future, not take part in the trade. Otherwise he would impose a total stoppage of all foreign commerce at Canton. It should be noted, at this point, that only the opium trade was prohibited; general commerce was, as usual, allowed to carry on. The English merchants, led by Captain Elliot, Superintendent of British trade in China, refused to give in and they left Canton for

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[1] Greenberg, op.cit., p.195

[2] Both silver (sycee) and copper cash were used as means of exchange in China. Their ratio was theoretically 1:1000 although it actually altered according to supply and demand situations. Silver was employed for payment of tax and large transactions while copper cash was used daily. On the eve of the Opium War, the continued efflux of silver led to its favourable exchange over copper and thus added burden to the tax-payments. For detail, see T'ang Hsiang-lung, 湯象龍 Toa-kuang shih-chih ti yin-kuei wan-ti 道光时期的銀貴問題 'The Problem of Dear Silver Between the period of 1820s and 1830s. She-hui K'o-hsueh Chia-chi 社會科學雜誌 Journal of Social Sciences I(1930)

Macao. Finally, the British Government, urged by traders, sent H.M.S. Volage to Chinese waters in August 1839 and the Opium War began.

The interpretation of the Opium War by British contemporaries as well as modern writers differs from that of the Chinese. The Chinese singled out opium as the sole cause while the British would say they fought the whole unfair system. Undeniably, the British merchants were to a certain extent correct: they had been frustrated continuously by their failure to liberalise the cohong system. Whether the war would have been fought without opium, one can never know. But it should be noted that opium was just too important for all British trading parties concerned. Firstly, the opium trade was the business in which almost all country merchants were heavily involved. Both James Matheson and William Jardine transacted almost nothing but opium business during their early years in China.[1] Furthermore, due to the shortage of circulating currency at Canton, opium was used as a media of exchange and later became the only currency generally accepted for payment of Chinese silk and tea.[2] The experience of the Rathbones, a famous house in early Chinese trade, shows that no matter how reluctant the merchants were to engage in opium business, they found that the involvement in the notorious trade was ineviable if they were to carry on profitable business in China.[3] Secondly, opium was also important to the East India Company. The lion's share of the opium shipped to China was from India where the Company had a monopoly of supply, the income of which alone yielded one-seventh of the total

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[1] Greenberg, op.cit., p.107

[2] S. Marriner, Rathbones of Liverpool 1845-73 (Liverpool, 1961), pp.179-80

[3] Ibid., pp.180-6. But William Melrose, who was largely engaged in tea trade, had a different experience. See H.C. Mui and L.H. Mui (eds.). William Melrose in China 1845-1855 (Edinburgh, 1973)

revenue of British India.[1] The House of Commons Select Committee on the East India Company was impressed and reported in 1830 and 1832 that "it does not seem advisable to abandon so important a source of revenue as the East India's Company's monopoly of opium in Bengal".

The general economy of Britain also shared the advantage. After the rapid growth of the country trade, the traditional trade deficit between the United Kingdom and the East had turned into a surplus. In 1803 when the Honourable Company first asked the Bank of England to buy its silver surplus, it was claimed that a reverse movement of silver and gold was setting in.[2] The shipment of treasure out of Britain had two important effects. Firstly, the purchasing power of Britain would fall. Secondly, the direction which specie went was particularly important because of the link between the money in circulation and the volume of treasure in the United Kingdom. This was particularly significant after the 'Palmer Rule' of the Bank of England came into operation. The Rule was to maintain the "desirable" level of "about two-thirds in securities and one-third in bullion" against "all liabilities to pay on demand that is deposited in the widest sense, plus notes".[3] According to Horsefield, the Palmer Rule was in force from 1815, if not as early as 1797, and evidence suggests that the proportion of cash to notes plus deposits was even higher after 1839.[4] Since the United Kingdom produced little bullion itself, its level of reserve in the country depended on the net

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[1] Greenberg, op.cit., p.105

[2] C.N. Parkinson, Trade in Eastern Seas 1793-1813 (Cambridge,1937),p.77

[3] quoted in Sir J. Clapham, The Bank of England, A History,II, 1797-1914 (Cambridge, 1944), p.125.

[4] J.K. Horsfield, "The Bank and Its Treasure", Economica (1940), reprinted in T.S. Ashton and R.S. Sayers (eds.) Papers in Monetary History (Oxford, 1954), p.55 and 65.

balance of payments. If there was a flow of specie abroad, then the circulating medium would, by the operation of the Palmer Rule, decline. As a result, the Bank would raise its discount rate in order to stop the outflow of bullion. Therefore, the market rate of interest would go up and economic uneasiness would follow.[1] Professor Matthews has demonstrated that there was a very close inverse relationship between the level of reserve and the level of discount rate throughout the period 1833 to 1842.[2] This is what is commonly called monetary effect. It has also been found that, during each period of business expansion in the 1850s namely, 1852-3, 1856-7, 1859-60, was preceded by a favourable income balance.[3] It seems likely that a similar phenomenon also existed before 1850. So it is not surprising that the British Government would prefer to maintain, as far as the Eastern trade was concerned, the reverse trend of its former specie exodus. Furthermore, the increasing volume of Indian exports to China had enabled the British manufacturers to sell an increasing amount of goods to India. Manchester merchants, needless to say, favoured the prosperity of India. As charged by a contemporary pamphlet, the opium trade also contributed directly to support the vast

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[1] Professor Matthew suggested that the rise of discount rate would encourage the use of idle funds and credit, and thus, it would not cause any great inconvenience to the trading community. But he would not rule out its disastrous effect on ~~the other~~ more speculative types of business, such as the 'mania' in 1836. See R.C.O. Matthews, A Study in Trade Cycle History, Economic Fluctuations in Great Britain 1833-42 (Cambridge, 1954) pp.180-7 and p.200. However, when panic, very often caused by gold drain like that of 1825 and 1857 came into existence, the Bank would be under very heavy pressure of discounting 'I.O.U.s.' This was particularly true when Professor Hughes has discovered that the creation of exchange bills was proportional to the rise of Bank discount rate i.e. high discount rate as a result of gold shortage would lead to more frequent use of I.O.U.s. See J.R.T. Hughes, Fluctuations in Trade, Industry, Finance. A Study of British Economic Development 1850-1860 (Oxford, 1960), pp.260-1, also 265-7.

[2] Matthews, op.cit., p.175

[3] Hughes, op.cit., pp.64-5.

fabric of British Dominion in the East, through paying the expenses of British establishment in China, and by exchanging for tea, poured revenue into the British Exchequer which benefited to an extent of £6,000,000 annually.[1] Even after the Commutation Act of 1784 which reduced the duties of tea from over 100 per cent. to 12½ per cent, tea from China still made up one-seventh of the total revenue of Britain.[2] In short, the triangular pattern between Britain, India and China could not be completed without the increasing shipment of opium to China. Seen from this light, one should never overlook the role of opium in the Opium War.[3]

The War was fought for three years and ended with the Treaty of Nanking signed in August 1842. The main provisions of the treaty were:

1. An indemnity of $21,000,000 to Britain.
2. The abolition of the co-hung monopolistic system of trade.
3. The opening of five ports to trade and residence of British consuls and merchants and their families: Canton, Amoy, Foochow, Ningpo and Shanghai.
4. The cession of Hong Kong to Britain.
5. Equality in official correspondence between the British and Chinese governments.
6. A fixed tariff, to be established shortly afterwards.

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[1] S. Warren, Opium (1839)

[2] Greenberg, op.cit., p.3.

[3] The late Judith Williams saw a British concession policy towards China before 1838. She did not, however, appear to have recognised the importance of the opium trade. See her British Commercial Policy and Trade Expansion, 1750-1850 (Oxford, 1970), p.400.

A supplementary treaty was signed in October 1843 which fixed the import duty from four to thirteen per cent. ad valorem, with an average of five per cent. The export duty on the other hand, ranged from 1·5 to 10·75.per cent.[1]

The most ironic point was that opium - the immediate cause of war - was not mentioned in the treaty. It did not gain a legal right to enter China until the Treaty of Tientsin in 1858. Both the British and Chinese governments did not make any constructive solution to the opium problem. Between 1842 and 1858 it continued to be smuggled into the coastal ports. The significance of the Treaty of Nanking was that the British, after continuous struggles, had eventually forced China to accept the western idea of international trade. The cession of Hong Kong to Britain gave the British a foothold in the south of China where good facilities for trade were gradually set up. Thereafter, the British became the most important group of foreign merchants in the trade of China.

II The Analysis of Trading Commodities and Trade Balance

Historians of British overseas trade before 1854 are faced with the problem of the unsatisfactory trade statistics. Although official national trade statistics begin in 1696, they are hardly accurate. The poor method of valuation was mainly responsible. Before 1798 exports were declared by merchants in quantity only. Their 'official values' were then calculated by multiplying the volume of items with their official prices assigned by the Inspector-General of Customs. There is

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[1] S. Wright, Hart and the Chinese Customs (Belfast, 1950), p.58.

ample evidence that the 'official prices' only changed occasionally after 1702. In fact, the ones in 1750, 1780 and later, remained the same as those in the early eighteenth century.[1] Thanks to the effect of the French Revolutionary War, the Customs made some adjustments after 1790. From 1798 onwards, export values were declared by merchants who, of course, valued their stock by their current prices. No effort, nonetheless, was devoted to improve the nature of import and re-export values until 1854.

Many scholars have attempted to revaluate these trades statistics, the most notable of whom are Schlote and Imlah.[2] But they only re-worked aggregates upon which analysis of individual countries cannot be based. More recently, Professor R. Davis has, after compiling an index from the price movement of each major commodity, re-evaluated the British overseas trade series from 1784 to 1856. It is the most comprehensive work so far.[3] However, due to the huge amount of labour required, he could only revise three annual trade returns in each decade. So far as the Anglo-Chinese trade is concerned, there is one more limitation; China was not separately listed in the Customs Books until 1834. All China entries were hitherto attributed to Asia generally. H.B. Morse, drawing on the East India Company's factory records, has also estimated the trade between Britain

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[1] R. Davis, 'The Industrial Revolution and Overseas Trade', (unpublished Social Science Research Council report, August 1973), pp.4-5.

[2] W. Schlote, British Overseas Trade from 1700 to the 1930s, translated by W.O.Henderson, (Oxford, 1952), Schlote bases his estimates on an overall price index. His method is unsound to measure individual commodities. A.H. Imlah has based his estimates on price indices of individual commodities but there is neither breakdown of countries nor commodities. See his The Economic Elements in the Pax Britannica (Cambridge Mass., 1958)

[3] It should be noted that the estimates did not take into account of the smuggling from the Continent. Professor W.A. Cole, basing his studies on tea, suggested smuggling had been increasing before 1745. After some slow down, it reached another climax in the 1770s and declined after Pitt's Custom Reform in the next decade. For detail see his 'Trends in Eighteenth Century Smuggling', Economic History Review, hereafter E.H.R., 2nd series X(1958). Professor Cole's theory was criticised by H.C. Mui, and L.H. Mui, see their'"Trends in Smuggling" Reconsidered', ibid., XXVIII(1975); see also Professor Cole's reply to their comments in the same issue.

and China under the Company.[1] His work is subject to two criticisms. First, his estimates only became more precise from 1817. Secondly, they were realised values at Canton which pose a problem of direct comparison with those derived from the British Customs records.[2] Therefore extreme caution must be borne in mind when using these figures.

The Anglo-Chinese trade in this period, imports and exports alike, was concentrated on a few commodities. Imports from China were, in the main, composed of silk and tea, and to a very minor extent, some cotton piece goods generally known as Nankin cloth. When the trade began, silk manufactures and raw silk topped the list although tea grew rapidly. Until 1702, silk remained the Company's more popular investment at Canton. In the Company Directors' instruction to the fleet sent to Canton that year, it was stated that the quantity of tea was to be "contingent on the quantity brought home by previous ships", but the supercargoes must "endeavour to buy up as much raw silk as (they) can."[3] But it did not take long for tea to become a popular drink in Britain. Two ships were despatched to Canton in 1718, and each of them was ordered to take in "tea as much as the ship can conveniently stow."[4] By and by, tea displaced silk as the staple of the imports. In 1822 a total of Taels 211,850 of tea was brought into England while the total silk import was only at Taels 83,700.[5] The quantity of tea imports

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[1]Morse, Chronicles III and IV (Oxford, 1926)

[2]British exports were on f.o.b. basis while imports were calculated by c.i.f. Morse estimates were market prices at Canton.

[3]Chronicles I, p.125.

[4]Ibid., p.158.

[5]Ibid., p.172.

increased from 5,985 lb. in 1722, 20,065,728 lb. in 1818.[1] The average during the period 1821-30 was 31,134,000 lb. while in 1853, a quantity of 68,640,000 lb. was shipped to the United Kingdom.[2] In monetary terms, the tea imports averaged £2,587,000 during 1784-86, £4,616,000 during 1814-16 and rose to a mean of £5,176,000 during 1854-56.[3] The value more than doubled in seventy years. Silk still ranked the second place by value in the import list. The average value of raw silk alone amounted to £568,000, 1784-86, £1,145,000 1824-26 and rose to £3,707,000, 1854-56.[4] All other products were negligible.

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[1] Ibid., p.172 and Table 2 .

[2] See Table 2 and 3

[3] See Table 1. Figures before 1834 were of Asia rather than Chinese. But as China was almost the sole supplier of tea at that time, it might be safely assumed that all the tea was imported from China.

[4] See Table 1. Since China was almost the monopolistic producer of Asian silk during that period, the Asian can be taken as the Chinese totals.

TABLE 1

Revised Values of Imports of the United Kingdom from China, 1784-1856, with Total Imports of the United Kingdom (Annual Averages in £000's, at Current Prices).

Year	1784-6		1794-6		1804-6		1814-6	
Commodity	Asia, inc. China	U.K.	Asia, inc. China	U.K.	Asia, inc. China	U.K.	Asia, inc. China	U.K.
Raw silk	568	1,218	448	1,161	504	1,802	833	2,557
Tea	2,587	2,587	2,788	2,794	3,957	3,957	4,616	4,616
All others	1,797	18,956	4,104	33,962	3,550	49,799	6,347	64,623
Total	4,952	22,761	7,340	37,917	8,011	55,558	11,796	71,796

Year	1824-6		1834-6		1844-6		1854-6	
Commodity	Asia, inc. China	U.K.	China	U.K.	China	U.K.	China	U.K.
Raw silk	1,145	3,483	871	4,383	852	4,002	3,707	6,964
Tea	4,121	4,121	3,696	3,846	2,874	2,908	5,176	5,305
All others	5,753	58,785	87	62,036	214	75,053	180	139,312
Total	11,019	66,389	4,654	70,265	3,940	81,963	9,063	151,581

Source: R. Davis, The Industrial Revolution and Overseas Trade. (unpublished Social Science Research Council Report, August 1973).

Official Values of Total Imports into the United Kingdom from China, 1792-1828, with the Quantity of Staples. (in £000's and at current prices).

Year	Tea lbs.	Silk lbs.	Total £
1792			2,306
1793			2,900
1794			4,115
1795			4,702
1796			1,060
1797			2,793
1798			7,578
1799			2,609
1800			2,667
1801			5,157
1802			4,646
1803			5,204
1804			4,561
1805			4,829
1806			3,740
1807			2,156
1808			6,125
1809			3,749
1810			3,391
1811			3,661
1812			3,661
1813			N.A.
1814			N.A.
1815			N.A.
1816			N.A.
1817			N.A.
1818	20,066	147	3,598
1819	23,750	141	4,257
1820	N.A.	N.A.	N.A.
1821	30,148	271	4,750
1822	30,731	275	4,749
1823	27,363	223	4,158
1824	39,047	393	4,595
1825	29,346	293	4,949
1826	29,840	143	4,436
1827	39,746	405	4,295
1828	32,679	208	5,110

Source: Before 1791, B.P.P. 1806-7, IV, China: Value of British Manufactures exported to China..., 1773-1805

From 1792-1811, B.P.P. 1812-13 VIII. Trade Between India, China and Great Britain 1792-1811.

From 1818-19, B.P.P., 1820, VI, East India Trade: Exports to India and China from Great Britain, 1818-19.

From 1821-23, B.P.P. 1823, XVII, Trade between Great Britain and the East Indies and China, 1814-1823

From 1824-28, B.P.P., 1828, XXIII, Statistics of Trade Between Great Britain, the East Indies, and China..., 1824-28

Note: From 1818 onwards, accounting years ended January 5.

TABLE 3

Official Values of Imports into the United Kingdom From China, with the Quantity of Staples, 1825-1853.[a] (in £000's at current prices).

Year	Tea		Silk		Others	Total
	lbs.	£	lbs.	£	£	£
1825	29,346	2,935	123	45	102	3,082
1826	29,840	2,984	170	62	86	3,133
1827	39,746	3,975	128	47	75	4,097
1828	32,679	3,268	213	78	135	3,481
1829	30,544	3,054	121	44	128	3,227
1830	31,898	3,190	19	7	35	3,232
1831	31,649	3,165	8	3	39	3,207
1832	31,709	3,171	28	10	26	3,207
1833	32,058	3,206	22	8	53	3,266
1834	32,029	3,203	583	214	90	3,507
1835	42,052	4,025	738	272	88	4,565
1836	48,521	4,852	1,282	474	97	5,423
1837	36,502	3,650	1,808	703	180	4,534
1838	38,999	3,900	722	279	131	4,310
1839	37,192	3,719	361	130	129	3,978
1840	22,576	2,258	248	91	40	2,389
1841	27,640	2,764	277	102	99	2,965
1842	37,410	3,741	180	66	149	3,956
1843	42,779	4,278	275	110	243	4,632
1844	51,754	5,175	353	141	249	5,566
1845	50,715	5,071	1,176	437	313	5,821
1846	54,534	5,453	1,837	678	511	6,643
1847	55,356	5,536	2,022	748	419	6,703
1848	47,347	4,735	2,241	862	222	5,819
1849	53,102	5,310	1,862	696	165	6,171
1850	49,368	4,937	1,812	700	212	5,849
1851	69,488	6,949	2,099	842	181	7,971
1852	65,295	6,530	2,470	945	238	7,713
1853	68,640	6,864	2,996	1,211	180	8,256

Source: B.P.P., 1859, XXIII, Sess. 2 "A Return for Each Year Since 1813, of the Value, Computed or Declared, of the Manufactures and Produce Exported from the United Kingdom to India and China and Imports into the United Kingdom from India and China".

Note: Tables 2 and 3 are not strictly comparable. Though both tables are made up from accounts published by Parliament, there is some inconsistency in the value of the total imports. Different accounting dates probably provide the explanation.

TABLE 4

Revised Values of Exports to China from the United Kingdom, 1834-56, with the Value of Total Exports of the United Kingdom. (Annual Averages in £000's at Current Prices).

Year	1834-6		1844-6		1854-6	
Commodity	China	U.K.	China	U.K.	China	U.K.
Woollens	395	6,737	124	7,412	162	8,778
Woollen yarn	1	584	/	2,122	/	3,942
Cotton piece goods	220	16,719	441	18,560	687	27,601
Cotton yarn	128	5,679	22	7,275	75	7,307
All others	57	16,474	50	23,051	176	54,873
Total	3,801	46,193	637	58,420	1,100	102,501

Source: See Table 1

TABLE 5

Values of Exports to China from the United Kingdom, 1773-1828,
(in £000's at Current Prices)

Year	Woollens	Cottons	All Others	Total
1773				79
1774				92
1775				98
1776				92
1777				122
1778				87
1779				104
1780				180
1781				67
1782	NOT	AVAILABLE		105
1783				119
1784				175
1785				264
1786				240
1787				362
1788				395
1789				463
1790				538
1791				568
1792	538		94	632
1793	650		99	749
1794	696		143	839
1795	647		108	755
1796	584		113	697
1797	447		101	548
1798	447		103	550
1799	787		74	861
1800	826		90	916
1801	881		138	1,019
1802	983		126	1,109
1803	1,139		72	1,211
1804	1,203		119	1,322

TABLE 5 (Continued)

Year	Woollens	Cottons	All Others	Total
1805	1,050	N.A.	108	1,158
1806	1,155	N.A.	67	1,222
1807	1,142	N.A.	172	1,314
1808	1,082	N.A.	109	1,191
1809	971	N.A.	71	1,042
1810	825	N.A.	108	933
1811	896	N.A.	67	964
1812	N.A.	N.A.	N.A.	N.A.
1813	N.A.	N.A.	N.A.	N.A.
1814	829	N.A.	83	912
1815	705	N.A.	76	781
1816	858	N.A.	51	909
1817	624	N.A.	49	673
1818	673	N.A.	22	685
1819	569	N.A.	27	596
1820	N.A.	N.A.	N.A.	N.A.
1821	714	5	30	747
1822	722	5	137	864
1823	623	-	46	669
1824	675	6	27	708
1825	532	-	80	612
1826	652	2	91	745
1827	757	12	83	852
1828	413	21	60	494

Source: See Table 2

TABLE 6

Declared Values of Exports to China from the United Kingdom, with Quantity if available, 1827-1853[a] (in £000's and at current prices)

Year	Cotton Manufacture £	Cotton Yarn		Woollen & Worsted Stuffs		Woollens (excl. Stuffs) £	All Other £	Total £
		lbs	£	lbs	£			
1827	67	/	/	120	274	187	82	610
1828	72	232	20	178	406	213	75	786
1829	58	305	14	135	286	205	64	628
1830	49	309	14	169	311	163	27	565
1831	78	497	31	153	257	143	39	548
1832	32	240	15	162	259	207	33	546
1833	51	300	15	168	284	251	30	631
1834	165	952	56	70	167	416	40	845
1835	292	2,833	170	110	209	319	85	1,075
1836	370	3,159	213	121	252	408	83	1,326
1837	273	1,874	104	60	135	112	55	678
1838	523	3,851	217	127	184	226	55	1,204
1839	387	1,390	77	100	176	159	53	852
1840	238	1,774	89	64	104	60	33	524
1841	423	3,402	157	55	116	96	70	863
1842	470	5,775	246	62	107	39	106	969
1843	655	5,684	217	125	258	160	166	1,456
1844	1,458	3,399	118	170	345	220	165	2,306
1845	1,635	2,610	100	133	246	293	120	2,395
1846	1,025	5,368	222	106	212	228	105	1,791
1847	849	4,104	164	114	242	149	100	1,504
1848	809	4,572	142	131	268	112	115	1,446
1849	883	3,353	118	132	254	116	165	1,537
1850	894	3,116	127	107	180	225	148	1,574
1851	1,410	4,319	189	103	188	186	188	2,161
1852	1,652	6,639	254	126	223	211	164	2,504
1853	1,210	5,235	198	64	119	84	138	1,750

Source: See Table 3

a. See Table 3

According to Professor Davis' estimates, the average value of tea imported from China was £4,121,000 between 1824 and 1826 but sank to £3,696,000 between 1834 and 1836, after the abolition of the East India Company's Charter, and dropped even lower to £2,874,000 between 1844 and 1846 before rising to £5,176,000 between 1854 and 1856.[1] It does appear, in monetary terms, that the victory of free traders did not produce an immediate positive effect on the British imports from China. However, a glance at the quantity of the two staple imports gives a different picture. The quantity of tea imported into the United Kingdom from China averaged 32,163,000 lbs during the years 1825-33; it jumped to 36,991,000 lbs during 1834 to 1842 and rose again to 55,307,000 lbs. during 1843 and 1853.[2] The volume of imports of silk from China displays a similar movement. It averaged 92,000 lbs. in the first corresponding period, then rose to 689,000 lbs in the second and increased further to 1,740,000 lbs in the third. Although the Opium War, fought between 1839-42, might have depressed the normal level of imports, thus causing a downward bias in the mean of the second period, a rising trend of British imports from China after the free traders had won is undisputable.

British exports to China were also limited to a narrow range of commodities. Down to the early nineteenth century, the most important category, putting bullion aside, was woollen products. To cite the

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[1] See Table 1. Overtrading and the financial crisis of 1837 were the causes. See S.G. Checkland, The Gladstones, A Family Biography (Cambridge, 1971), p.323.

[2] See Table 3.

study of Professor Davis again, the average annual value of woollen manufactures exported to China during 1834-36 was £396,000.[1] However, the structure of the exports gradually changed with a rise in cotton goods. Parliament had published some trade returns on China from the early eighteenth century, but cottons did not get a separate listing until 1821. But the success of the Industrial Revolution enabled cotton exports to grow continuously and, from 1837 onwards, its declared value surpassed the woollens,[2] and carried on to expand at an even faster rate. In 1844-46, its revised average was £463,000 while that of woollens was only at £124,000. In 1854-56, when the total mean value of cotton exported to China reached £762,000 that of woollens was less than one-sixth of this sum.[3] British exports in the '30s in aggregate moved downward to the '40s. The downward trend was caused by the Opium War but the total value of British exports to China rose again in 1854 to 1856. (See Table 4).

It has already been mentioned that China was basically a self-sufficient country with a relatively efficient textile industry down to the nineteenth century. So the English merchants found it extremely difficult to sell their goods to the Chinese market. But in the eighteenth century the English law required that all the Company's ships despatched to China should carry at least one-tenth of goods which were "the growth produce or manufacture of the United Kingdom."[4] No ship going to China, however, could dispose of more than that proportion until the middle of

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[1] See Table 4

[2] See Table 6

[3] See Table 4

[4] Chronicles I, p.67.

the eighteenth century.[1] In fact, the British goods were 'tructed' to the Chinese merchants, who agreed to take them because the British bought their products. Therefore, the English goods were often sold at losses. For instance, the Company had an overall loss of three per cent of its exports to China in 1775,[2] and the phenomenon was not uncommon in the eighteenth century although the situation somewhat improved towards the end of the Company's rule.[3] As for Chinese products such as tea and silk, the Company always wanted to ship them out. Naturally the trade balance was always in favour of China. Failing to induce the Chinese to take more English products, the Company shipped silver. This was the custom which lasted until 1805.[4] In 1719 the Company's ships carried nine-tenths of their cargoes in silver; the same proportion, if not higher, was also sent in 1728.[5] As already seen, this was exactly one of the reasons why the Company was severely criticised.

To get a precise trade balance between China and the United Kingdom is impossible due to the absence of accurate statistical data. That it was in China's favour is, however, out of the question. Professor Davis' work

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[1] Ibid., p.67.

[2] Chronicles, II, p.6.

[3] The loss of English goods in 1789 was 1·6 per cent. Ibid., p.173. After comparing the lading down cost and realised value, it is found that the woollens, cotton goods, iron and Bengal cotton were also at losses in 1821. See Chronicles III, p.2. But the Company had a profit of selling English goods in 1824, 1825 and 1830. See Chronicles IV, pp. 88, 102 and 223.

[4] W.E. Cheong, 'Trade and Finance', loc.cit., p.40. As a matter of fact, the Company still sent silver to China four times after 1805 each of which was to relieve a crisis at Canton.

[5] Chronicles, I, p.159 and pp. 185-6

gives some more reliable estimates from 1834. The deficit of the United Kingdom averaged £3,853,000 during the period 1834-36, £3,303,000 during 1844-46 and £7,963,000 during 1854-56. However, British import values were taken by c.i.f. (cost, insurance, freight) while export values by f.o.b. (free on board). Imlah has suggested that, on balance of import and export charges, British merchants made a profit and if British overseas trade as a whole can be applied to Anglo-Chinese trade, at least 7.5 per cent. of the total value of British imports from, and British exports to, China should be added to the credit side of British balance of payments with China.

Taking the total value of China trade, China was hardly a major trading partner of the United Kingdom. Accurate estimation is not available before 1834. But in 1834-36, China only constituted 1·7 per cent. of total British exports; it even dropped to 1·1 per cent. in the period 1844-46 and remained more or less the same level during 1854-56. The share of Chinese imports into the United Kingdom, was 6·6 per cent. during 1834-36; 4·8 per cent. during 1844-46 and just under 6 per cent. during 1854-56. Professor Platt is correct, judging from the aggregates at least, when he argues that British businessmen were still looking towards the development of trade at home, colonial, northern European and North American markets rather than the informal Empire in Latin America, the Levant or the Far East.[2] But when he discards the importance of Chinese market which "made no real impact on the international loan market until the mid-nineties",[3] his argument has to be qualified. The real significance of China trade to the United Kingdom in this period is disguised in aggregate terms; it rather lies in the fact that China was

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[1] A.H. Imlah, Economic Elements in the Pax Britannica (Cambridge Mass., 1958) pp.47-8.

[2] D.C.M. Platt, 'Further Objection to an 'Imperialism of Free Trade', 1830-60', E.H.R. 2nd series, XXVI (1973), p.88. For the 'Imperialism of Free Trade', see J.A. Gallagher and R.E. Robinson, 'The Imperialism of Free Trade', E.H.R. 2nd series, VI (1953), pp.1-15.

[3] Platt, loc.cit., p.88. My italics.

the monopolistic supplier of tea and almost to the same extent, the producer of silk in Asia. According to Professor Davis, the consumption of tea in the United Kingdom kept rising from 1784 onwards. In monetary terms, it more than doubled during the seventy years between 1794 and 1854. The consumption of raw silk went up almost six times in the same period; China's importance is clearly shown by the following facts. In the mid-nineteenth century China supplied 98 per cent. of all the tea that the United Kingdom imported. From 1794 to 1836 virtually the whole consumption of tea in the United Kingdom came from China. Chinese silk was also important though it did not have such a commanding position. Its share in total value of the import of raw silk from 1794 was 46·7 per cent. The proportion then fluctuated around one-third but rose to more than half between 1854 and 1856. In addition, there were some fine silk products from China. Secondly, China was linked with India and Britain to form a triangular pattern of trade, in which India could not increase its consumption of Manchester goods without shipping opium to China.

This was one side of the triangle. The trade deficit of the United Kingdom with China continued to be off-set by the Indian surplus to China. Between 1834 and 1845, an average of just under £4m. Indian merchandise was exported to China in which opium accounted for two-thirds and raw cotton for the majority of the remainder; Indian imports from China at that period was about half a million.[1]

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1 A.J. Sargent, Anglo-Chinese Commerce and Diplomacy (Oxford 1907), p.127.

To balance the trade, the long established mode of shipping out silver prevailed despite the prohibition of the Chinese law. The total shipment of opium from India between 1835 and 1839 averaged 34,702 chests.[1] After some set backs in the early 1840s, because of the restrictive measures of Commissioner Lin and the disturbances of the Opium War, Indian opium exports rose steadily to 46,000 chests in 1848 and 66,574 chests in 1853.[2] When the import of opium became legalised in 1858, there was a further increase. This side of the triangle continued to operate long after 1853.

III British Investment in China Before 1854

Foreign investment in China was obstructed before 1842 because the Chinese government did not allow foreign merchants to stay at Canton after the annual trading season. However, there had to be somebody to shoulder the responsibility of the disposal of and the purchase of goods. Prior to the eighteenth century, this was the job of the supercargoes of the ships. From 1770 onwards, the Company's supercargoes[3] were no longer ordered back into their ships after they had completed their duty. Instead, they were to form a body, the 'Select Committee',[4] or the Factory, to handle the business in China

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[1] H.B. Morse, The International Relations of the Chinese Empire, hereafter International Relations... Chinese Empire, I, (1910), p.556, Table G

[2] Ibid., p.556.

[3] In the eighteenth century, the term was to mean the officer on board of a merchant ship to handle the trade generally. But it was later used to label the agent who managed a merchant's business in China.

[4] Chronicles, II, p.2.

under the direction of the London headquarters. The Select Committee consisted generally of twelve supercargoes who would retreat to Macau after the trading season. The supercargoes not only traded for the Company, they also acted as agents of the country merchants. Their income from this outside source must have been substantial. In 1782 the Court of Directors in London, alarmed by the scale of the activity of private merchants, decided to set up a permanent 'House of Agency' to transact the business of the private sector on commission.[1] The supercargoes viewed this proposal with hostility because it would deprive them of their private earnings.[2] The country merchants also resisted the new arrangement and after a short time, the 'House of Agency' was abolished and the Factory was active again. Apart from the transaction of trade the Select Committee also assumed exchange business. It has already been explained that the Company was in constant deficit with China; on the other hand, the country merchants often had funds at their disposal at Canton but could not make use of them since they had little opportunities for investment. To save the trouble of shipping out silver in violation of the Chinese law, they put their funds into the Treasury of the Select Committee and exchanged them for Company bills drawn on London or India. The Company, apparently, was happy to have cash for their investment in tea and silk. In the mean time, the supercargoes, having substantial private business of their own, also paid sums into the Treasury against bills on London in

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[1] Ibid., pp.195-6

[2] Ibid., p.206

favour of their nominees.[1] The exchange transactions, it can be recalled, came under increasing pressure after the rise of the opium trade.

Side by side with the Company's Factory, there was the private Agency House, which Greenberg has called 'the characteristic unit of private trade with the East'.[2] Being the actual manager of trading at Canton, it was the link between Great Britain and 'backward' areas such as China.

When the Honourable Company had a virtual monopoly of the China trade, private merchants could only trade with China from footings in the East, mainly from India, under license of the Company. In 1764 a private merchant, George Smith, was allowed to go to Canton to wind up his business.[3] During the 1770s, some private merchants were recorded in the names of residents of Canton. When the country trade began to prosper and its proceeds of sales were ready to avail the Company's fund for tea investment, the latter found it their advantage to encourage it. Two prominent British firms, Jardine Matheson and Company and Dents and Company were formed in 1782 and 1813 respectively.[4] In 1831 there were already five British firms and twenty-one merchants

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[1] Ibid., p.26

[2] Greenberg, op.cit., p.144

[3] Ibid., p.20

[4] Ibid., p.22. For a complete genealogy of the Jardine, Matheson and Company, see App. I of the book.

at Canton, in addition to forty-one Parsees.[1]

Opium was the crucial business of Agency Houses. Magniac, forebearer of Messrs. Jardine, Matheson told the Lords Committee on the East India Company of 1830 that his firm, which was the largest at Canton, engaged "almost entirely in opium as a matter of business, and in goods, as far as remittance required, from China only".[2] W.S. Davidson, who laid down the foundation of Dent and Company, did opium business to a very great extent. Both James Matheson and Jardine traded almost nothing but opium during their early years in China.[3] In return, they shipped Chinese goods such as sugar and sugar candy to India; and after the 1820s they transhipped goods to the United Kingdom through Singapore.

As suggested by their name, Agency Houses also acted as agents for making sales, purchases and other kinds of service for both the Chinese and foreign merchants on commission. In the early days, there was a fixed rate of charges, but in actual practice, it varied according to the prestige of the agent. In 1831 the charge ranged from half per cent. for effecting insurance to five per cent. for making sales and purchases of all other goods except opium, cotton, cochineal, quicksilver and precious stones.[4] But the charges were cut when competition became keen.

Agency Houses, though primarily trading firms in nature, also dealt with other branches of business arising from necessity. These

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[1] The five firms were Magniac and Company, Thomas Dent and Company, Ilberry, Fearon and Company, Whiteman and Company and Turner and Company.

[2] B.P.P., 1830, House of Lords Select Committee on the Affairs of the East India Company, p.429

[3] Greenberg, op.cit., p.107

[4] Ibid., p.149.

transactions included banking, bill-broking, shipping, insurance purveying, etc. Modern banks did not exist in China before the 1840s. From the beginning banking operations were carried on by private merchants; the granting of credit was necessary in the distant commercial transaction of the China trade. Interest rates were very high at Canton, usually at one per cent. per month. Furthermore, exchange banking easily prospered in the China trade in which there were always funds in excess of that needed to be remitted back to India and London. Loans to the Chinese hongs were also profitable because the Chinese merchants were noted for their faith. In fact, the last mentioned item was the motive of the first private Englishman who went to China in the 1770s.[1] Lastly, Agency Houses assumed many of the ancillary services of a modern bank, acting as trustees and executors, granting letters of credit to travellers, supplying financial wants and even undertaking the job of investment brokers - mainly in opium.

Insurance was another major business which was indispensable, especially when the China trade involved highly-risky goods like opium and treasure. Until 1801 there was not a single insurance house of any kind at Canton; but several merchants had combined in a temporary association to underwrite ships or their cargoes up to a maximum of $12,000.[2] As the country trade flourished, it became increasingly necessary and profitable to run insurance business. A number of Calcutta insurance offices began to appoint their Canton agents. In

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[1] Ibid., pp.20-1

[2] In Mexican dollars, ibid., p.171

1805 the Canton Insurance Society, the first insurance house in China, was founded. It was alternatively managed by the two most powerful firms - Davidson-Dent and Neale-Magniac (Jardine and Matheson). The society was to be wound up every five years and a new firm was to be established. It had a number of shares, usually sixty, but participation in the concern was confined to prominent merchants. In the mean time, each Calcutta house had an insurance office of their own, with agents at Canton. In 1829 Jardine started a new underwriting account, 'J.M. and Friends' which was to be liquidated each year. As the insurance business became very profitable, Dents formed their own China Insurance Company in 1835 and therefore the Canton Society came to be solely in the hands of Jardines.[1] One point of note is that though the insurance ventures in this period were in the form of partnership, their owners seemed to have recognised the danger of liability to the last penny and ran them with some sort of precaution by winding them up regularly.

Shipping business was equally successful. Agency houses first acted as resident agents or supercargoes for country ships. When opium trade began to develop they, being heavily engaged, built up their own fleets, particularly in the 'outer anchorage' period. At the outbreak of the Opium War, Jardine Matheson and Company, for instance, had a fleet of twelve ships.[2]

Expansion of trade after 1834 required more facilities, both intensively and extensively. Modern exchange banks were emerging. Previously, the East India Company had obstructed every attempt to

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[1] Ibid., pp.172-3

[2] Ibid., App. II on p.224.

establish exchange banks on the grounds that they would undermine its business.[1] The Oriental Banking Corporation, which opened a branch at Hong Kong and Canton in 1845, was the first European bank that operated in China.[2] By 1850 it had already extended to Shanghai, with a capital of £600,000,[3] and soon became the most prominent bank during the sixties and seventies in China.[4] Following its lead in China the Chartered Bank of India, Australia and China, and the Hongkong and Shanghai Banking Corporation were subsequently established.

Since the long voyages of the China trade often damaged ships modern shipyards were opened in China. The first one was opened in 1843 at Canton by Mr. J. Couper, a former employee of the Peninsular and Oriential Shipping Company, under the title of Couper Dock.[5] It

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[1] A.S.J. Baster, The Imperial Banks (1929), pp.88-104. See also J. Leighton-Boyce, 'The British Eastern Exchange Banks: An Outline of the Main factors affecting their Business up to 1914', in C.D.Cowen (ed.), The Economic Development of South East Asia (1964).pp.20-1.

[2] Wang Ching-yü, 汪敬虞 'Shih-chiu-shih-chih wai-kuo chai-hua ying-hang shih-lih ti kang-chang chih chih tui chung-kuo tung-shang hou-ngang chin-yung shih-chang ti kung-chih' 十九世紀外國在華銀行勢力的擴張及其对中國通商口岸金融市場的控制 ('The Expansion of Foreign Banks in China and Their Control of the Financial Market in the Treaty Ports'), Li-shih Yen-chui 歷史研究 (The Study of History), (1963), p.51. See also A. Wright, Twentieth Century Impressions of Hongkong, Shanghai and Other Treaty Ports of China (1908), p.116

[3] Baster, op.cit., p.105

[4] A.S.J. Baster, 'The Origins of the British Exchange Banks in China', Economic History, III(1934), pp.142-3

[5] Wright, op.cit., p.196

was amalgamated with the Hongkong and Whampoa Dock Company in 1863 and was put into the control of Messrs. Jardine, Matheson and Company. A concern known as the Pootung Dock Company was opened at Shanghai in 1853.[1] In the sixties and seventies more shipyards came into operation. Other modern British industrial investment in China included a druggist, the J. Llewellyn and Company, and some printing companies such as the London Missionary Society press and the North China Herald founded in 1843 and 1850 respectively.[2]

Due to the emergence of specialised services, Agency Houses had to make adjustments. The 'prince firms', having expanded and diversified their business simultaneously, did not lose their importance. In fact, it was Messrs. Jardine Matheson and Company, incorporated in Hong Kong, that initiated subsequently a series of projects of considerable scale in China. After examining Anglo-Chinese trade and finance in the pre-1854 period, the rest of the thesis will be devoted to the details between the sixty-one years 1854 to 1914.

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[1] Sun Yü-tang, 孫毓棠 Chung-jih Chia-wu chan-cheng Chien Wai-kuo tzu-pen tsai Chung-kuo ching-ying ti Chin-tai kung-yeh 中日甲午戰爭前外國資本在中國經營的近代工業 (Foreign Investments in Modern Industries in China before the Sino-Japanese War of 1894), (Shanghai 1956), p.11.

[2] For details, see Ibid.

Chapter Two: THE FOREIGN TRADE STATISTICS OF THE UNITED KINGDOM AND CHINA: THEIR COMPARABILITY AND ACCURACY, 1854-1914.

I. The Foreign Trade Statistics of the United Kingdom, 1854-1914.

Like the international trade statistics over a long range of time of other countries, there were changes in the method and basis of compiling British import and export accounts and as a result, British foreign trade statistics in 1914 neither measured the same commodities nor measured them in the same way as those in 1854. Although it is impossible to reconstruct the British trade series between 1854 and 1914 so as to place them on a strictly comparable basis, it is necessary to bear the alterations in the compilation system in mind before basing one's analysis on foreign trade returns. It has been mentioned in chapter one that the valuation of British exports was put on the modern 'declared' system from 1798; but imports and re-exports were continued to be valued 'officially' until 1854 when the system of 'computed real value' was introduced. The previous method of assigning 'official values' to the goods, at 1694 prices, was more or less abandoned, although calculations based on them continued to be published in the Finance Account in the overseas statistics until 1869. The difference between the 'computed real value' and the 'official value' is the basis of valuation. The new method was summarised officially as being:

> "the average annual prices fixed for the valuation are, principally, those of the London and Liverpool markets. In each place one gentleman was specially employed to obtain prices for the Custom House. Many of the principal merchants and brokers were consulted, and also some of the Chambers of Commerce. The prices used and specified in the Accounts are for the articles in Bond, including all the charges of freight and landing, but exclusively of duties."[1]

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1. British Parliamentary Papers, hereafter B.P.P., 1854-55, LI. Annual Statement of Trade for the year 1854, p.iii.

So the basis of valuation of commodities was re-established on their current prices -- a long-awaited remedy to remove the limitation imposed by the method based on their prices ruling over one and a half centuries before. The new system was known generally as the c.i.f. (cost, insurance and freight) valuation of imports and this was the general practice subsequently adopted by other countries. Changes also took place in the presentation of records. Beginning in 1853, the overseas trade statistics of the United Kingdom appeared in an independent volume -- the Annual Statement of Trade and Navigation of the United Kingdom with Foreign Countries and British Possessions, better known as the Annual Statement of Trade, which was published as a Parliamentary paper.

Another improvement was made in 1871 when the 'declared' system was extended to imports and re-exports. It is not certain whether this change in valuation causes any discontinuity in the series. Sir Robert Giffen, who was at one time the Statistical Secretary of the Board of Trade, expressed his scepticism in a paper presented to the Royal Statistical Society in 1882, mainly because merchants did not - either intentionally or unintentionally - declare the origin and value of their goods accurately.[1] Errors could occur more easily in non-dutiable goods; the declared invoices of which were checked less thoroughly by Customs officials. Nevertheless, there are no means of assessing the problem. Contemporary and modern writers have taken it for granted that the 'computed real values' are equivalent to the 'declared' ones. No adjustment was made in the Annual Statement of Trade of 1871 which also covered the years 1867 to 1870.

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1. Sir R. (then Mr.) Giffen, 'The Use of Import and Export Statistics', Journal of the Royal Statistical Society, hereafter, J.R.S.S., XLV (1882), p.188.

Some improvements in the compilation were made later. From 1892 tobacco manufactured in bond, which had been regarded as re-export was put as export, but the effect of the transfer was slight, In addition, the exports of new ships and boats, which had been virtually excluded before, were put into the export accounts in 1899 on the grounds that the shipbuilding industry was becoming more and more important. These 'new' exports in the first year were valued at £9.2 million, or three and a half per cent. of the total exports. From 1909 onwards, a new 'special import' account was created to denote "all imports of foreign and colonial produce and manufacturers" which were "used or consumed in the United Kingdom or worked up in the United Kingdom into articles for export as distinguished from imports of foreign and colonial merchandise" which were "afterwards exported without change of form."[1] The movement of gold and silver was, nevertheless, excluded in the returns of the general merchandise throughout and was placed in a separate account.

It has always been difficult to determine the final place of shipment of goods. Prior to 1904, imports and exports were mainly credited to the place of direct shipment. Therefore, goods consigned from Russia, but shipped from Germany, would be credited to the latter.[2] The same applied when exports were consigned for Switzerland but were transhipped through France. As a result, although the United Kingdom had a considerable trade with Switzerland, the statistical record did not appear in the Annual Statement of

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1. B.P.P., 1910, LXXXVII. Annual Statement of Trade, p.vi.
2. B.P.P., 1904, LXXXVII. Trade of the United Kingdom with Germany, p.6.

Trade.[1] Efforts were made to improve the compilation in this respect.[2] As early as 1887 the Board of Trade attempted to correct the transhipment of Eastern goods through Columbo and Marseilles and the entrepot trade of Chile and Peru through Colon at the Isthmus of Panama.[3] Nevertheless, it was sometimes, for one reason or another, too difficult for the merchants to give the accurate places of consignment of their goods.[4] In spite of these difficulties, imports and exports were calculated by the country of consignment from 1904 as a trial. The values given in the Annual Statement of Trade before 1908 were still based on the old method but at the same time, values, calculated by the new system, were given in the supplements from 1904 to 1909. After a recommendation from a committee appointed to inquire into the matter, foreign trade statistics were put firmly onto the basis of the country of consignment from 1909. Nonetheless, values by the traditional system were, for the sake of comparison, also given in the supplements until 1913. Generally speaking, the estimates by the new method are closer to economic reality, but the Board of Trade has expressed reservations about them until 1914, and in fact, the statistics of British trade with China, as will be discussed later in this chapter, is an area which did not benefit.

The classification of trade records did not undergo the same revolutionary changes. Goods were classified according to the 'import and export list' -- a standardised system. The lists were

1. Giffen, loc.cit., p.189.
2. B.P.P., 1888, XCI. Annual Statement of Trade, p.xi.
3. Giffen, loc.cit., p.189.
4. First of all, there was no law that required certificates of the origin for goods. Secondly, if goods changed ownership, there was no way of knowing their ultimate origin. B.P.P., 1909, LXXXIII. Annual Statement of Trade, p.vi.

subdivided as goods became more diversified. At the time of the 1871 reform, there were 400 import headings and just over 200 on the export side. The goods were listed alphabetically during the period until 1914. After 1907, groupings were made under four headings: class I - food, drink and tobacco; class II - raw materials; class III - manufactured articles, and class IV - miscellaneous.

II. The Foreign Trade Statistics of China, 1864-1914.

Overseas trade between China and other countries had been carried on long before the nineteenth century although it was not considered as a matter of importance until the twentieth century. Due to its immense size, China had been a self-sufficient country and therefore was not dependent on overseas trade; no statistics were kept regularly before the mid-nineteenth century, though scattered reports on trading affairs by provincial officials are available. Under the pressure of Western powers, led by Britain, China was forced into the world system in 1842, but the corrupt Chinese Customs were a constraint on the expansion of trade, so foreign merchants pressed for reforms. In 1861 the Imperial Maritime Customs, a modern Customs service, were set up officially to collect duties[1] and they continued to be responsible for the general management of the overseas trade of China until the People's Republic of China took over in 1949. The Imperial

1. For the early history of the Imperial Maritime Customs of China, see, S.F.Wright, Hart and the Chinese Customs (Belfast, 1950) and J.K.Fairbank, Trade and Diplomacy on the China Coast (Cambridge, Mass., 1953).

Maritime Customs of China, a product of Western pressure, was foreign-staffed and throughout the nineteenth and twentieth centuries, British influence was dominant.[1] They began to publish trade returns in 1859 on a port basis, with both the value and quantity of trade in heterogeneous local units until 1866.[2] It is possible to analyse China's international trade in this period on the basis of the statistics of individual treaty ports, but it is difficult to extrapolate this data and derive an estimate for China as a whole.

The method by which the overseas statistics of China were compiled by the newly established Customs House was rather primitive though quite logical. Imports were defined as the goods coming into China while exports were goods going out. After 1875 a distinction between the exports of home products to foreign countries and those exported to other countries was made. In the trade report of that year, annual values of the total trade of China were published retrospectively on the basis of the new system from 1864. The identification of the origin of imports and the final destination of Chinese exports posed a greater difficulty for the Chinese Customs officials than their British counterparts. The role of Hong Kong as a large distributing centre of goods entering and leaving China rendered this task impossible;[3] the accuracy of Chinese international trade statistics, with respect to its trade with each individual partner

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1. From the beginning to the end of the Chinese Maritime Customs Service, all inspector generals but the last one were British subjects.

2. China did not have a uniform monetary system at that time. Different units such as Mexican dollars, Spanish dollars and local currencies were used.

3. Other similar mis-recording of trade existed. Yokohoma acted in the same way for shipments originating from San Francisco and Vancouver. Antwerp and Rotterdam were ports of shipment for goods from Germany and to a lesser extent, Denmark and Sweden. Exports from Genoa included goods from Switzerland and Germany. See H.B.Morse, The International Relations of the Chinese Empire (1918), hereafter International Relations ... Chinese Empire, II, p.397.

is therefore extremely dubious.[1] The trade statistics, both on a national scale and by individual treaty ports,[2] were given annually in taels after 1868 and in Haikwan Taels, an imaginary unit of account from 1875 onwards.[3] The values of imports and exports of treasure, on the other hand, were only given in the accounts of some treaty ports in the beginning. Owing to the large amount of gold shipped out of the country and the huge amount of silver shipped in, a new statement of their respective value was published from 1888 for the country as a whole.

The changes in the sovereignty of China affected the compilation and scope of Chinese trade statistics. After 1890 the foreign trade of Korea was included in that of China partly because it had been a traditional Chinese tributary and partly because its Customs were simply an extension of the Chinese set-up.[4] The peace treaty at the end of the Sino-Japanese War of 1894-5 gave independence to the Koreans and naturally, the past statistical method ended. Taiwan was treated as a foreign country after it was ceded to Japan in 1895; but the leasing of Weihaiwei,[5] Kwangchowan[6] and Tsingtao[7] to various countries did not affect their original status. There were no Customs

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1. The international trade of China as a whole was not affected since all goods to and from Hong Kong were treated as foreign.

2. Chinese ports opened for trade by Sino-foreign treaties.

3. 'Haikwan' means maritime Customs. Haikwan Tael is taken as equal to 1.1140 Shanghai Tael, 1.1900 Canton Tael, 1.0875 Hankow Tael, 1,05550 Tientsin Tael and 1.0436 Kiukiang Tael. For detail, see F.H.H.King, Money and Monetary Policy in China, 1845-1895 (Cambridge, Mass., 1965). King has made a mistake in the unit of account of the copper cash sector; it is wen not chien.

4. L.L.Hsiao, China's Foreign Trade Statistics, 1864-1949 (Cambridge, Mass., 1974), p.9.

5. It was leased to Britain in 1898 for 99 years.

6. It was leased to France in 1898 for 99 years.

7. It was leased to Germany in 1897 for 99 years.

houses in these leased territories so that the small amount of trade going through these places was estimated by the Customs.

Alongside the modern Customs, there were the native Customs that handled the local junk trade until 1901. The volume of this trade is impossible to ascertain, but a far from negligible amount of external trade by junk was carried on with Korea, Japan, the Phillipines, Indo-China, Siam, the Malay Archipelago as well as Hong Kong. Prior to 1901, therefore, the overseas statistics given in the trade returns only covered the trade at treaty ports.[1] After the Imperial Maritime Customs took over the Native Customs in 1901, the trade returns included the whole maritime trade. The total imports of China went up from Haikwan Taels 222,129,000 in 1900 to 227,140,000 in 1901, while the exports rose from Haikwan Taels 158,997,000 to 169,657,000.

The way of valuing imports and exports was modernised in 1904. Initially the Chinese Customs valued imports and exports at their current market prices. Starting from 1904, the former were calculated on the c.i.f. (cost, insurance and freight) and the latter on the f.o.b. (free on board) basis. The reform brought about a discontinuity in the whole trade series although adjustments have been made by individual scholars.[2] After 1904, the foreign trade statistics of China became more standardised.

With respect to the presentation of trade returns, they were published in two separate volumes from 1859 to 1881 -- the Returns of

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1. The number of treaty ports increased from 5 in 1842 to 28 in 1901.

2. C.F.Remer, The Foreign Trade of China (Shanghai, 1926), pp.207-9 and his article 'International Trade Between Gold and Silver Countries: China 1885-1913', Quarterly Journal of Economics, XL (1926), pp.594-643. Later, a more authoritative study was done by C.M.Li; see his 'China's International Trade Statistics: An Evaluation', Nankai Social and Economic Review, X (1937).

Trade and the Reports on Trade of Treaty Ports - after which they appeared in a single volume. The first part of the returns consisted of summary tables, followed by returns of individual treaty ports. Total trade with every foreign country each year was given, though no detailed classification of goods was attempted. There were separate accounts for the more important commodities, such as tea, silk and opium. The amount of duties collected in each port as well as the country as a whole were also recorded. Shipping was classified according to nationality. Apart from the annual trade reports, there are Decennial Reports, compiled at each treaty port to record its significant political and economic development. The first such report was published in 1893 for the period 1882 to 1893 and they were published subsequently every ten years.

III. The Comparability of International Trade Statistics: the United Kingdom and China.

Beginning in the nineteenth century, the standardisation of international statistics has been advocated to allow inter-country comparison. In 1853 the First International Statistical Congress at Brussels called for such standardisation and at successive congresses foreign trade statistics received much attention.[1] Their proposals

1. Before 1872 eight sessions of the International Statistical Congress were held, in 1853, 1855, 1857, 1860, 1863, 1867, 1869 and 1872. See 'International Statistical Congress held at St. Petersburg in 1872, message from the President of the United States', Executive Documents Printed by Order of the House of Representatives 1873-74 (Washington, 1874), 43rd Congress, first session, Ex. Doc. no.289, pp.3-19. Then they were resumed in 1885 in London, and from this year onwards, bi-annual meetings were continuously held until 1913. See Y.Don: 'Comparability of International Trade Statistics: Great Britain and Austria-Hungary', Economic History Review, 2nd Series, XXI (1968), p.80, n.3. But Dr.Don thought there were four Congresses held before 1872, namely in 1853, 1869, 1871 and 1872 respectively.

did not succeed totally although much progress was made; at the International Commercial Conference at Brussels in 1913, a list of 185 heading of goods was adopted for general use.

In Britain, the problem aroused considerable interest because of the country's dominant share of the world trade and several attempts were devoted to the study of the comparability of international trade statistics. In 1882 Sir Robert Giffen, then the Statistical Secretary of the Board of Trade, had pointed out the problems involved in the comparability of the United Kingdom's foreign trade statistics with other countries. He argued that in assessing the accuracy of import and export compilations, the variation of price from year to year, the proportion of the shipping industry in both countries, the cost, insurance, freight and other charges of shipowners for the delivery of imports, etc. should all be taken into consideration. Since differences existed in the above items between countries, the trade statistics should be put onto a common basis before any comparison was meaningful.[1] In another paper delivered before the Australian Association for the Advancement of Science, he argued that international statistical comparison was very difficult, if not impossible.[2] However, his efforts did not end the controversy. In 1904 a committee was appointed to study the trade of the United Kingdom with Germany. Its investigation revealed that the values of the British exports in the United Kingdom accounts were consistently higher than those in German records, and vice versa for the imports from Germany. The reason was that a certain amount of the British exports to Switzerland were wrongly credited to Germany to where the

1. Giffen, loc.cit., pp.186-243.
2. Sir (then Mr.) R.Giffen, 'International Statistical Comparisons', Quarterly Publication of the American Statistical Association, III (1892), p.207.

goods had first been shipped. This explained the first anomaly. The second difference was due to a large quantity of German products being mistaken for Belgian and Dutch, because ports in the how countries were the places of shipment to the United Kingdom.[1] Sir A.W.Flux, who had examined the Anglo-European trade relations, came to the same conclusion.[2] More recently, Dr.Don has suggested - by the experience of the United Kingdom and Austro-Hungary during the second half of the nineteenth century - that since there are no uniform methods of classifying goods and different units were used in measuring commodities, the reliability of the comparison of trade accounts is questionable. That the Austro-Hungarian figures of both imports and exports were consistently higher than the British may be attributed to the different rates of exchange between the Austrian currency and sterling before 1891 due to the depreciation of silver after the early 1870s, the former's inclusion of duty-free transit trade in its special trade accounts, the tendency to undervalue goods by the British 'declared' system, with the opposite bias in the Austro-Hungarian 'official' approach and lastly, the British reform of valuation by the 'place of consignment' after 1908,let alone by 'place of shipment' used before, did not record all the Austro-Hungarian exports to and imports from the United Kingdom transhipped through Germany, Netherland, Belgium, France, Italy, Roumania and British India.[3]

The comparison of British and Chinese trade statistics is almost impossible. The difficulties that are described by Dr.Don with

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1. Trade of the United Kingdom with Germany, op.cit., p.6.
2. Flux, loc.cit., p.300-17.
3. Y.Don, loc.cit., pp.81-92, esp.91-92.

regard to Anglo-Hungarian experience also apply to the case of Britain and China. Firstly, the British trade returns have a detailed subdivision of commodities whereas those of China only give a total value, except for tea and silk. The difference in the units of quantity in both records is not a serious problem because they are interchangeable. For example, the unit of weight used for measuring tea and silk in Chinese accounts was the picul which is equivalent to 133 1/3 lbs. Simple conversion, however, is not possible for values. The United Kingdom trade returns give values in sterling while those of China are in Haikwan Tael. Although the Chinese trade reports also give the equivalent of Haikwan Tael in English currency, the violent fluctuations of the exchange rate causes a special problem. If sterling in terms of Haikwan Tael was rising, the value of British imports from China, declared by merchants in Britain, would tend to be less than that recorded in Chinese accounts. On the other hand, the Chinese Customs, which had the practice of valuing goods by the average exchange rate ruling in the previous month, would assign a greater value to imports from Britain than that in British trade returns. The reverse would have happened during a period of appreciation for the Chinese currency. But given the short time that it took goods to be shipped from China to Britain and vice versa, the exchange effect could not have been considerable. The exports of the United Kingdom throughout the period being considered were based on the f.o.b. system while the imports were rated by c.i.f. Before 1904 the Chinese estimates were in current prices, so that Chinese import values included duties and other charges while exports were exclusive of them. The exports of the United Kingdom were mainly credited to the place of direct shipment before 1908 and thereafter, the place of consignment. Those of China, despite taking

a similar method, did not succeed because of the problem caused by Hong Kong right from the beginning of the collection of foreign trade statistics by the modern Chinese Customs to the 1930s.

Hong Kong is situated to the immediate south of China and it was ceded to Britain in 1842 by the Treaty of Nanking. The north of Hong Kong is called Kowloon Peninsula and the New Territories. The former was also ceded to Britain at the Treaty of Tientsin in 1858 while the latter were leased to Britain in 1898 for ninety-nine years. The New Territories are only separated from China proper by the narrow Sumchun River. Since Hong Kong is British, the Chinese Customs considered it as a foreign country when compiling their trade returns. Sugar beet to Hong Kong for refining was, therefore, treated as an export from China while the refined sugar that went back to China was, on the other hand, rendered as imports from Hong Kong. Furthermore and more important, Hong Kong functioned as a large distributing centre for China before and even long after 1914. "Hongkong was merely to be looked upon as a sort of bonded warehouse in which merchants could deposit their goods in safety until it should suit their purpose to sell them to native Chinese dealers or to send them to a port or place in China for sale."[1] Although the Customs officials of China set up a rule that when goods were exported to Hong Kong, "it should be ascertained if possible at the time of shipment" whether they were "intended for a foreign market or not," and if such information could not be obtained, "the Commissioner [of Customs] must use his own judgement in consider-

1. Quoted in A.Wright (ed.), Twentieth Century Impression of Hong Kong, Shanghai and other Treaty Ports of China (1908), p.235. The statement was taken from the first governor of Hong Kong when he addressed a committee of China merchants shortly after the British rule began, but the role of Hong Kong did not change until the 1950s.

ing" how it was "likely to be disposed of."[1] The attempt was not very successful judging from the fact that, Hong Kong, though small and unpopulated, always had a considerable share of the total trade of China.[2]

The Board of Trade of England carried out several attempts to solve the 'Hong Kong problem' in China trade. In 1887 the officials of the British Customs began to make corrections to the values of British imports coming from the East by way of Colombo. "Large quantities of goods from Japan, China and other Eastern Countries" were transhipped at Colombo and Marseilles but they were "so far as possible, credited to the country of original shipment" as the case might be.[3] Between 1904 and 1908, an attempt was made to shift the system of 'direct shipment' to 'place of consignment' and from 1909 the new system was followed. However, statistics by both systems were available from 1904 to 1913 for comparative purposes.[4] In the case of Hong Kong, one would think that values calculated by place of consignment would be much smaller than those by direct shipment. However, the values of British exports to Hong Kong from 1904 to 1913 by both systems were identical. It is therefore doubtful whether the reform was effective. This question will be discussed in the last section of this chapter.

It should be explained why Chinese goods were transhipped through Hong Kong. Apart from its geographical closeness, Hong Kong possesses a very good harbour. It should be borne in mind that the Chinese government was forced to open trade; not only would it not provide

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1. Hart to the Commissioner of Customs on 26.10.1871, in China, Inspector General's Circulars, First Issue: 1861-1875 (Shanghai, 1879), p.364.

2. In 1865 it accounted for more than 24 per cent. of the total Chinese trade. In 1884 its share advanced to 33 per cent. After the turn of the century, its role was somewhat reduced. But in 1913 it still had a share of just under 30 per cent.

3. B.P.P., 1888, XCI. Annual Statement of Trade, p.xi.

4. Supplements of the Annual Statement of Trade, 1904-1913.

trading facilities unless under heavy pressure, but also foreigners sometimes felt insecure in the treaty ports. The British government, on the other hand, tried to provide the best facilities for traders. Therefore, Hong Kong developed gradually, with the British merchants as the most active group among its foreign community. Furthermore, it was treated as a treaty port in China before 1864; its exports to and imports from China could pay less duty than those of foreign origin.[1] Although this privilege was withdrawn by the Chinese government in 1864, it was reported during the '60s and '70s that more and more Chinese merchants, in the south of China, went to Hong Kong to buy their goods[2] because they could benefit by shipping their cargoes back by junks which, as noted before, were exempted from the control of the modern Chinese Customs before 1901. If a small quantity of goods was to consign from Hong Kong to the South of China, junks had two advantages over the steamers. In the first instance, the duties paid at the Native Customs were lower than that paid by steamers at the Maritime Customs.[3] Secondly, corruption in the Chinese hierarchy furthered the advantage.[4] Consequently, junks sailed constantly between Hong Kong and the coast of the Kwangtung province.

In addition to the legitimate trade between Hong Kong and China there was an illicit trade. The smuggling of goods into and out of China from Hong Kong was noticed over a considerable period, both by

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1. China, Hongkong and the Chinese Customs (Shanghai, 1930), p.6.
2. B.P.P. 1865, LIII. Commercial Reports from H.M. Consuls in China, hereafter Consular Commercial Reports, Canton for 1864, p.189; also Chinese Maritime Customs Reports, Canton, 1871-72, p.208.
3. Chinese Maritime Customs Reports, Canton, 1871-72, p.208.
4. Sir (then Mr.) R.Hart, Foreign Customs Establishment, Presented to Both Houses of Parliament (1865), p.2.

the Chinese and the Hong Kong governments. The inefficient administration of the Chinese Government was unable to stop it while the Hong Kong side found its termination too expensive. So the illicit trade continued. Opium, which carried the highest duty, was the chief commodity smuggled into China. After the privilege of Hong Kong as a Chinese treaty port was withdrawn in 1864, the goods from this port had to pay Customs duties as foreign commodities but the duty for most goods was only five per cent. ad valorem.[1] Despite the low level of duties, the smuggling appears to have been profitable. The Commissioner of the Canton Customs, in a memorandum to Sir Robert Hart, then the Inspector General of Customs, complained that the only steamer the Customs provided was not sufficient to check the illegal activities on the coast of the Kwangtung Province.[2] In a report of Canton in 1874, the Commissioner of Customs pointed out that there were twenty local junks plying to and from Hong Kong, making eighty illicit trips a month. If the amount of duties derived from the trade was 250 taels a trip, the Chinese government was losing 240,000 taels each year as a result.[3] He also reported that nearly all the tea from the province of Canton was smuggled to Hong Kong.[4] The amount shipped to Macao, a small island near Hong Kong, was estimated to be

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1. Tea and opium were excepted. After the cancellation of the privilege, goods going in and out of China from Hong Kong had to pay the following duties: (a) the Native Customs export duty at port of shipment when being despatched to Canton; (b) a special fee at Canton Native Customs for import duty at the port of shipment and (c) export duty at Canton according to the Treaty tariff. After the mid-fifties, a special charge, called likin was also imposed on goods.

2. The Commissioner of Canton Customs to Robert Hart, 25.5.1869. China, Documents Illustrative of the Origin, Development and Activities of the Chinese Customs Service (Shanghai, 1938), hereafter Documents ... of the Chinese Customs Service, VI, p.280.

3. Chinese Maritime Customs Reports, Canton, 1874, p.186.

4. Ibid., p.187.

30,000 peculs [39,990 lbs.] per annum.[1] In the same way as tea, it was "probable that no inconsiderable quantity of silk produced in the Kwangtung province was shipped by Junk and found its way abroad from Macao and Hong Kong."[2] Sir Robert Hart wrote to the representative of the Chinese Customs in London that "the Macaoese, like the Hong Kong-ites (Chinese one day, non-Chinese the next)" buttered "their bread on both sides and the proximity of these two ports of China made "smuggling of every kind possible and also impossible to be stopped."[3] The illegal trade was so prosperous that the Chinese had to seek the cooperation of the Hong Kong government to bring it to an end. Two Customs Houses were set up in 1887, one at Kowloon Peninsular and the other at Lappa, together with an administration office on Hong Kong island. As a result, the notorious trade was checked; China's exports jumped from Haikwan Tael 102.3 millions in 1887 to 124.8 millions in 1888. This increase was mainly due to the temporary check of smuggling rather than a sudden blossoming of legitimate Chinese trade. However, the preventive measures were sometimes not very effective due to the existence of a long and often unpopulated Chinese coast. The problem was aggravated after the New Territories were leased to Britain in 1898 because the Customs House on the Hong Kong side had to be closed. To make up for this loss, new collection stations were established at various 'strategic' points along the coast of the Kwangtung Province within China proper. These alterations were totally to the advantage of the smugglers. S.F.Wright, the Statistical Secretary of the Chinese Customs well described the

1. Ibid., p.187.
2. T.G.Banister, A History of the External Trade of China 1834-1881 (Shanghai, 1931), p.127.
3. Hart to Campbell, 3.12.1905 in J.K.Fairbank, K.F.Bruce and E.M.Matheson (eds.), The I.G. in Peking (1975), p.1489.

uncontrollable situation which remained unsolved in the 1940s.

> "Prior to 1899 the frontier was only two and half miles in length and was protected by a stout bamboo fence, set eight feet high, along the entire line. This fence was pierced by six gates, and an armed patrol both by night and by day saw to it that only legitimate trade passed through these gates. After 1899 the frontier ran for some sixty miles through rough and hilly country from Chekwan on the west to Mirs Point on the east. To add the difficulty of controlling this greatly extended line, the waters of the Sumchun River[1] were declared to be British, while the boundary along the shores of the Deep Bay and Mirs Bay was delimited at high-water mark. This enabled smugglers to lie unprotected (sic) in British waters within a yard or so of the Chinese Territory and -- as it was manifestly impossible for the Chinese government to provide preventive officers to guard every junk -- to slip their goods ashore practically when and where they pleased."[2]

Besides the goods shipped by junks, Chinese people, mainly from the southern provinces, went to Hong Kong frequently and brought a small amount of foreign goods which the Customs either did not tax or notice.[3]

It is evident from the above that the position of Hong Kong was strategic in the Anglo-Chinese trade. However, Hong Kong did not keep any statistics of its trade with China, not even at the outbreak of the First World War. Therefore, the amount of trade going on remains a mystery. Occasional estimates of the share of the British trade with China which went via Hong Kong are available. When H.B.Morse was the Statistical Secretary of the Chinese Customs, he estimated that in 1867, 75 per cent. of China's imports from Hong Kong were of British origin while in 1905, the share was 7 per cent.[4]

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1. The river is the boundary between the new Territories and China.
2. Hongkong and the Chinese Customs, Op.cit., p.12.
3. Chinese Maritime Customs Reports, Canton, 1871-72, p.208.
4. Morse gave two estimates of British trade with China transhipped through Hong Kong. See H.B.Morse, International Relations.... Chinese Empire, II, op.cit., p.398. The estimates appear originally in his 'The Report on the Foreign Trade of China', The Returns of Trade and the Trade Reports of China, 1906, part I.

Other than that, the picture is unclear. Therefore it is impossible to construct the part played by Hong Kong over time in the trade between the United Kingdom and China.

IV. The Accuracy of International Trade Statistics: the United Kingdom and China.

Not unnaturally, the question of the accuracy of foreign trade statistics has been noticed by economists and economic historians for centuries. In 1872 Bourne questioned the reliability of the British foreign trade statistics and he rightly pointed out their limitations -- namely, the failure to trace the country of origin of goods, the absence of precise description of goods that resulted in their misclassification, the inaccurate recording of quantity, especially those of non-dutiable goods and the limitations of the 'computed real value' and the 'declared value'.[1] A similar view was expressed by Sir R.Giffen in 1882.[2]

As for the Chinese series, Remer was among the first to argue that the exports of China were underrecorded. He compared the export data in the Chinese returns from 1928 to 1930 with the respective imports in the official reports of China's chief trading partners. His assumption was that if the bilateral trade was recorded correctly in

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1. S.Bourne, 'Official Trade and Navigation Statistics', J.R.S.S., XXXV (1872), pp.202-9. The article was later reprinted in his book, Trade, Population and Food (1880).

2. Giffen, 'The Use of Import and Export Statistics', cit., pp.188-92.

both countries, the export values in Chinese accounts should be more or less equivalent to its trading partner's import accounts. Converting various currencies into Chinese dollars and excluding Hong Kong if possible,[1] he found that exports in Chinese accounts for the three years 1928 to 1930 were understatements. Then he chose Japan, the United Kingdom and the U.S.A., which together accounted for about half of the total trade of China and made a comparison for the period 1902 to 1930. Fixing the index of exports of these countries to China as 100, he discovered that the corresponding index of imports from these countries in Chinese returns was 104.4. Putting the index of goods exported to these countries in Chinese returns at 100, the corresponding import index of the Chinese goods in the aggregate foreign trade series was 131. He, therefore, came to the conclusion that the recorded exports in Chinese trade statistics were a substantial understatement whereas the recorded imports were slightly overvalued. For every $104 imports reported in the Chinese returns, the three countries reported their value as Chinese $100. For Chinese exports, China only reported $100 when the other countries put them as $131. The result is "readily explained by supposing that the Chinese figures under-value exports from the countries."[2] However, C.M.Li, maintained that Remer's method was unsound because of the crude conversion of foreign currencies into Chinese dollar during a period of floating exchange rates, the failure to take into consideration of the scope of trade statistics, such as different treatment of transit,

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1. It was found that it was not possible to separate the German, French and Italian trade with China with their respective trade with Hong Kong. See C.F.Remer, The Foreign Investment of China (New York, 1933), p.196.

2. Ibid., p.199.

transhipment, temporary and certain improvement and warehousing trade in different countries under comparison, the large transhipment of Chinese trade through Hong Kong and the possibility of incorrect valuation of the trade statistics, both China and foreign. Li compiled Shanghai import and export price indices, calculated from market quotations, and China's import and export price indices calculated from the Chinese Customs returns for the period 1926 to 1935, and found a close similarity - a similarity between two indices computed by two distinct organisations. He therefore concluded that the Chinese Customs were not slow in adjusting their import and export prices to the actual market prices of goods in calculating China's foreign trade statistics, which, therefore, should be tolerably accurate after the standardisation reform in 1904.[1]

Despite Li's various criticisms of the 'comparison approach', it would seem that the large transhipment of Chinese trade, i.e. the entrepôt position of Hong Kong, was the main source of possible discrepancies. However, in the trade report for the year 1906, Morse, then the Statistical Secretary of the Chinese Customs, recalculated the imports and exports of China from 1899 to 1905 by treating Hong Kong as a part of China and comparing the direct trade of China in Chinese accounts with that of its trading partners in their returns.[2] Morse's official position should have enabled him to have made more reliable estimates. In the following Table, his recalculations are compared with the Anglo-Chinese trade values in the Annual Statement of Trade. But here the entrepot trade of Hong Kong and Macao, as noted in the Table, as well as the small amount going through the

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1. Li, loc.cit., pp.2-12.
2. 'Reports of the Foreign Trade of China', cit., pp.45-7.

British-leased Weiheiwei, are all put as Chinese. Furthermore, the British exports of foreign and colonial produce and manufactures, which were probably counted as part of the United Kingdom products in the Chinese accounts, have been added to the total export of the United Kingdom for comparison purposes. The results are shown in Tables 7 and 8.

As seen from the following Tables, the values of the Anglo-Chinese trade from 1899 to 1905 recorded in the Chinese trade reports are always higher than those in the British returns. Their difference, however, is surprisingly small. When compared with the British total,

Table 7

Total Values of British[a] Imports from China[b] in Chinese and British Returns.

HK Tael = Haikwan Tael.

Year	1=U.K.accounts £	2=Chin.accounts HK Taels	HK Tael = Sterling	3=2 in £	$\frac{1-3}{1}$ %
1899-1903 aver.	3,279,733	23,021,000	2s 3.2/3d	3,299,677	0.6
1904	3,228,652	22,536,000	2s 10.2/5d	3,230,160	0.5
1905	2,726,846	18,179,000	3s 1/10d	2,734,425	0.3

Note: [a, b] See text.

Source: The Annual Statement of Trade and 'The Report of the Foreign Trade of China', in The Return of Trade and Trade Reports of China, 1906, part. I.

Table 8

Total Values of British[a] Exports to China[b] in Chinese and British Returns.

Year	1=U.K.accounts £	2=Chin.accounts HK Taels	HK Tael = Sterling	3=2 in £	$\frac{1-3}{1}$ %
1899-1903 aver.	9,474,534	66,791,000	2s 3.2/3d	9,573,377	1.0
1904	13,466,096	93,993,000	2s 10.2/5d	13,472,330	0.1
1905	17,146,529	114,310,000	3s 1/10d	17,146,500	0.0

Note: [a, b] See text.

Source: As Table 7.

the difference in imports from the United Kingdom during these six years only averaged 0.5 per cent.; the difference in exports from China is even lower -- an average of 0.4 per cent. The small margin of error could have been caused by anything ranging from exchange rate conversion, the inclusion of cost, insurance, freight and other charges on recorded imports to the faults within the estimation process. It is, nevertheless, not unreasonable to take this narrow margin of error for granted for even present trade statistics, estimated by complicated methods and machines, are subjected to similar limitations. One author has noted that "it is indeed preferable to regard all international trade statistics not as exact measurements, but rather as general indications of broad orders of magnitude."[1] However, a conclusion clearly emerges from the comparison exercise. As the British foreign trade statistics from the second half of the

1. P.L.Yates, Forty Years of Foreign Trade (New York, 1959), p.27.

nineteenth century are regarded as broadly reliable, the Chinese series are, therefore, on the whole accurate after imports and exports were valued at c.i.f. and f.o.b. respectively from 1904. Since adjustments based on the new system can be pushed back as far as 1888, this year can be taken as the beginning of accurate modern Chinese trade statistics.[1] Therefore, Remer's understatement thesis of China's foreign trade series is unfounded and his misjudgement is caused by ignoring the part played by Hong Kong. The result is not really surprising for the Chinese Imperial Maritime Customs had, from the onset, been put on a logical and efficient basis. From the circulars of the Inspector General to his officials, one has the impression that the Customs service was under strict supervision.[2] Anson Burlingame, the first American Minister to Peking, was equally impressed because at its inception many officials at the Chinese Customs were "men ... of first class ... young men who are graduates of Cambridge and Oxford and who were selected for the British Service after the severest competitive examination."[3] E.C.Stainer, the American Union College graduate, became the first secretary in the Statistical Department. Later, H.B.Morse, a Harvard graduate, was appointed to the same post. Sir Robert Hart, the well-known Inspector General, also devoted himself to the service. He enjoyed

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1. Li, loc.cit.

2. For Hart's role, see S.F.Wright, op.cit;
   Hart always kept instructing his officials how to manage various daily operations. See, for example, Inspector General's Circulars, First Issues, 1861-75, cit. But one of the commissioners, who served under Hart, complained after retirement that Hart's style of management was not good. See P.King, In the Chinese Customs Service, A Personal Record of Forty Seven-Years (1930).

3. Letter from Burlingame to W.H.Seward (then the American Secretary of State), 5.7.1864, Documents ... of the Chinese Customs Service, cit., VII, p.79.

his job and even turned down a handsome offer from the British Government to become the British Minister at Peking.[1] Chaos and inefficiency were natural during the infancy stage, but a standard Customs service was set up gradually, staffed with men of a high calibre.

A similar Table as Table 7 and Table 8 was constructed, but instead of an estimation by place of shipment, the estimates by the place of consignment in the Annual Statement of Trade were used. British exports to China were, however, in every way identical in both systems and therefore the same as Table 8.

Table 9

Total Values of British[a] Imports from China[b] in Chinese and British Returns (on Consignment Basis).

Year	1=U.K.accounts £	2=Chin.accounts HK Tael	HK Tael = Sterling	3=2 in £	$\frac{3-1}{1}$ %
1904	3,359,342	22,536,000	25 10.2/5d	3,230,160	3.8
1905	2,791,843	18,179,000	35 1/10d	2,734,425	2.1

Note: [a, b] See text.

Source: As Table 7.

According to the above Table, there is no great difference in the total value of the trade between the United Kingdom and China in the trade of both countries, even when the former shifts to the method of valuation by place of consignment. It would appear that the bulk of the Hong Kong trade in the United Kingdom accounts must have been transhipments to China. Therefore, when using the Annual Statement of Trade in

1. Hart to Salisbury, 26.8.1885, P.R.O. F.O. 17/1121.

analysing the trade between the United Kingdom and China, which the present study will do, the British trade with Hong Kong, Macao and Weihaiwei must be added to that between the United Kingdom and China.

Another interesting conclusion also arises. Table 9 shows that the change in the basis of compilation of foreign trade statistics of the United Kingdom, i.e. from the place of direct shipment to the place of consignment, does not bring about any substantial difference in the trade statistics between the United Kingdom and China. In fact, the values of exports by consignment to China are completely the same as those by direct shipment from 1904 to 1913. Therefore statistically, the shift to country of consignment did not - due to the role of Hong Kong - have any effect on Britain's trade with China, at least not before the First World War. This conclusion is supported by three further points.

First of all, Hong Kong was a sparsely-populated island up to 1914. Its actual consumption was confined to a third of a million people. In 1867 it produced nothing and in 1905, its principal export was refined sugar besides a small production of cotton yarn cordage.[1] However, according to the Annual Statement of Trade, the imports from Hong Kong in 1867 or even earlier included raw cotton, tea, oil, products, etc. Secondly, the total value of the trade of the small island of Hong Kong compared very favourably with that of the whole of China. According to Table 10 on the following page, during the period 1854 to 1914, the total value of Hong Kong's imports from the United Kingdom averaged 49 per cent. of the total values of the Chinese imports from the United Kingdom. At the same time, the total value of Hong Kong exports to the United Kingdom in the same

1. Morse, International Relations ... Chinese Empire, cit., II, pp.197-8.

Table 10

The Ratio of Total Values of Anglo-Hongkong Trade to the Anglo-Chinese[a] Trade, 1854-1914 (Annual Averages).

Period	British Exports to Hongkong	British Imports from Hongkong
1854-1863	0.63	0.04 [b]
1864-1873	0.45	0.05
1874-1883	0.70	0.10
1884-1893	0.47	0.20
1894-1903	0.38	0.26
1904-1914	0.32	0.18
Average	0.49	0.14

Note: [a] Exclusive of Hongkong, Macao and after 1903, exclusive of Hongkong, Macao and Weihaiwei.

[b] 1861-63 average.

Source: Annual Statement of Trade.

period averaged 14 per cent. of the total values of the Chinese export to the same country. Since Hong Kong was but a small island without any industry in the modern sense, the reason must be the transhipment of Chinese goods. Thirdly, the British trade with China, imports and exports alike, were of more or less the same commodities as that with Hong Kong. Fourthly, when the place of consignment was taken up in the United Kingdom after 1909, as the main basis of classification, the Annual Statement of Trade still gave two accounts for China: one inclusive of Hong Kong, Macao and Weihaiwei and the other exclusive of them. It clearly shows that these three places, and in particular

Hong Kong, were inseparable parts of the Chinese economic system. In other words, the Board of Trade found it too difficult to list them separately.

Apparently, the estimation by place of consignment left the entrepôt problem of Hong Kong untouched. This conclusion leads to another question. To generalise, from the experience of the Anglo-Chinese trade, that the reform after 1904 did not improve the compilation of the British foreign trade statistics is too arbitrary, but it is equally true that the effectiveness of the new system is not beyond doubt, especially when a country had a large transit trade.[1]

Even though there are problems in the British foreign trade statistics, the Annual Statement of Trade will be employed here subsequently to analyse the Anglo-Chinese trade during the period 1854 and 1914. The Chinese series are not suitable in this respect. They only have total values for the trade with the United Kingdom. Only tea and silk have separate accounts. The British series, however, give the trade in some detail which enable a closer examination. But as explained above, British trade with Hong Kong, Macao and later, the small portion with Weihaiwei will be added to that with China to form the Chinese total. This is based on the assumption that the trade that actually originated from these three places was very small until 1914. On the basis of the British statistics, broad if not totally exact conclusions can be drawn.

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1. British trade with the U.S. and Canada was a good example. "A considerable amount of Canadian produce finds its way to the U.K. via the ports of the U.S. in winter, when many Canadian ports are closed by ice. To some extent produce from the U.S. is sent to the U.K. via Canadian ports in the summer. Where, in such cases, the official documents enable a distinction to be drawn between Canadian and United States produce, it is credited to the true country of origin. But in many cases such a distinction cannot be made, so that in using the statistics it should be remembered that a certain amount of the trade of Canada with this country, especially in winter, is unavoidably included under the heading 'United States'." B.P.P. 1909, LXXXII. Annual Statement of Trade, p.vii. For the case of Anglo-Hungarian trade, see Don, loc.cit., pp.89-91.

Chapter Three: THE STATISTICAL ANALYSIS OF ANGLO-CHINESE TRADE, 1854-1914.

After studying how British trade statistics were compiled between the period 1854 and 1914, the present chapter will, by making use of these trade returns, look at trading activities between the United Kingdom and China with regard to imports, exports, British re-exports of Chinese goods, trade balances and the relative competitiveness of British goods in the Chinese market. Generally speaking, there were three stages in the development of British imports from China: a boom in the 1860s and 1870s, a slight decline in the 1880s and a steep fall from the 1890s. Their movement between 1854 and 1914 can be best shown by their underlying trends which shows a strong upswing and then a secular decline, the dividing line being in the mid-1870s. This drastic decline was caused by the fall of total values of Chinese teas and silk exported to Britain, as a result of fierce competition from India and Ceylon for the former commodities and Japan for the latter. The underlying trend of total values of British exports, too, had three phases of development. They increased from 1854 to the 1870s and after fluctuating for two decades, rose remarkably until 1914. Cotton goods were the principal commodity that were sent to the Celestial Empire from Britain throughout the whole period 1854 to 1914. Another notable feature is the increase of modern industrial and chemical products. Since total values of British exports to China increased and total values of British imports from China decreased, Britain had a trade surplus with China from the mid-1890s and therefore, the previous triangular mechanism of settling British trade deficits with China through India's surpluses with China underwent fundamental changes. Finally, an examination of the relative competitiveness of

British exports in China shows that, contrary to their poor performance in Continental Europe and America, they had a very strong position in China until 1914, at least in established branches such as cotton goods and railway construction materials.

I. British Imports from China.

In common with the half century before 1854, tea and silk continued to be the principal commodities imported into Britain from China during the following fifty years. It can be seen from Table 11

Table 11

Tea and Silk[a] in Total Values of British Imports from China, 1854-1914. (Annual Average)

	Tea		Silk		
Period	Total Value £000's	% of Tot.Value of Brit.Import from China. %	Total Value £000's	% of Tot.Value of Brit.Import from China. %	Tea & Silk %
1854-1863	6,241	62.7	3,290	33.6	96.3
1864-1873	9,706	83.0	1,030	8.1	91.1
1874-1883	8,979	67.5	2,970	22.2	89.7
1884-1893	4,061	52.1	1,826	24.8	76.9
1894-1903	969	26.7	769	21.9	48.6
1904-1914	704	15.9	911	19.2	35.1

Note: [a] Raw silk and silk products.

Source: Annual Statement of Trade.

that the combined share of silk, both raw and manufactured, and tea between the period 1904 and 1914 accounted for more than one-third of the total value of British imports from China. At the beginning of the period, their position was one of overwhelming dominance, averaging 96.3 per cent. of the total. British imports from China during the 1850s consisted of almost nothing else but tea and silk. Their importance, however, had declined considerably by the outbreak of the First World War. The sharp fall both in their share of total imports and their value, as shown in the above table, occurred in the nineties. When comparing tea with silk products, the value of tea imports fell faster than that of silk from the early 1880s and by 1904-1914, the total value of Chinese silk exported to Britain finally surpassed that of tea.

In contrast to the continuing dominance of tea and silk, British imports from China consisted also of some commodities of marginal importance such as hemp, hair, hide, metals, straw plaiting, skin and fur, food, wool, refined sugar, spices, drug, raw cotton, etc., which gained some relative advancement as the share and value of tea and silk imports gave way. This group of miscellaneous commodities accounted for only one-tenth of the total by value until 1883, but in the period 1904-14, their share was well over half. Their individual share, as Table 12 indicates, however, did not manifest any degree of major significance with the exception of corn and seeds, the latter consisting mainly of soya bean products. Prior to 1908, the last-mentioned group of commodities was negligible but their value built up thereafter and averaged 18.4 per cent. of the total between 1908 and 1914, overtaking the share of tea which fell to below 16 per cent. during the period 1904 and 1914. The value of each of the other miscellaneous items was below one-

Table 12

Percentage of Selected Commodities in Total Values of British Imports from China, 1884-1914. (Annual Average)

Period	Bristles	Hemp	Hair	Hide	Metals	Straw-Plaiting	Skin & Fur	Wool	Corn & Seed
1884-1893	1.3	2.1	1.1[b]	0.6	-	7.0[c]	2.5[c]	1.4[a]	-
1894-1903	5.2	5.4	3.6	1.2	1.2[d]	8.1	12.0	1.4	-
1904-1914	5.5	0.4	3.5	1.5	4.3	4.0	9.1	4.9	18.4[e]

a 1889 to 1893 average;
b 1886 to 1893 average;
c 1888 to 1893 average;
d 1903 figure;
e 1908 to 1914 average.

Source: Annual Statement of Trade.

tenth of the aggregate. With an average of 7 per cent. of the total, straw plaiting was the most important between 1884 and 1893 and it advanced to 8.1 per cent. in the next decade. As mentioned earlier, the 1900s saw the spectacular rise of corn and seeds, but the advancement in the share of total values of imports of these miscellaneous commodities, as shown earlier, was not as much the result of a remarkable increase in their total value but was due to the secular decline in the export of tea and silk.

The two Tables above show that the bulk of British imports from China before 1914 consisted of either food or raw materials. According to the Annual Statement of Trade, the total value of 'manufactured goods' in the seven years preceding 1914, in which category mats and matting, plaiting of straw, hats and bonnets were included, was only 20.5 per cent. of the total value of British imports from China.

The annual total values of British imports from China was set out in Table 13 and to identify their trend, a five-year moving average and a nine-year moving average exercise was carried out and the results were put in Table 14 and graphed on Fig. 1. The movement of both moving averages displays a similar trend -- a clear upward swing till the 1870s, then a long term downward trend which lasted until shortly after the turn of the nineteenth century, followed by the first phase of an upward swing which continued after 1912 for the five-year moving average and 1910 for the nine-year moving average. The peaks of the trend of the five-year moving average were in 1865 and 1877 with troughs in 1868 and 1902. On the other hand, the trend of the nine-year moving average had its upper turning points in 1869 and 1876 with the lower turning points in 1869 and 1904.

The trend values of the five and nine-year moving averages were then subtracted from the actual data to reveal the deviations from their respective trends in the total value of British imports from China. As to the behaviour of their cyclical movements, the shape of the fluctuations on trend of the five and nine-year moving average during the late 1850s to 1910 resembles each other. Fluctuations before 1860 were more violent, with a tendency to damping down afterwards which suggests that the cyclical elements, generated by the existing economic and political systems and the random shocks in the series, played a lesser role in affecting the British demand for Chinese imports after 1880 then before. (See Table 14 and Fig. 2) This result is not surprising for China had a monopolistic supply over silk and tea which were in great demand before the mid-1870s and therefore, the imports of tea and silk were highly correlated with the general economic and political situations. Assuming the supply from China was constant, a tea consumption boom in Britain and to a lesser extent, Europe and

Table 13

Total Values of Imports from and Exports to China of the United Kingdom, with the Trade Balance, 1854-1914 (£000's at Current Prices).

Year	Total Value of British Imports from China	Total Value of British Exports to China	Balance
1854	9,125	1,001	-8,124
1855	8,747	1,278	-7,469
1856	9,422	2,216	-7,206
1857	11,449	2,450	-8,999
1858	7,074	2,876	-4,198
1859	9,014	4,458	-4,556
1860	9,324	5,318	-4,004
1861	9,070	4,849	-4,221
1862	12,137	3,137	-9,000
1863	14,186	3,890	-10,296
Aver.	9,955	3,148	-6,807
1864	15,674	4,711	-10,963
1865	11,451	5,152	-6,299
1866	11,129	7,477	-3,652
1867	9,524	7,468	-2,056
1868	11,717	8,498	-3,219
1869	10,096	8,974	-1,122
1870	9,906	9,548	-358
1871	12,297	9,416	-2,881
1872	14,395	9,497	-4,898
1873	13,304	8,295	-5,009
Aver.	11,949	7,903	-4,046
1874	11,938	8,402	-3,536
1875	14,810	8,528	-2,882
1876	16,295	7,692	-8,603
1877	15,323	7,913	-7,410
1878	14,779	6,609	-8,170
1879	12,384	7,598	-4,786
1880	13,088	8,843	-4,245
1881	11,719	9,579	-2,120
1882	11,366	7,645	-3,721
1883	11,314	7,116	-4,198
Aver.	13,302	7,993	-4,977

Table 13

(continued)

1884	11,196	7,372	-3,824
1885	9,588	8,945	-643
1886	9,615	7,560	-2,055
1887	8,115	8,790	+675
1888	7,799	9,017	+1,218
1889	7,260	7,221	-39
1890	6,058	9,138	+3,080
1891	5,820	8,988	+3,168
1892	4,428	7,576	+3,148
1893	4,787	6,447	+1,660
Aver.	7,467	8,106	+639
1894	4,177	6,264	+2,087
1895	4,122	7,167	+3,045
1896	3,789	8,541	+4,752
1897	3,305	7,118	+3,813
1898	3,401	7,265	+3,864
1899	3,959	9,730	+5,771
1900	3,429	8,339	+4,910
1901	2,728	9,387	+6,659
1902	3,019	9,279	+6,260
1903	3,263	9,461	+6,198
Aver.	3,519	8,255	+4,736
1904	3,229	13,146	+9,197
1905	2,727	16,859	+14,132
1906	3,953	15,226	+11,313
1907	4,091	15,262	+11,171
1908	3,646	12,128	+8,483
1909	5,326	12,033	+6,707
1910	6,126	12,797	+6,671
1911	5,628	14,937	+9,309
1912	5,775	14,327	+8,552
1913	5,347	19,219	+13,872
1914	5,318	16,949	+11,631
Aver.	4,652	14,808	+10,156

Source: Annual Statement of Trade.

Table 14

Five and Nine-Year Moving Averages of Total Current Values of British Imports from and Exports to China, 1854-1914. (£000's).

	Imports				Exports			
Year	5-yr M.A.	De-trended	9-yr M.A.	De-trended	5-yr M.A.	De-trended	9-yr M.A.	De-trended
1854								
55								
56	9,163	+ 259			1,964	+ 252		
57	9,141	+ 2,308			2,656	- 206		
58	9,257	- 2,183	9,485	- 2,411	3,464	- 588	3,065	- 189
59	9,066	- 52	10,047	- 1,033	3,990	+ 468	3,386	+ 1,072
60	9,324	+ 0	10,817	- 1,493	4,128	+ 1,190	3,767	+ 1,551
61	8,674	+ 396	11,042	- 1,972	4,330	+ 519	4,093	+ 756
62	10,078	+ 2,059	11,007	+ 1,130	4,381	- 1,244	4,652	- 1,515
63	10,504	+ 3,682	11,279	+ 2,907	4,348	- 458	5,162	- 1,272
64	10,915	+ 4,759	11,579	+ 4,095	4,873	- 162	5,611	- 900
65	12,273	- 822	11,665	- 214	5,740	- 588	6,017	- 865
66	11,899	- 770	11,758	- 629	6,661	+ 816	6,539	+ 938
67	10,783	- 1,259	11,776	- 2,252	7,512	- 44	7,237	+ 231
68	10,474	+ 1,243	11,799	- 82	8,393	+ 105	7,860	+ 638
69	10,708	+ 631	11,535	- 1,439	8,781	+ 193	8,258	+ 716
70	11,682	- 1,776	11,590	- 1,684	9,187	+ 361	8,619	+ 929
71	12,000	+ 297	11,999	+ 298	9,146	+ 270	8,736	+ 680
72	12,368	+ 2,027	12,751	+ 1,644	9,032	+ 465	8,761	+ 736
73	13,349	- 45	13,152	+ 152	8,828	- 533	8,697	- 402
74	14,149	- 2,211	12,672	- 1,734	8,483	+ 81	8,433	- 31
75	14,334	+ 476	13,947	+ 863	8,166	+ 362	8,217	+ 311
76	14,629	+ 1,666	14,035	+ 2,260	7,829	- 137	8,153	- 461
77	14,718	+ 605	13,738	+ 1,585	7,668	+ 245	8,162	- 249
78	14,374	+ 405	13,522	+ 1,257	7,731	- 1,122	8,090	- 1,481
79	13,459	- 1,075	13,453	- 1,069	8,108	- 510	7,947	+ 349
80	12,667	+ 421	13,052	+ 36	8,055	+ 788	7,819	+ 1,024
81	11,974	- 255	12,306	- 587	8,156	+ 1,423	7,958	+ 1,621
82	11,737	- 371	11,672	- 306	8,113	- 468	7,919	- 274
83	11,037	+ 277	10,932	+ 382	8,113	- 997	8,161	- 1,045

Table 14

(Continued)

1884	10,616	+	580	10,422	+	774	7,729	-	357	8,319	-	947
85	9,966	-	378	9,775	-	187	7,958	+	987	8,138	+	807
86	9,263	+	352	9,146	+	469	8,339	-	779	8,089	-	529
87	8,475	-	360	8,529	-	414	8,307	+	483	8,239	+	551
88	7,769	+	30	7,764	+	35	8,347	+	670	8,290	+	727
89	7,100	+	160	7,052	+	208	8,633	-	1,412	8,187	-	966
90	6,273	-	215	6,451	-	393	8,388	+	750	7,889	+	1,249
91	5,671	+	149	5,841	-	21	7,874	+	1,114	7,845	+	1,143
92	5,054	-	626	5,360	-	932	7,683	-	107	7,818	-	242
93	4,667	+	120	4,861	-	74	7,288	-	841	7,607	-	1,160
94	4,261	-	84	4,432	-	255	7,199	-	935	7,612	-	1,348
95	4,036	+	86	4,199	-	77	7,108	+	59	7,677	-	510
96	3,759	+	30	3,931	-	142	7,271	+	1,270	7,605	+	936
97	3,715	-	410	3,744	-	439	7,964	-	846	7,806	-	688
98	3,755	-	354	3,548	-	147	8,199	-	934	8,121	-	856
99	3,364	+	595	3,446	+	513	8,367	+	1,363	8,476	+	1,254
1900	3,307	+	122	3,347	+	82	8,781	-	442	9,141	-	802
01	3,280	-	522	3,229	-	501	9,400	-	13	10,065	-	678
02	3,134	-	115	3,231	-	212	9,922	-	643	10,966	-	1,687
03	2,993	+	270	3,378	-	115	11,626	-	2,165	11,854	-	2,393
04	3,238	-	9	3,343	-	114	12,794	+	352	12,454	+	692
05	3,453	-	726	3,553	-	826	13,991	+	2,868	12,865	+	3,994
06	3,529	+	424	3,931	+	22	14,524	+	702	12,910	+	2,316
07	3,948	+	143	4,221	-	130	14,302	+	960	13,539	+	1,723
08	4,628	-	982	4,550	-	904	13,489	-	1,361	14,079	-	1,951
09	4,963	+	363	4,735	+	591	13,431	-	1,398	14,754	-	2,721
10	5,300	+	826	5,023	+	1,103	13,244	-	447	14,764	-	1,967
11	5,640	-	12				14,463	+	474			
12	5,639	+	136				15,646	-	1,319			

Source: Calculated from Table 13.

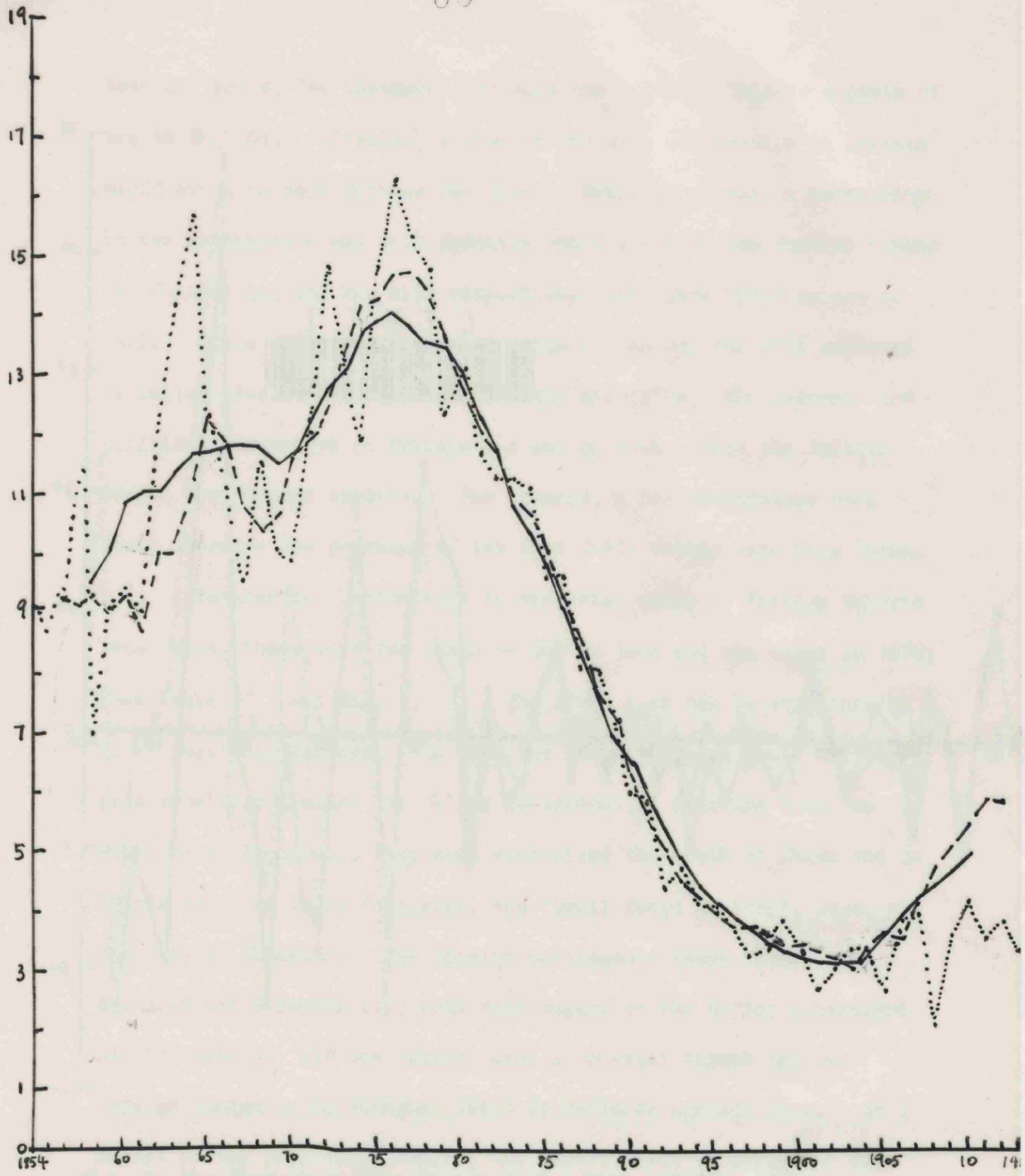

Fig. 1: The Total Current Value of British Imports from China 1854-1914 and Its Moving Averages (£m.)

Total Value of Imports.
Five-Year M.A.
Nine-Year M.A.

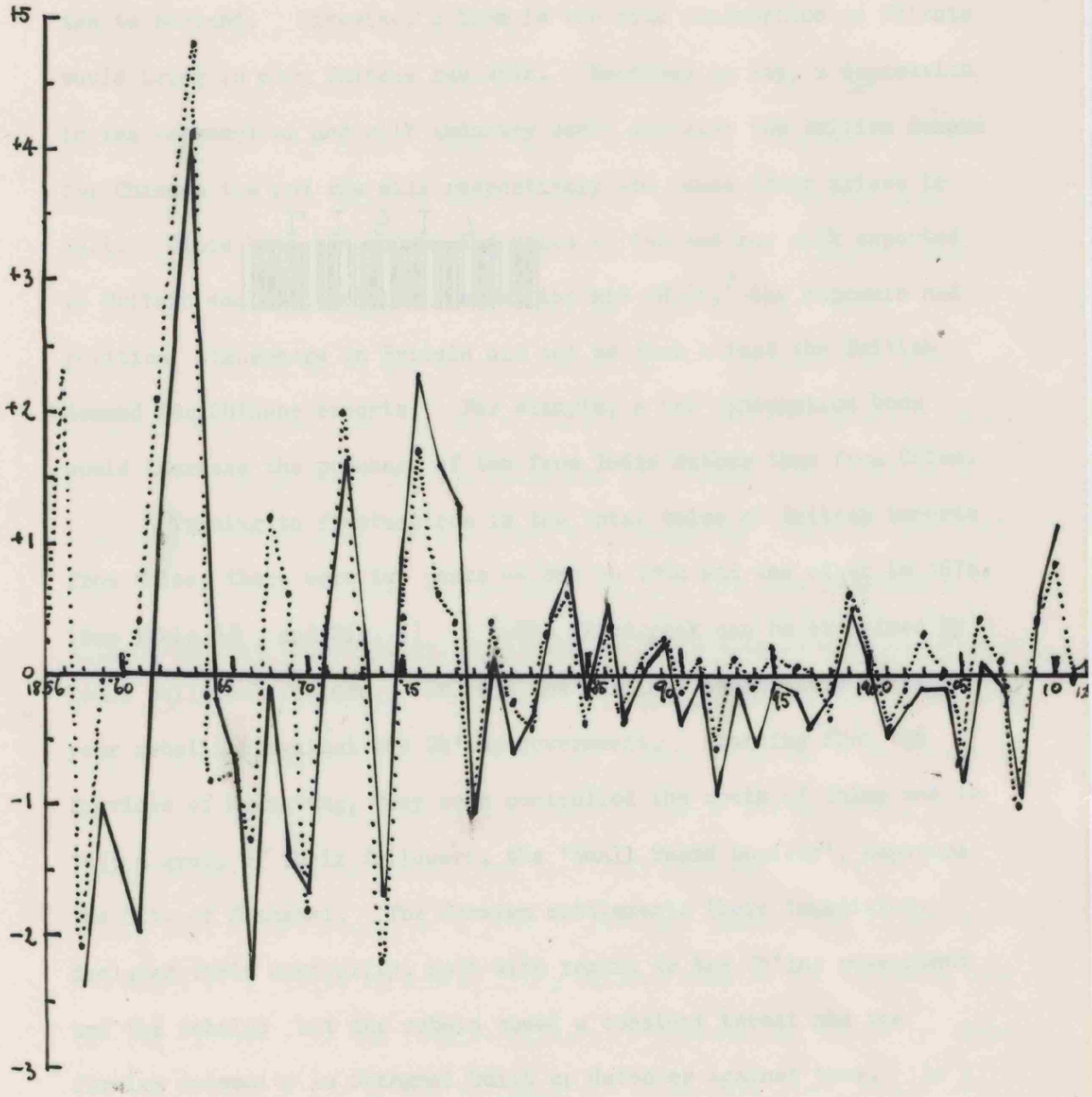

Fig. 2: The Deviation from Trend of the Five and Nine-Year Moving Average of the Total Current Value of British Imports from China 1856-1912 (£000's).

..... Five-Year M.A.

——— Nine-Year M.A.

America[1] would, for instance, increase the value of Chinese exports of tea to England. Likewise, a boom in the silk consumption in Britain would bring in more Chinese raw silk. Needless to say, a depression in tea consumption and silk industry would diminish the British demand for Chinese tea and raw silk respectively and cause their prices to fall. Since both the volume and value of tea and raw silk exported to Britain declined secularly after the mid-1870s,[2] the economic and political atmosphere in Britain did not so much affect the British demand for Chinese exports. For example, a tea consumption boom would increase the purchase of tea from India rather than from China.

Turning to fluctuations in the total value of British imports from China, there were two peaks -- one in 1864 and the other in 1876. (See Table 13 and Fig. 1) The first peak can be explained by local political factors. In 1850 the Taipings began their fifteen-year rebellion against the Ch'ing government. Starting from the Province of Kwangtung, they soon controlled the south of China and in 1853 a group of their followers, the 'Small Sword Society', captured the City of Shanghai. The foreign settlements there immediately declared their neutrality, both with regard to the Ch'ing government and the rebels; but the rebels posed a constant threat and the foreign community in Shanghai built up defences against them. As a result of the political turmoil, the import trade of China was disorganised, displayed by the frequent bankruptcy of banks in Shanghai and the accumulation of stocks of unsold foreign goods, because access to the Yangtze basin and the greater part of Chekiang Province was closed by the occupation of the rebels. Even though the immediate

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1. For the re-export of Chinese tea to Europe and America, see pp.102-4.
2. For the volume of tea and silk exported to Britain, see Table 16.

vicinity of Shanghai remained relatively undisturbed, the feeling of unrest diminished local consumption.[1]

Contrary to the depression in British exports to China, British imports from China boomed, as a result of a coincidence of a number of factors. Despite the instability caused by the Taipings in the south of China, agricultural production was not stopped, though of course effective demand for consumption goods was disturbed. Accordingly, tea, which was mainly planted in the provinces of Anhwei, Kiangsi, Fukien and Chekiang and which was a perishable commodity, thus making it less valuable or even valueless if stocked, continued to be transported to Shanghai for exportation although the dangerous route of the rebel-occupied Yangtze was avoided.[2] Much the same happened with silk. In 1853 the Taipings took Nanking, whose silk weaving industry was temporarily destroyed. Furthermore, the destitution of the country closed the home market for an article of luxury which was worn mainly by the aristocratic class, who either could no longer afford to buy it, or whose intention was to conceal the fact that they had the means of buying it.[3] As a result of a lack of internal demand, the output of the great silk producing areas, lying between Soochow and Hangchow, had to find its way into the foreign markets. However, by the early 1860s, the disastrous effect of the Taipings was being felt increasingly and since the Taipings almost annihilated the silk cultivation of the region near Shanghai then,[4] the export of raw silk and silk products to

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1. H.B.Morse, The International Relations of the Chinese Empire, I (1910), pp.464-5.
2. Ibid., p.466.
3. Ibid., p.466.
4. T.G.Banister, A History of the External Trade of China, 1834-1881 (Shanghai, 1931), p.53.

Britain collapsed after 1863. In Britain, the Overend crisis of 1866 was a further external factor which also checked the previous progress they had made in the London market. In the decade 1854 to 1863, the total value of British silk imports from China had averaged £3.3m. but by 1870, it had collapsed to £0.36m. A few years after the Taipings were destroyed completely in 1865, silk exports to Britain began to revive.

The growth of cotton was not affected to the same degree by the Taipings and the loss of silk exports to Britain was mitigated by an unexpected - and quite short-lived - boom in the demand for raw cotton, a consequence of the American Cotton Famine which forced Britain to look for alternative sources of supply.[1] The total value of British imports of Chinese raw cotton jumped from virtually nothing in 1861 to £0.11m. in 1862, increased by almost twenty times to £2.2m. in 1863 and rose again to £6.2m. in 1864, before coming down to the still abnormally high level of £1.6m. in 1865.[2] When the supply from America was resumed, British demand for Chinese cotton evaporated and British imports of Chinese raw cotton were back to nothing in 1868.[3]

The opening of the Suez Canal in 1869 and the coming of telegraphic communication two years later injected further vigour into the China trade. The Alphie of the Messageries was the first ship to reach Shanghai in 1869 via the Canal, which, by shortening the voyage to China, stimulated the development of steamers to such an extent that clippers were no longer able to bring the first Chinese tea to Britain after 1871.[4] The availability of cheap coaling stations at Gibraltar, Malta

1. W.O.Henderson, The Cotton Famine in Lancashire (Liverpool, 1933), pp.10 -14.
2. B.P.P. 1868-69, LVIII, Annual Statement of Trade, p.308.
3. Ibid., p.308.
4. B.Lubbock, The China Clippers (Glasgow, 1914), pp.346-7.

and Port Said[1], which in part led to the reduction of freight rates of steamers, put further competitive pressure onto clippers, and with the setting up of regular steamer services between Europe and China by way of the Canal by Alfred Holt and other shipping companies in 1870, modern steamships superceded finally a fleet of eighteen tea clippers.[2] One writer even claimed that the opening of the Canal had caused "the greatest revolution that ever upheaved (sic) the affairs of Hong Kong."[3] Parallel with the expansion of steamers, the transmission of business orders could now be done quickly by cable. Given a constant demand for Chinese products, the total value of British imports from China rose to its second peak - and also the last before 1914 - in 1876 as a result of the improvements in supply conditions. Thereafter it declined - quite steeply and continuously - in consequence of the secular decline of the two staples. British imports from China totalled £5.3m. in 1913, a mere 32.8 per cent. of their value in 1876. The pace of the decline of tea was particularly alarming. In its heyday between 1864 and 1873, the total value shipped to the United Kingdom averaged £9.7m.; in the next decade, it declined slightly; from 1884 to 1893, it fell again to £4.1m. and after 1894 dropped further and further, falling to an average of £0.7m. between 1904 and 1914, or less than 8 per cent. of the average value of the boom period of 1864-73.

It has been mentioned in Chapter One that from the days of 'monopolistic trading', tea was the most important commodity amongst

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1. M.E.Fletcher, 'The Suez Canal and World Shipping, 1869-1914', Journal of Economic History, XVIII (1958), p.559.
2. D.A.Farnie, East and West of Suez (Oxford, 1969), p.182.
3. E.J.Eitel, Europe in China, The History of Hong Kong (1895), p.571.

British imports from China. China, until the early 1870s, remained almost the sole producer of this commodity. As British demand for tea was increasing steadily, British merchants in China continued to engage in its export.[1] The way that tea was purchased in China before the construction of international cable to China, however, was extremely speculative. In 1870, just before the opening of the telegraphic connection between Shanghai and Europe, the Consul at Foochow, one of the main exporting ports, remarked that "at each of these numerous exporting ports", every one was "committing the fatal mistake of buying and exporting as much of the [first crop of the] tea" as he could get, while all were "trying to ship off as much of it" as they could "at the same time."[2] The reason for this behaviour was that tea was planted in the interior and therefore British merchants had very little knowledge of the probable amount of the crop, even at the commencement of each exporting season. Since the first supply proved invariably to be the best teas, foreign merchants were forced to buy it no matter how risky the trade was, lest they should lose the whole season's business,[3] for "orders must be executed, ships must be filled" and it was "too late to draw back" when a reported deficiency of tea crop turned actually into a gigantic excess.[4] Consequently, there was no time to assess the probable worth of the crop to consumers in Britain. Quite naturally, complaints of the bad quality of Chinese tea

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1. Tea consumption per capita was 1.5 lbs. in 1801, 1.25 lbs. in 1821, 1.38 lbs. in 1841, 2.75 lbs. in 1861 and 4.42 lbs. in 1881. See P.Mathias, 'The British Tea Trade in the Nineteenth Century', in D.J.Oddy and D.S.Miller (eds.), The Making of the Modern British Diet (1976), p.92, Fig.1.

2. B.P.P., 1870, LXIV. Commercial Reports from H.M.Consuls in China, Foochow for 1869-70, hereafter Consular Commercial Reports, p.73.

3. B.P.P., 1870, LXV. Consular Commercial Reports, Shanghai for 1869, p.22.

4. B.P.P., 1870, LXIV. Consular Commercial Reports, Foochow for 1869-70, p.73.

were not infrequent. For instance, A.Boyd, a tea importer in Leith, claimed as early as 1843 - in a rather angry manner - that the "extraordinary courseness" of the Chinese tea had been "universally complained of" and the assortment "was almost unsuitable to this market."[1]

It is perhaps unfair to blame the speculative elements in the manner that tea was purchased for its bad quality. The traditional and often disorganised way that tea was grown was basically responsible. Banister, an Imperial Chinese Maritime Customs official, has such a lively description that it is worth quoting in full.

> "It must be remembered that tea in China was (as still is) a sort of agricultural by-product. There were (and are) no tea plantations such as were established in India and Japan. The tea shrub is grown in waste ground, on the edges of terraces, or in any place where it does not interfere with the main crops. To the small farmer, who was everywhere the primary producer of tea, the increased foreign demand during the sixties represented a windfall, an unexpected gain accruing from happenings beyond his control. There was nowhere any appreciation of it as a new market to be studied, or the slightest adaptation of method or product to meet it. The only reaction was a desire to seize the opportunity by picking up and selling as much leaf as possible. The shrubs were often over-plucked; there was little renewing; and what replanting took place was on the old haphazard lines and without any planned objective as regards foreign market. The same spirit animated the teamen who first purchased the tea leaves in different districts. The central idea was quantity. The tea was improperly fired, hastily cured, inadequately packed, and rushed to the most convenient treaty port. Adulteration was attempted in many ways. Crude efforts like the inclusion of iron filings were no longer possible. But the use of previous season's leaf, refired and mixed with the new leaf, was common. The most ingenious adulteration was that known as the 'congee-water fraud', in which tea dust and sweepings were made into small pellets with

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1. Jardine Matheson Archives, hereafter J.M., Correspondence, In, Great Britain, A.Boyd to J.M. and Co., 29.8.1843; Also B.P.P., 1875, LXXVII. Consular Commercial Reports, Canton for 1874, p.34.

> rice congee. These added considerable weight and were quite undetectable in gunpowder teas, but of course disappeared, like the sizing on foreign cloth, on the first application of hot water. The famous 'Maloo Mixture', made at Shanghai of used tea leaves gathered from the tea shops, and mixed with the leaves of various plants like willow, peach, plum and even cactus, still continued to find a market."[1]

The British merchants, on the other hand, knew the bad quality of the tea they bought. But so far as British demand for tea could not be satisfied by alternate sources, they had to rely on the Chinese supply. Gradually, competitors with Chinese tea developed. Proposals to set up tea plantations in India dated as far back as 1784, and after some efforts by the East India Company, the first India tea came to the London market in 1839.[2] The Planters Association was formed in Ceylon in the 1860s though it was not until almost a decade later that it switched to produce tea.[3] Despite its original intention of satisfying local demand, its first shipment of tea was sent supposedly to London in 1873 and the first auction took place in Ceylon in 1880.[4] These foreign-controlled plantations were, from the onset, intended for large scale and standardised production which, not surprisingly, challenged the supremacy of the petty Chinese farmers. By the mid-eighties, the Consul in Shanghai was able to report the increasing British consumption of non-China teas[5] and extremely disappointed by the ill-packing and improper firing of Chinese, and to a lesser extent, of Japanese teas, he went on to say that India was the place for

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1. Banister, op.cit., p.123.
2. Mathias, loc.cit., p.95.
3. Ibid., p.95.
4. Ibid., p.95.
5. Irish Universities Press, British Parliamentary Papers, Area Studies, China, (Shannon, 1971), XI, hereafter I.U.P., B.P.P., China, Consular Reports, Shanghai for 1875-76, p.704.

perfect tea culture where capital that people invested would yield high returns.[1]

By 1890 the improving Indian and Ceylon tea industries seemed certain to take over the British market from China. The Consul at Hankow listed a series of advantages that Indian and Ceylonese tea estates had over the stagnant Chinese petty farmers. These included a greater command of capital, lower interest rates, lighter taxes, a better labour market, superior chemical and agricultural knowledge, a better acquaintance of the British tea market, a more efficient transport system, a shorter distance from Britain - thus a cheaper transportation cost, more official assistance in the form of irrigation projects, larger size of tea estates and a better adaptation of machinery both in plantation and in the processing of tea leaves.[2] In the London market, Chinese tea dealers became alarmed. In 1867 Jardine, Matheson's Agent, the Matheson Company in London, had already noticed the success of Indian teas in London. In its market report sent to Jardine, Matheson at Hong Kong, it stated:

> "the largest auction of Indian Teas ever held took place this week, when 9,254 packages were offered and, contrary to expectation, realised an advance on former rates of 2d. to 3d. per lb., and even 4d. and 6d. for anything specially fine. The trade while thus shewing spirit in the dealing in this description have no similar confidence in purchasing China Teas and [we] are quite alarmed at the unprecedented quantity advised as shipped (to us from China) ..."[3]

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1. Ibid., p.704.
2. I.U.P., B.P.P., China, XVII, Consular Commercial Reports, Hankow for 1890, pp.201-2.
3. J.M., Unbound Correspondence, London, Matheson and Co., to Jardine Matheson Co., 17.8.1867.

In 1880 the Koenigsberg Commercial Association, one of the main German tea re-exporters in London, wrote to its agent, Jardine Matheson that, despite the improvement of Indian teas, they were still cheaper than China growth and interfered "very seriously with the sale of medium and fine black leaves and red leaves, the latter being almost entirely neglected."[1] After not making much profit on Chinese tea in 1885, this London firm sent one of its prominent employees, who was responsible for tea business, to China to determine the price they should pay for tea on the spot because as the season advanced, it seemed "to be more and more difficult to sell China tea over the previous price of 1s. per lb."[2] Above all, the British consumers became accustomed to the stronger flavour of Indian and Ceylonese teas.[3] Consequently, their market strength was building up whereas the Chinese kinds were losing ground. In 1866 China supplied 95.6 per cent. of the total quantity of tea required by the United Kingdom; by 1876, the proportion had declined to 82 per cent.; in 1886, to 58.1 per cent.; in 1896, to 10.9 per cent. and in 1906 to only 7 per cent.[4]

Another staple of British imports from China, raw silk and silk products, had a similar fate as tea, though not to the same extent. The main trouble was the unstandardised quality caused by the traditional reeling method. In 1893 Heitz and Deveze's silk circular remarked that the sale of China silk in London was not as favourable as before because it had "for sometime past been reeled with so little care" so that consumers were "getting disgusted with it."[5]

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1. J.M., Unbound Correspondence, London, Koenigsberg Commercial Association to Jardine Matheson, 5.11.1880.
2. J.M., Unbound Correspondence, London, Matheson and Co. to Keswick, 19.3.1886.
3. I.U.P., B.P.P., China, XVII, Consular Commercial Reports, Shanghai for 1890, p.19.
4. Mathias, loc.cit., p.92, Fig.1.
5. J.M., Prices Currents and Market Report, Europe Silk Circular, Heitz and Deveze's Circular, 10.1.1873.

In addition to the traditional competition from France and Italy, cheap Japanese silk came onto the London market during the 1870s. In 1879 Jardine Matheson had a "most disastrous loss" after selling certain Chinese silk in London,[1] and they were also anxious about the advance in the silk from Japan and elsewhere that was shipped to London.[2] Matheson and Company wrote to Jardine Matheson the following year that Japanese silk was "at least attracting some attention on account of its low price" and regretted that they had not been able to make progress with Jardine's old stock of silk "except at a serious sacrifice", but the consumption of silk was "so much economised" that any recovery in the market seemed now more doubtful.[3] So China's position as the great supplier of silk from the East was shaken. Its exports to Britain went down after the 1880s and the average in the period 1904-14 was only 28.5 per cent. of the boom level of the decade 1854-63.

It has been shown above that neither Chinese producers nor the Chinese government were prepared to respond positively to the constant demand for Chinese tea and silk before the 1880s by modernising their traditional way of production and by standardising their quality by machinery to satisfy foreign consumers. The Ch'ing government stuck to its laissez-faire policy while the Chinese farmers and exporters did not realise that a more market orientated attitude was required for the further development of exports and any failure to do so led to the transfer of orders for these goods to other suppliers. Conversely, the Japanese put much more effort in maintaining and widening the market for their exports. The raw silk trade is the best example.

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1. Ibid., Europe Letter Book, Jardine Matheson to Matheson and Co., 21.4.1879.

2. Ibid.

3. Ibid., Unbound Correspondence, London, Matheson and Co. to Jardine Matheson, 17.8.1880.

To control the quality of raw silk in Japan before 1914 was as difficult as in China because the cocoons were produced and reeled by scattered small farmers and reelers. The way that the Japanese managed to increase their share of 'western' markets was by setting up large-scale reeling concerns which provided the cocoon-raising peasants with standard eggs, together with technical help and expert advice.[1] Katakura, one of the most successful of these large silk exporting firms, even set up a raw silk testing laboratory at Yokohama and a few research institutes in the silk-producing districts.[2] The Japanese government, too, gave its support to improve the quality of Japanese silk. Official measures included the establishment of a Silk Conditioning House in 1885 through which all silk exports had to pass and in 1911, the licensing of cocoon egg production to ensure that farmers were supplied with first-class eggs.[3] In addition, the Japanese government built research stations to advise different branches of the silk industry and finally, it encouraged the formation of the association of sericultures in order to assist small farmers in purchases of eggs and fertilisers and the sales of cocoons.[4] It was largely through the endeavour of the Japanese government and the Japanese business community that they made more progress in exporting silk, tea and other products than their Chinese counterparts who kept to traditional methods. Needless to say, the competition of Ceylon, India and Japan with the Chinese staples of tea and silk resulted in the continuous decline of the total value of British imports from China from 1876 to 1914. (See Fig. 1) As far as the decennial average was concerned,

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1. G.C.Allen and A.G.Donnithorne, Western Enterprise in Far Eastern Economic Development, China and Japan (1954), p.227.
2. Ibid., p.227.
3. Ibid., p.227.
4. Ibid., p.228.

the average of £13.3m. from 1874 to 1883 was its heyday; then it declined to an average of £7.5m. between 1884 and 1903 and remained at that level in 1904-14.

Since 1872 sterling kept revaluating against Chinese taels due to a fall of the gold price of silver in world markets.[1] To eliminate these currency exchange effects and price effects of British imports from China, the volume of the commodities was studied. However, volume data are not always given in the trade returns for some commodities, such as British imports of silk manufactures and British exports of machinery, where in both cases the quality of the goods could so much affect their values and thus make an analysis on their volumes not viable. As a result, the two Chinese staple exports to Britain - tea and silk - were examined and for the latter commodity, only data for the volume of raw silk and silk waste and knubs are available. But these two subdivisions within the group of silk products - as the following Table shows - accounted for a very high percentage in the total value of silk exports to Britain and can be taken as a proxy of total silk products.

Table 15

Percentage of Raw Silk and Silk Knubs and Waste in Total Value of British Imports of Silk Products from China, 1854-1914. (%)

Year	Raw Silk	Silk Knubs & Waste	Total
1854	91	1	92
1864	91	1	92
1874	93	1	94
1884	80	15	95
1894	46	35	81
1904	38	39	87
1914	34	38	72

Source: Annual Statement of Trade.

1. See chapter six for detail.

Table 16 indicates that the general trend of the volume of tea and raw silk shipped to the United Kingdom is in accordance with their respective total value series. The volume of Chinese tea shipped

Table 16

The Total Volume of Tea, Raw Silk and Silk Knubs and Waste Imported into the United Kingdom from China, 1854-1914. (Annual averages at 000's)

Period	Tea lbs.	Raw Silk lbs.	Silk Knub & Waste cwts.
1854-1863	87,187	3,442	4
1864-1873	131.989	867	6
1874-1883	155,132	3,100	21
1884-1893	99,216	1,831	46
1894-1903	29,054	752	40
1904-1914	19,684	630	43

Source: Annual Statement of Trade.

to the United Kingdom reached a peak in the decade 1874-1883 and then declined sharply until the period 1904 to 1914. The peak in the volume of raw silk exports - like the total value of silk products - was reached in the decade 1854 to 1863. The volume of silk exports, after a serious set-back in the decade 1864 to 1873 as a result of the Taiping disturbance in the 1860s, increased remarkably in the decade 1874 to 1883 but then fell continuously thereafter to a very low level in the period 1904 to 1914. For the three commodities studied, only silk knubs and waste maintained their exports by volume after the mid-1880s.

Mention should also be made of British re-exports of Chinese imports. Available evidence suggests that about one-third of the total value of

Table 17

Total Values of Selected British Re-exports of Chinese Imports and their Percentage in Total Values of British Re-exports of Chinese Imports, 1908-1914.

Year	Tea	Skin & Fur[a]	Bristles	Hair	Silk	Straw Plaiting	Corn & Seed[b]	Raw Cotton	Wool	Hide	Total Value (inc.all others)
					£000's						
1908	405	320	200	49	55	129	33	36	61	26	1,519
09	477	346	233	75	68	117	41	12	52	17	1,612
10	402	374	242	139	120	85	108	72	15	37	1,855
11	464	306	213	113	251	83	97	126	43	52	1,978
12	494	210	232	187	94	87	77	18	43	20	1,851
13	506	294	257	111	33	56	65	41	23	47	1,849
14	586	168	237	101	35	54	112	48	39	54	1,857
	Percentage of the Above Commodities in Total Values of British Re-exports of Chinese Imports. (%)										
1908	26.7	21.1	13.2	3.2	3.6	8.5	2.2	2.4	4.0	1.7	100.0
09	29.6	21.5	14.5	4.7	4.2	7.3	2.5	0.7	3.2	1.1	100.0
10	21.7	20.2	13.0	7.5	6.5	4.6	5.8	3.9	0.8	2.0	100.0
11	23.5	15.5	15.8	5.7	12.7	4.2	4.9	6.4	2.2	2.6	100.0
12	26.7	11.3	12.5	10.1	5.1	4.7	4.2	1.0	2.3	1.1	100.0
13	27.4	15.9	13.9	6.0	1.8	3.0	3.5	2.2	1.2	2.5	100.0
14	31.6	9.0	12.8	5.4	1.9	2.9	6.0	2.6	2.1	2.9	100.0
1908-1914 Average	28.2	16.4	13.7	6.1	5.1	5.0	4.2	2.7	2.3	2.0	100.0

Note: [a] including feather and down.
[b] inclusive of 'nuts for expressing oil'.

Source: Annual Statement of Trade.

British imports were re-exported elsewhere - mainly to Europe and America, and the details are set out in Table 17.

Among the commodities, tea - as expected - was the most important. Surprisingly, the other staple export of China, namely, raw silk and silk products, only ranked fifth on the list. The group of skin and fur was next in importance to tea. Bristles, averaging 13.7 per cent., was the third largest. These three items comprised well over half of the total value of British re-exports of Chinese goods. Other minor commodities included hair, straw plaiting, corn and seed, raw cotton, wool, hide and metals.

II. British Exports to China.

The annual total value of British exports to China was set out in Table 13 and similar to total values of imports, a five-year moving average and a nine-year moving average was calculated to determine the underlying trend. (See Table 13). The trend of both series show a three stage development by long swings of fifteeen to twenty years. The first long swing of both series peaked in 1870 and was followed by troughs in the mid-1870s. They then oscillated mildly for a period of about twenty years, roughly coinciding with the span of the Great Depression, following which both series rose again and until the last year shown in the graph, there was no sign of a down-turn.

Then the residual components of the total value of British exports to China were computed by subtracting the trend values of the five and nine-year moving average from the original data. The behaviour of both of the residual series is similar and they display some regular fluctuations, the amplitude of which tended to increase after 1904. (See Table 14 and Fig. 4)

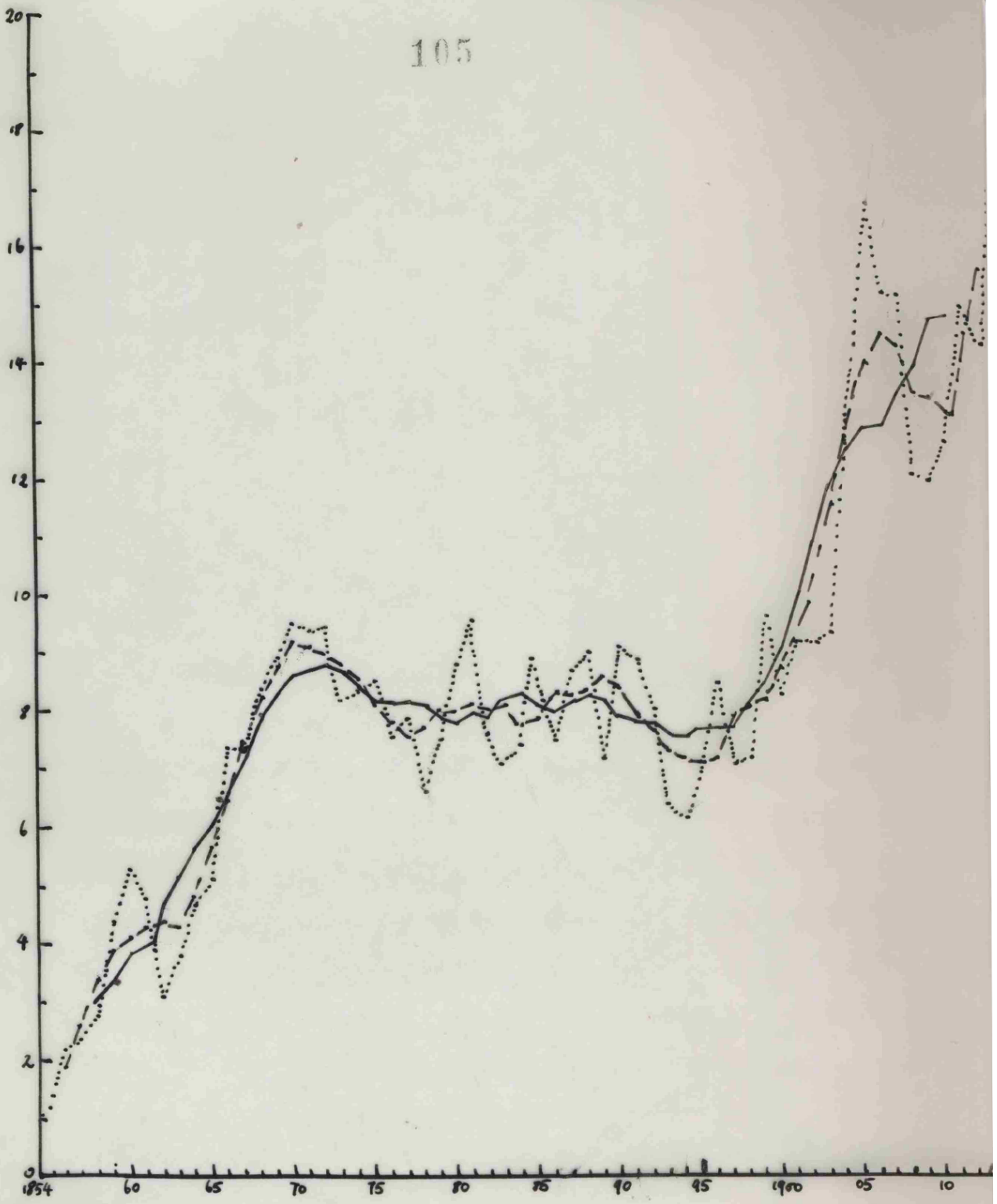

Fig. 3: The total Current Value of British Exports to China 1854-1914 and Its Moving Averages (£m.).

..... Total Value of Exports.

------ Five-Year M.A.

——— Nine-Year M.A.

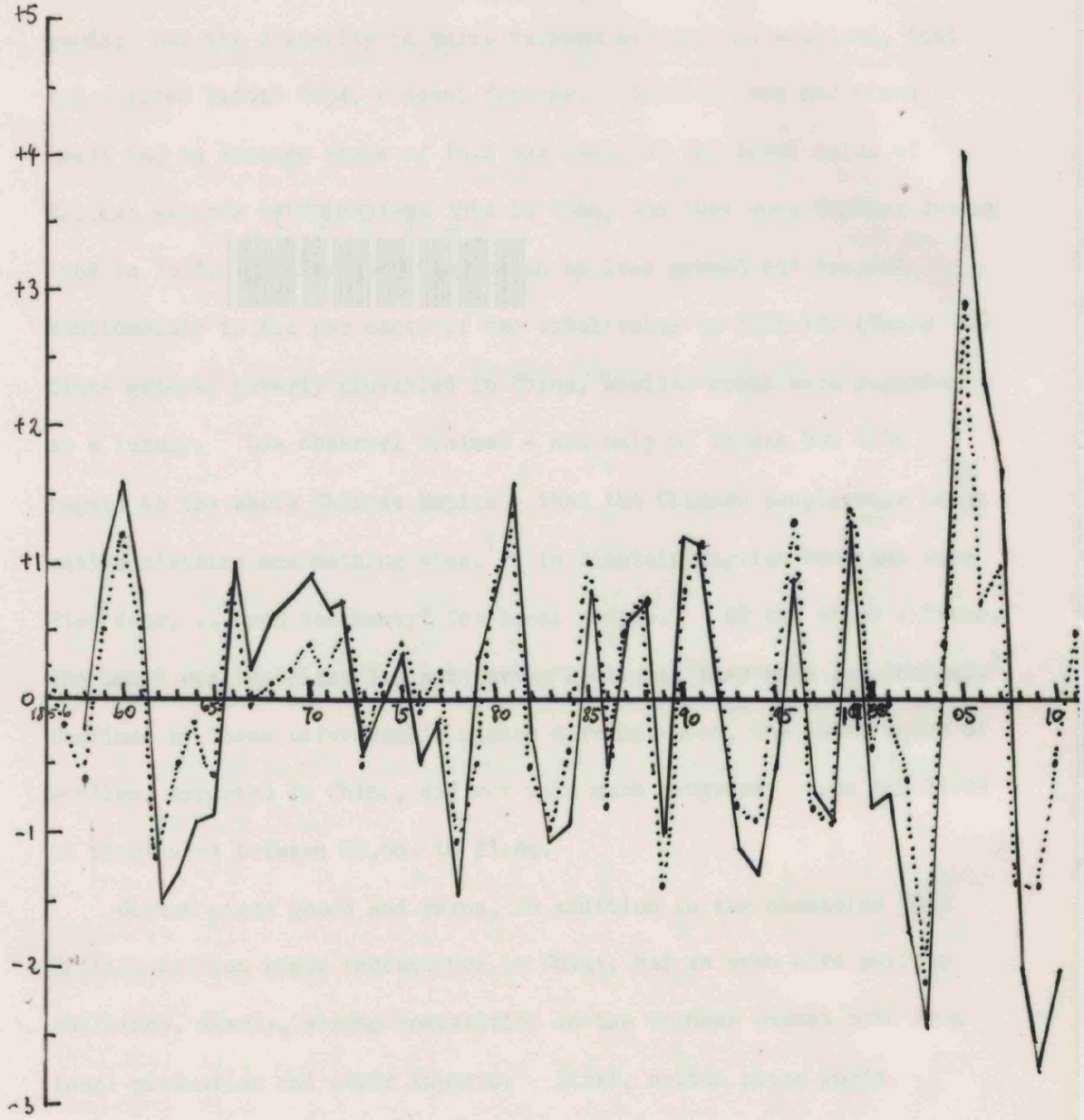

Fig. 4: The Deviation from Trend of the Five and Nine-Year Moving Average of the Total Value of British Exports to China 1856-1912 (£000's at Current Prices).

..... Five-Year Moving Average.
——— Nine-Year Moving Average.

Down to 1914, British exports to China consisted mainly of woven goods; but the disparity in value between cottons and woollens, that had existed before 1854, widened further. Woollen yarn and piece goods had an average share of 15.8 per cent. of the total value of British exports to China from 1854 to 1864, and they rose further during 1864 to 1873. Thereafter, they began to lose ground and dropped continuously to 6.6 per cent. of the total value in 1904-12. (Table 18) Since general poverty prevailed in China, woollen goods were regarded as a luxury. One observer claimed - not only of Taiwan but with regard to the whole Chinese Empire - that the Chinese people wore cheap native clothing and nothing else.[1] In Tientsin English woollens were "too dear, ... and too heavy" for local people.[2] At the other extreme, the small wealthy class did not favour woollens, they wore fur instead.[3] Confined by these unfavourable market circumstances, the total value of woollens exported to China, did not make much progress; from the 1860s it fluctuated between £0.5m. to £1.4m.

Cotton piece goods and yarns, in addition to the obstacles that British woollen goods encountered in China, had an even more serious challenge, namely, strong competition in the Chinese market both from local production and other imports. First, cotton piece goods. Although there were occasional reports that Manchester goods were cheaper than Chinese native ones,[4] a more reliable picture is that the

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1. I.U.P., B.P.P., China, XV, Consular Commercial Reports, Taiwan for 1885, p.465.

2. B.P.P., 1865, LIII, Consular Commercial Reports, Tientsin for 1863, p.133.

3. Ibid., 1870, LXIV, Consular Commercial Reports, Foochow for 1868-9, pp.60-1; also ibid., Tientsin for 1869-70, p.144.

4. B.P.P., 1868-9, LX. Consular Commercial Reports, Chefoo for 1869, p.65. But another Consul at the same port observed eight years later that native cottons were more durable and thus in large demand because they were cheaper in the end. I.U.P., B.P.P., China, XII, Consular Commercial Reports, Chefoo for 1877, p.259. For a discussion of the contradictory reports, see pp.128-9.

Table 18

Total Values of British Exports to China, by Principal Commodities, 1854-1914.

Period	Cotton and Other Woven Goods	Cotton Yarn	Woollens.	Metal and Hardwares	Machinery & Millworks	Chemical Manuf.	Tobacco	Coal and Fuel	Arms and Ammunition
Total Values in £000's at Current Prices (Annual Aver.)									
1854-1863	1,807	254	522	262	-	7	-	44	39
1864-1873	5,012	450	1,373	468	124	5	-	71	85
1874-1883	5,007	674	1,907	586	102	33	-	48	93
1884-1893	5,133	469	973	593	157	56	1	27	105
1894-1903	5,278	260	592	745	387	277	43	85	37
1904-1914	9,237	164	967	1,179	598	613	700	131	55
Percentage of the Above Commodities in Total Values of British Exports to China.									
	%	%	%	%	%	%	%	%	%
1854-1863	57.4	8.4	15.8	8.9	-	0.2	-	1.4	1.4
1864-1873	62.0	5.5	18.7	6.1	1.3	0.1	-	1.0	1.1
1874-1883	62.6	8.4	13.8	7.4	1.4	0.5	-	0.6	1.1
1884-1893	64.4	5.7	12.1	7.4	2.0	0.7	-	0.3	1.3
1894-1903	64.0	3.3	7.3	9.0	4.6	3.2	0.5	1.0	0.5
1904-1914	62.1	1.1	6.6	8.0	4.1	4.2	4.6	0.9	0.4

Source: Annual Statement of Trade.

local cotton industry stood firmly in the way of British expansion in the Chinese market, at least before 1895. Consul Sinclair, writing a report for Foochow for the year 1865, noted the real advantage of the native brands: "as regards cotton goods", the Chinese consumers had "a decided preference for Chinese cotton manufactures, cloth of their own making, which, although somewhat more expensive at cost price", proved "cheaper and better in the end, on account of their superior warmth and greater durability."[1] After reporting the advance of Manchester goods at Hankow in March 1869, the Consul went on to say that "the greater cheapness and better quality of the native cloth prevented the country market from expanding."[2] As late as 1889, it was thought that the reason why British trade with China had not developed fast enough was that the British supplied few articles to China that it did not itself produce and that in many districts the native products were preferred.[3]

Beginning in the mid-1890s, both Chinese and foreign merchants began to build modern cotton mills. Just before Europeans could set up manufacturing concerns in Chinese treaty ports as a result of the Treaty of Shimonseki following the Sino-Japanese war of 1894-5, some British industrialists undertook to negotiate with Chinese government for the building of cotton factories, but O'Conor, the British Minister at Peking, was worried of the consequences that foreign factories could bring.

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1. B.P.P., 1867, LXVIII. Consular Commercial Reports, Foochow for 1865, p.43; also cf. ibid.

2. B.P.P., 1870, LXIV. Consular Commercial Reports, Hankow for 1869-70, p.171; also ibid., 1875, LXXVII. Consular Commercial Reports, Shanghai for 1874, p.121.

3. I.U.P., B.P.P., China, XVII, Consular Commercial Reports, Shanghai for 1889, p.16.

> "The heavy fall in silver, the ready and abundant supply of raw material, and the cheap labour would be equivalent to a very high protection duty, and I am not at all sure that if we once well established this right (of setting up factories in China), a number of foreigners, principally Americans, would not so promptly set up factories within the settlements, which would soon take such development as to be fraught with most injurious and almost disastrous effect upon British and still more upon Indian Import trade."[1]

In 1894, when he reported the Chinese Customs' refusal to allow the landing of certain British cotton ginning machines, he expressed his personal indifference - and perhaps a little pleasure - to the matter for "the classes of manufactures which at present" interfered most directly with the British were cotton spinning and weaving, and although the particular firms which supplied machinery and initiated the business might reap a small advantage, the British trade was "sure to suffer"; the time must come, no doubt, when China would manufacture what was then called foreign goods for itself, but it was not the British advantage in "urging her to do so."[2] T.H.Sanderson, the Assistant Under-Secretary of State at the Foreign Office endorsed O'Conor's view[3] and when passing the matter on to Sir E,Grey, then the Under-Secretary, the latter also expressed his consent. "Factories in China, organised by European intelligence", would "first of all, supersede British trade in China and then elsewhere." To encourage them would do "the double mischief of stimulating competition of Chinese labour" where it was "beyond our control."[4] The Board of Trade, after having been consulted, agreed with what O'Conor thought.[5] In 1897

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1. P.R.O. F.O.17/1156, O'Conor to Rosebury, 19.6.1893.
2. Ibid.
3. Ibid., Minute by Sanderson, 19.6.1893.
4. Ibid., Minute by Grey.
5. P.R.O. F.O./17/1168, Bateman to Foreign Office, 21.8.1893; also ibid., Giffen to Foreign Office, 27.9.1893, and ibid., same to same, 16.3.1894.

Jardine Matheson founded the Ewo Cotton Spinning and Weaving Company at Shanghai, a few years after the operation of a similar Chinese concern.[1] In the same year that Jardine founded its cotton factory, the Laou Kungnow Cotton Manufacturing Company (American), and the Soychee Spinning Company (German) were also set up in the same port. By 1900 the total number of cotton spindles in China was 565,000 and it increased to 1,200,000 in 1913.[2] It should be noted, however, in spite of the worries of the British government and the building of local cotton mills, that it would seem that the Chinese manufactured cotton could not match the fine quality of Manchester products although they were successful in competing with lower grades.[3]

The strong resistance of Chinese local industry was only part of the story. Competition from other countries was also a matter of serious concern. It was discovered that the Chinese people preferred American sheetings to English,[4] and in 1881 the Consul at Tientsin was relieved to discover that American goods did not pose as serious a threat as a few years earlier.[5] As a matter of fact, the Americans were leading the British in cotton drills and sheetings, at least since the turn of the century.[6] After the mid-90s, the Japanese, too, who benefited from their geographical proximity, were endeavouring to enlarge their cotton market in China, particularly in lower grades. These various sources of competition, especially in inferior but cheaper types, was extremely testing for British products, as Jardine Matheson wrote to Matheson and Company in 1873 that

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1. Allen and Donnithorne, op.cit., p.175.
2. Ibid., p.175.
3. I.U.P., China, XVIII, p.460; XIX, p.151.
4. Ibid., XV. Consular Commercial Reports, Chinkiang for 1886, p.714.
5. Ibid., XIV. Consular Commercial Reports, Tientsin for 1881, p.134.
6. See below p.133, Table 26.

> "we do not hesitate to say that the tendency of markets in China will be more and more to cheapness at the expense of quality. We have not space here to defend this view in extreme, and indeed do not think that any more forceful argument can be used than that the Chinese will take spotted, mildewed or any filled cloth, at a price, rather than pay the few cents more demanded for quality, which the experience of the last two years amply confirms."[1]

But Table 18 shows that British cotton piece goods did reasonably well in the Chinese market despite all these difficulties. The sale of British 'cotton and other woven goods' increased greatly between the 1850s and early 1870s. After stagnating for the next three decades, they rose remarkably in the period 1904 to 1914. Their high share in total British exports to China, too, was always maintained. Expressed in value terms, they were never less than 57 per cent. by ten-year average.

The increased shipment of British cotton piece goods to China was due to a number of reasons. First of all, it seems that the machine-produced goods from Manchester were gradually defeating the Chinese native industry, particularly after the mid-1890s when the strength of local industry was seldom stressed in the annual Consular reports. Furthermore, in spite of the American and Japanese rivalry and their remarkable achievement in cotton sheetings and drillings, the British cotton goods had equal success by concentrating on the better grades of cotton goods,[2] which found ready customers. It was reported in 1880 that although the working class preferred native cloths, the people in towns liked fashionable foreign designs[3] and, according to one Consul,

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1. J.M., Miscellaneous Letter Book, Hong Kong to London (piece goods), 29.8.1873. The Consul at Amoy remarked in 1877 that the lower the price of imports, the easier they found their market. I.U.P., B.P.P., China, XII, Consular Commercial Reports, Amoy for 1877, p.223.

2. See pp.132-4; see also A.J.Marrison has argued that so far as Latin America was concerned, Britain still emphasised on selling cheap cotton goods by 1914. See his 'Great Britain and Her Rivals in Latin America cotton piece goods market, 1880-1914', in B.M.Ratcliff (ed.), Great Britain and Her World 1750-1914 (Manchester, 1975).

3. I.U.P., B.P.P., China, XIII, Consular Commercial Reports, Chinkiang for 1880, p.563.

it was well known that the British manufactures were greatly appreciated by those who could afford to buy them.[1]

Secondly, the widening market in China also played its part. In writing the report for Chefoo in 1877, Consul Jamieson pointed out that British goods had as yet penetrated but a short way among the masses of China.[2] But by the Chefoo Convention signed that year, Chinese merchants were allowed to send foreign goods to the interior under transit passes. To claim that the Chinese interior was within easy reach of foreign goods after the Chefoo Convention is an exaggeration. Let alone the low effective demand and the difficult transportation, extra taxation, known as likin and lo-ti-shui, imposed by the Chinese government, caused much trouble. But the almost insoluble obstacles of the foreigners' lack of familiarity with the Chinese language and the tedious journey in unpleasant weather were partly removed through passing the responsibilities of distributing goods to the Chinese merchants. Naturally, the transit trade fell into their hands thereafter.[3] Thus, the inhabitants of the interior, hitherto totally insulated from the outside world, became part of the consuming class of foreign manufactures. Nevertheless, the exact extent of the influence of the Chefoo Convention in this respect is impossible to ascertain, but before the steep rise of British exports to China in 1905, the effect could not have been considerable.

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1. Ibid., XIV, Consular Commercial Reports, Pakhoi for 1883, p.511.
2. Ibid., XII, Consular Commercial Reports, Chefoo for 1877, p.258.
3. See, for example, ibid., Consular Commercial Reports, Kiukiang for 1877-8, p.662; also, ibid., XVIII, Ningpo for 1892, p.173.

British cotton yarns, on the other hand, were less successful in defending their market in China whose cotton mills - in part due to their technological backwardness and in part due to the restriction imposed by the high-quality Manchester goods - were engaged mainly in manufacturing low grade products and therefore, imported cheaper, even though inferior, cotton yarns. Besides, the Chinese produced their own yarns which were said to be in good demand.[1] As far as foreign imports into China were concerned, the progress that the Indian yarns made was very impressive. Even in 1882 it was observed that the cheapness of foreign piece goods had pressed hard upon the profits of the native manufacturers, who, in order to reduce costs, imported the cheaper Bombay instead of English yarns, the proportion then being about 70 per cent. Bombay to 30 per cent. English.[2] It became obvious by 1889 that Indian yarns were driving the English-made out of the market,[3] and four years later, English yarns had almost disappeared from the Amoy market which Indian and Chinese were contesting.[4] Besides sheer cheapness, Indian yarns were said also to fit better Chinese looms.[5] After the mid-nineties, the Japanese became a serious challenger. Their yarn exports to China increased rapidly and by 1914 had overtaken imports from Bombay.[6] In 1913 Japan exported 181.5 million lbs. of yarns to China; India 177.5 million lbs. and Britain only 0.7 million

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1. Cf. n.3 on p.109.
2. I.U.P., B.P.P., China, XIV, Consular Commercial Reports, Swatow for 1882, p.378; also ibid., XIV, Shanghai for 1885, p.555.
3. Ibid., XVII, Consular Commercial Reports, Shanghai for 1889, p.14; also ibid., XX, Amoy for 1896, p.110.
4. Ibid., XVIII, Consular Commercial Reports, Chungking for 1893, p.366.
5. Ibid., XVII, Consular Commercial Reports, Hankow for 1891, p.426.
6. B.P.P., 1901, LXXXI, Consular Commercial Reports, Hankow for 1900, pp.5-6.

lbs.[1] Looking at the total value of British cotton yarns exported to China, they averaged £522,000 during the decade 1854-1863, then advanced to an average of £1,373,000 during the next decade but declined thereafter. In the last period 1904-1914, they averaged only £164,000. (See Table 18) But the proportion of cotton yarns to total values of British exports to China was never important. It peaked at 8.4 per cent. twice, once in the decade 1854-64 and again in the decade 1874-83. After the mid-80s, it fell and ended up at a very low level of 1.1 per cent. in the period 1904 and 1914. (See Table 18) Besides the dominance of woven goods, another feature of British exports to China was an increase in the share of modern industrial products, but till the end of the period, they were by no means prominent commodities. Worked and unworked metals, including iron, copper and lead, had appeared in the trade returns from the beginning. Despite having a share of 8.9 per cent. of total exports in 1854-63, they never exceeded ten per cent. before 1914. As for modern machinery and mill works, there was no separate account until the cable construction materials were exported to China in 1870. Subsequent Chinese industrial modernisation with mining, railway building, cotton-spinning, shipbuilding, etc. sustained their growth,[2] which, no matter how impressive,[3] remained a relatively unimportant proportion of just over 4 per cent. in the period 1904-1914, since other British exports to China were making progress simultaneously.

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1. B.P.P., 1914-16, LXXI. Report for the trade of China for the year 1913, p.31. The original unit is piculs which are converted into lbs. at the rate 1 picul=133 1/3 lbs.

2. For detail, see C.M.Hou, Foreign Investment and Economic Development in China 1840-1937 (Cambridge, Mass., 1965), ch.3.

3. Table 18 shows that the average total value of industrial products exported to China in 1904-14 is almost six times as that of 1874-83.

Chemical manufactures were another group that had a remarkable progress.[1] The early trade was confined to paper; even this was stopped for a few years after 1868. From 1878 onwards, chemicals and soap emerged and after 1893, chemical manufactures broadened their scope, a phenomenon that the whole list of commodities such as chemicals and chemical preparations, soap, candles, rubber products and colour and paints, clearly illustrates. But like machinery, they were hardly in any significant position even by 1914 - their share in total values of British exports to China in the period 1904-1914 averaged 4.2 per cent.

In consideration of the short span of time within which the success was made, tobacco was unmatchable. Its export to China was £23,000 in 1896. By 1914 it had jumped by 756 times owing to the formation of the British-American Tobacco Company which, after having taken over the American Tobacco Company in China, proceeded - in view of capitalising on the cheap labour there - to set up factories to manufacture cigarettes from imported tobacco. In 1911 the output of the B.A.T. factory at Hankow was reported to have been 10 million cigarettes a day.[2] Nevertheless, tobacco was only 4.6 per cent. of the total value of British exports to China in the period 1904-1914. Other commodities shipped to China from Britain included a host of minor products - coal and fuel, arms and ammunition, glass and china-wares, beers and drinks, provisions, etc.

According to the classification system adopted by the Annual Statement of Trade, the commodities listed under the heading of 'manufactured

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1. Comparing with the average of 1874-83, the value of chemical manufactures increases by 1858 times in 1904-14.

2. Chinese Customs Decennial Report, Hankow, 1902-11 (Shanghai, 1913), p.358.

goods' averaged 90.8 per cent. of the total value of British exports to China between 1908 and 1914. If it is recalled that the same category of commodities only accounted for an average of 20.5 per cent. of the total value of British imports from China in the same period, the trading relation of these two countries is a classical case of one between an industrial and an agricultural country.

The total value of British exports to China, like the movement of cottons alone, increased more than twofold from an average of £3,148,000 for the decade 1854-63 to £7,903,000 in 1864-73. After stagnating for three decades, it increased remarkably to average £15,056,000 between 1904 and 1914.

In common with the analysis of British imports from China, the three principal commodities shipped to China from Britain, namely, cotton piece goods, cotton yarns and woollen piece goods, were selected for a study of the movement in their volume over time. For the same reasons mentioned above, the volume of some subdivisions of these chosen commodities is not given in the trade returns;[1] but the high percentage of those available in their total values shipped to China - shown by the following Table - justifies that they could be taken as representing the total cottons and woollens.

Generally speaking, the behaviour of the volume of British cotton and woollen goods - as displayed in the Table 20 resembles that by their value. The export of cotton piece goods to China kept increasing for three decades from the 1850s, and after stagnating for two decades between 1884 and 1903, it rose strongly in the period 1904 to 1914. The peak of the volume of cotton

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1. The volume of woollen yarns is available from 1893 onwards. Partly due to their absence before, thus rendering a comparison with the post-1893 period impossible, and partly due to their unimportance, they were not taken into consideration here.

Table 19

The Percentage of 'Cotton Piece Goods Entered by the Yard' in total value of 'Cotton and Other Woven Goods' and 'Woollen Piece Goods Entered by the Yard' in total Value of 'Woollens', 1854-1914. (%)

Year	Cotton Piece Goods	Woollen Piece Goods
1854	96	99
1864	96	97
1874	98	99
1884	97	94
1894	96	92
1904	96	63[a]
1904	96	96

Note: [a] The low percentage of 'woollen piece goods entered by the yard' was caused by an exceptional increase in the woollen yarns.

Source: 'Cotton piece goods entered by the yard' and 'woollen piece goods entered by the yard' are taken from the Annual Statement of Trade. 'Cotton and other woven goods' and 'woollens' are taken from Table 18.

Table 20

The Volume of Cotton and Woollen Goods exported to China From the United Kingdom, 1854-1914. (Annual averages at 000's)

Period	Cotton Piece Goods Entered by the Yard Yards	Cotton Yarns lbs.	Woollen Piece Goods Entered by the Yard Yards
1854-1863	127,609	5,211	8,795[a]
1864-1873	287,444	6,874	20,215
1874-1883	415,147	15,285	18,629
1884-1893	494,337	13,006	20,824
1894-1903	498,003	8,604	12,987
1904-1914	596,462	3,734	12,507

Note: [a] 1859 to 1863 average. From 1854 to 1858, there were two volume entries for woollens, i.e. 'by the yard' and 'by piece'. Although it is possible to add up their values, as done in Table 19 to get their combined percentage in the total value of woollens, it is impossible to convert 'pieces' into 'yards' so that they can be comparable to subsequent entries.

Source: Annual Statement of Trade.

yarns and woollen piece goods was in the decades 1874 to 1883 and 1884 to 1893 respectively. But the price movements of these goods in the nineteenth century did not allow a congruence between the volume and the value series. A comparison of the cotton and wollen piece goods series by value in Table 18 with their respective series by volume in Table 20 in the first and last two decades gives the best examples. Average quantities of cotton piece goods shipped to China in the decade 1864-1873 increased 1.25 times over the decade 1854-1863, but their value increased 1.77 times. In the period 1904-1914 this average went up 20 per cent. over the decade 1895-1904, but by value, it rose by 75 per cent. Likewise, while the average volume of woollens piece goods increased 130 per cent. in the period 1864-1873 over the previous decade, their value increased by 163 per cent. Their average volume in the period 1904-1914 decreased by 4 per cent. over that of the previous decade; but their value rose by 63 per cent. On the other hand, while the volume of woollen piece goods shipped to China in the decade 1884-1893 increased over the decade 1874-1883, their value fell.

III. The Trade Balance.

The British trade balance with China, carrying on the pre-1854 trend, was in the red after 1854. But due to the falling value of British imports from China coupled with an increase in the value of British exports to China, the gap was narrowing. Table 13 demonstrates that the British trade deficit with China averaged £6.9m. in the decade 1854 to 1863, fell to an average of £4m. between 1864 and 1873 and rose again - though still somewhat short of the average of the decade before - to average just under £5m. between 1874 and 1883. In 1887

Britain had its first trade surplus of £0.7m. with China since commercial relations between these two countries had commenced. After keeping the surplus for another year, Britain retreated to the debit side again, but only at a minimal level. From 1890 onwards, the British surplus increased greatly. It rose continuously to average £10.2m. in the period 1904-1914. As mentioned in chapter one, since British imports were compiled by c.i.f. method, the import values include the charges of business services such as insurance, freight as well as the profits made by British import merchants, but with Britain being the leading nation in insurance and shipping business before 1914, these earnings, of course, went to British hands. On the other hand, exports were valued by f.o.b. method at home ports and include the profits made by British exporters. On balance, these invisible items were credits to Britain and if Imlah's estimations for Britain as a whole can be applied to the case of the Anglo-Chinese trade, they should add 7.5 per cent. between 1854 and 1879, 6.75 per cent. between 1880 and 1892 and 6 per cent. between 1893 and 1913 to the total value of British imports from China to the credit side of the British balance of payments with China.[1]

India, on the other hand, had a surplus in its trade with China every year from 1854 to 1914; but the function of this surplus in off-setting the British trade deficit with China came to an end after 1890 because from that year onwards, Britain itself became a trade creditor of China. The following Table clearly shows that India consistently

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1. A.H.Imlah, Economic Elements in the Pax Britannica (Cambridge, Mass., 1958), pp.47-8. From 1854 to 1870, he allowed a 5 per cent. profit on foreign trade and services for total values of re-exports as well.

Table 21

China's Trade with India 1854-1914. (Annual Averages, £000's at Current Prices).

Period	Tot.Chin.Imp. from India	Tot.Chin.Exp. to India	China's deficit
1854-1863	9,240	978	8,262
1864-1873	12,064	1,355	10,693
1874-1883	13,101	1,556	11,544
1884-1893	9,877	1,678	8,199
1904-1914	8,728	1,348	7,380
1904-1914	12,125	1,456	10,667

Note: From 1884 to 1891, Indian rupees were converted into sterling by the current exchange rate given in B.P.P., 1899, XXXI. Report from the Committee on Indian Currency, Index and Appendix to the Evidence. App.38, p.80 and from 1892 to 1899, Indian rupees were converted to sterling by its prevalent exchange rate which were given in the trade returns. From 1897 onwards, exclusive of Indian government store.

Source: B.P.P., 1859, Sess. 2, XIII. A Return for each year since 1813, of the value, computed or declared ... of the manufactures and produce ... exported from India to China and Hong Kong.

B.P.P., 1871, L. Return for each year since 1858, of the value, computed or declared of the manufactures, produce and bullion ... exported from India to China and Hong Kong.

B.P.P., 1888, LXXVII. Return for each year since 1870 of the value, computed or declared, of the manufactures, produce and bullion ... exported from India to China and Hong Kong ... .

From 1888 onwards, B.P.P., Annual Trade return of British India with British possessions and foreign countries.

exported more than it imported from China. The peak was reached in the decade 1874-83. The balance after 1872 would have been inflated somewhat had Indian rupees not depreciated against sterling as a result of a fall in the gold price of silver in world market.[1]

Saul is certainly correct in pointing out the development of the multilateral mechanism in financing world trade after the 1870s and its maturation after the turn of the century.[2] China had a trade surplus with Britain every year down to 1890 while India, a debtor of Britain, had a trade surplus with China. Therefore, Britain, India and China formed a perfect and self-contained triangular pattern of trade settlement. With the emergence of a British trade surplus over China, everything altered; but by then, a new pattern developed - the previous local Far Eastern China-India link widened to a global perspective. Industrialisation in Europe and the United States induced a demand for Chinese silk and tea and it was mainly through its trade surplus with Continental Europe that China could finance its trade deficit with Britain and India. Table 22, a recalculation of Chinese exports by treating Hong Kong as a treaty port of China, shows that China's trade surplus with Continental Europe between 1899 and 1905 totalled £43.9 millions. For Britain, it was principally through its balance of payment surplus with India that it could finance her large trade deficit with continental Europe and the U.S.A.[3]

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1. See chapter six for detail.
2. S.B.Saul, Studies in British Overseas Trade 1870-1914 (Liverpool, 1967), chs. 3 and 4, esp. pp.44-5.
3. Ibid., pp.87-8 and ch.8. M. de Cecco has also stressed that it was mainly through its balance of payment surpluses with India that Britain could finance its deficits with other countries. For detail, see his Money and Empire (Oxford, 1974), ch.4.

Table 22

China's Trade Surplus with Continental Europe, 1899-1905 (000's).

Period/ Year	Trade Surplus HK Tael[a]	1 HK Tael[a] = Sterling	Trade Surplus in Sterling
1899-1903 Aver.	58,898	2s 3 2/3d	5,972
1904	54,980	2s 10 2/5d	7,880
1905	40,500	3s 0 1/10d	6,092

Note: [a]Haikwan Tael.

Source: Chinese Customs Returns. Annual Report on the Foreign Trade of China for 1906.

Indian exports to China, as illustrated by the following Table, were skewed heavily towards opium, with cotton becoming more important after the nineties. Opium had accounted for 84.8 per cent. of the value of Indian exports to China in 1856. This level was no longer maintained after 1886, and by 1913, it had dropped to 41.5 per cent. Similarly, as will be shown in chapter seven, the total value of Indian shipments of Opium to China declined after the 1880s.

Prior to 1914 China was hardly a prominent trade partner of the United Kingdom. Table 24 points out that, as far as the total value of British imports was concerned, China had started off with an average share of 5.2 per cent. per annum during the decade 1854-63. This share fell, not surprisingly as the Chinese staples lost their competitive grip on the British market, to less than one per cent. of the total value of British imports in the period 1904-14. At the same time, China was but a minor market for British exports. Between 1854 and 1863, China took 2.6 per cent. of the total value of British exports. After advancing

Table 23

Percentage of Opium in Total Values of Indian Exports to China, 1856-1913.

Year	Opium (%)
1856	84.8
1866	85.1
1876	84.9
1886	73.4
1896	49.7
1906	34.5
1913	41.5

Source: As Table 21.

Table 24

The Percentage of China in Total British Trade, 1854-1914.

Period	Tot.Brit.Imp. from China (Annual Averages) £000's	Tot.Brit. Imports (Annual Averages) £000's	China's %	Tot.Brit.Exp. to China (Annual Averages) £000's	Tot.Brit. Exports (Annual Averages) £000's	China's %
1854-1863	9,955	190,274	5.2	3,148	120,938	2.6
1864-1873	11,949	306,710	3.9	7,903	199,987	4.0
1874-1883	13,302	389,353	3.4	7,993	218,529	3.7
1884-1893	7,467	397,297	1.9	8,106	231,963	3.5
1894-1903	3,519	534,055	0.7	8,255	255,979	3.2
1904-1914	4,651	600,436	0.8	14,808	410,465	3.6

Source: Annual Statement of Trade

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to 4 per cent. in the next decade, it fluctuated around 3.5 per cent. during the rest of the period. However, Britain was the principal exporter to China. The exact British share in total values of Chinese imports is not known due to the entrepôt situation of Hong Kong. Morse had two estimates after taking Hong Kong as part of China. In 1867 Britain's share was over 40 per cent. while in 1905, it is still in the lead at 23.5 per cent.,[1] and, as chapter seven shows, it was this export superiority that the British government found it necessary to defend. At the same time, the nature of the commercial relation between Britain and China changed after the mid-1890s: from a basis of import and export trade to a broadened scope as British capital flows to China increased.

IV. The Relative Competitiveness of British Exports in China Before 1914.

Much interest has been aroused in the study of the competitiveness of British exports in various overseas markets towards the end of the nineteenth century after the publication of Hoffman's book,[2] which, relying mainly on contemporary literature in the British press and to a lesser degree, British consular commercial reports, affirms the rivalry of German products but ironically with statistical data, as represented by the following Table, that proved the reverse of his argument. At least in the Empire markets German manufactures were far behind the

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1. H.B.Morse, The International Relations of the Chinese Empire, II (1918), p.349.

2. R.J.S.Hoffman, Great Britain and the German Trade Rivalry 1875-1914 (Philadelphia, 1933). The theme of the book caught the attention of quite a number of modern scholars. See, for instance, A.Redford, Manchester Merchants and Foreign Trade (Manchester, 1959), II, p.57; S.B.Saul, op.cit., esp. p.19, pp.63-4; D.C.M.Platt, Latin America and British Trade (1972), pp.306-13 and very recently, A.J.Marrison, loc.cit. For a general discussion, see D.H.Aldcroft (ed.), The Development of British Industry and Foreign Competition 1875-1914 (1968).

Table 25

British and German Imports into Selected Empire Markets, 1913.(£000's).

	British	German		British	German
British India	91,695	6,875	Sierra Leone	1,139	174
Straits Settlement	6,176	878	Gold Coast	3,466	389
Ceylon	3,880	402	Canada	28,521	2,922
S.Africa	25,060	3,547	Australia	47,616	4,957
N.Africa	4,938	811	New Zealand	13,312	688

Source: R.J.S.Hoffman, Great Britain and the German Trade Rivalry 1875-1914 (Philadelphia, 1933), p.201.

British, although the Germans were particularly strong in industrialised countries.[1] The scope of the controversy has widened as it is related to the subsequent debate over the growth rate of the British economy as well as the performance of the British entrepreneurs in the late Victorian Age.[2]

The scope of a detailed examination of the competitiveness of British exports before the Great War, however, is very much limited by the following facts. First of all, statistical information that has the credit of excluding subjective judgment, is by no means adequate. A second question, which is strongly affected by the presentation of

1. Aldcroft, op.cit., p.19.

2. For an overall view, see D.H.Aldcroft and H.W.Richardson, The British Economy 1870-1939 (1969); also D.N.McCloskey, Essays on a Mature Economy, Britain after 1840 (1971). For an excellent discussion on the entrepreneurial side of the picture, see P.L.Payne, British Entrepreneurship in the Nineteenth Century (1974).

statistical data, is the involvement of up to hundreds of commodities in the comparison. For instance, even a general heading, say, cotton piece goods, which was taken up conveniently for trade accounting purpose, might have consisted of numerous kinds of goods. Some of them in this broad heading might do well while the others might not. There are no detailed subdivisions in the trade statistics that enable a scrutinisation, but just before the First World War, the British Board of Trade conducted a survey on the German and Austrian competition which British exports encountered in neutral markets,[1] and that study included no less than one hundred and one more important commodities, and some, like heavy chemicals, with subdivisions, clearly shows the breadth of exported goods involved and the complexity of the problem.

As far as British exports to China were concerned, cotton goods - due to their importance - caught the attention of British consuls and other contemporaries and with the statistical and descriptive evidence they provided, a clearer picture emerges. But if descriptive evidence is to be used, one should be careful in its interpretation. For example, it is interesting to find that the British consuls often reported the coming of other countries' challenges in Chinese markets; but at the same time, the British goods were holding a supreme position and therefore, viewed from this angle, they were actually competing with the commodities of the other countries. That few consuls looked at the matter from this angle mean they-at least implicitly or unconsciously - paid more attention and consequently, exaggerated the strength of newcomers. Some consuls might even make misjudgments because the determination of the competitiveness of various goods was hardly an easy

1. U.K. (Board of Trade), Competition with Germany and Austria-Hungary in Neutral Markets (1914), hereafter Competition with Germany and Austria-Hungary.

task, even for contemporaries. Furthermore, as China is an immense country, the performance of a commodity might vary in different parts of the country, in particular when transportation was extremely inefficient before 1914. The regional and observers' irregularities probably accounted for some contradictory reports.[1] Nevertheless, the following, though admittedly relying on the incomplete surviving evidence, still shows that British exports, on the whole, showed no sign of defeat in the Chinese market till 1914, at least in established branches as cottons, despite that British goods in the markets of industrialised countries were superseded by the Germans.[2]

That British goods had virtually no serious rivals before the 1890s is indisputable. British merchants were very active in trading with China from the dawn of the nineteenth century and after the Treaty of Nanking, the British possession of Hong Kong provided them with additional advantages. Even though the share of the United Kingdom in Chinese imports was declining from just over 40 per cent. in 1867 to 23.5 per cent. in 1905, Britain was still the largest supplier of imports to China. In 1905 India's share was 23.5 per cent., America 18.2 per cent., and Japan 16.1 per cent.; Germany, at that time, accounted for no more than 5.1 per cent. of the total.[3] Since China was such a large market, other countries also became interested. In 1872, the consul at Hankow had noticed, with the coming of the Americans, Russians and Germans, that the British no longer had a monopoly of China trade.[4] But down to the early nineties, British railway materials, in addition to the traditionally strong exports of cotton piece goods, were unrivalled. In a private

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1. For instance, cf. n.4 on p.107.
2. Aldcroft, op.cit., pp.18-9.
3. Morse II, op.cit., p.399.
4. B.P.P., 1872, LIX. Consular Commercial Reports, Hankow for 1871, p.45.

letter to Sir Philip Currie, then the Assistant Under-Secretary of State at the Foreign Office, in 1887, Donald Spence in China praised highly Jardine Matheson and Company since, in the past two years, no Chinese contract of any significance had been secured by a German firm, and only two contracts of any magnitude had gone past the hands of British merchants.[1] In 1886 O'Conor, the Secretary to the Peking Legation, reported that Sir Robert Hart, the Inspector-General of the Chinese Customs, had passed a confidential memorandum to him that all future contracts for railway construction in China would be decided by public tender and O'Conor commented that it was "a course which under present circumstances would be almost sure to prove very favourable to British industrial interest."[2] In 1894 the leading 'rail makers in Britain', in a memorandum against the Continental countries' diplomatic support of their national industrialists sent to Sir Edward Grey, then the Under-Secretary of State at the Foreign Office, claimed that in the past seven years ending 1893, the quantity of steel rails exported to China had been 24,450 tons, of which England had supplied 23,650 tons and only 800 tons had been delivered by foreign makers.[3]

Undeniably, the French and German won some Chinese contracts for industrial projects. For instance, there was a project, originally assigned to England but finally going to France due to the latter's heavy diplomatic pressure on the Chinese government in 1892; O'Conor noticed a "strong German element" in the railway scheme at Hankow in 1893. But it seems that diplomatic assistance was more vital than

1. P.R.O. F.O. 17/1056, Spence to Currie, 28.9.1887.
2. P.R.O. F.O. 17/1015, O'Conor to Rosebury, 24.7.1886.
3. P.R.O. F.O. 17/1213, Mcharen to Grey, 6.8.1894.

the quality of their products.[1] The Chinese officials were reported to favour English products. Viceroy Li Hung-chang, who was largely responsible for the industrial modernisation and foreign affairs of China, once remarked in the local press that German goods were inferior and upon the German Minister's protest, he told the German that British firms were "fully able to do all China wanted at present."[2] According to Sir J.Walsham, the British Minister in China, the real cause of the British alarm at the progress of the Continental countries was that the British had been "so far ahead of other countries" in their share of the trade with China that the people back in Britain started grumbling if they saw "any nation going a little ahead."[3]

But after the mid-1890s, the Indians, the Americans, the Germans and French and later the Japanese were competing in the Chinese market in one way or another, but especially in cotton goods. Judging from the frequency of the mention of the rivalry in annual consular reports, there is no reason to disbelieve the seriousness of the challenge that British piece goods were facing. The Japanese and Americans, both mainly competing in lower grades, seemed to be particularly keen on the northern part of China. But Japanese goods, which were the most formidable of all, were believed to be, "in spite of the market improvement in quality, far behind British manufactures", and were "likely to remain so."[4] A consul at Tientsin, however, reported on the eve of the First World War that Japanese had begun to compete in better

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1. P.R.O. F.O. 17/1143, Messrs.J.Whittal and Co. to Salisbury, 12.1.1892; P.R.O. F.O. 17/1155, O'Conor to Rosebury, 18.2.1893. For a general discussion, see D.McLean, 'Commerce, Finance and British Diplomatic Support in China, 1885-86', Economic History Review, 2nd series, XXVI (1973).

2. P.R.O. F.O. 17/1016, O'Conor to Rosebury, 3.5.1886.

3. P.R.O. F.O. 17/1042, Walsham to Currie, 4.5.1887.

4. B.P.P., 1911, XCI. Consular Commercial Reports, China for 1910, p.11.

quality goods as well.[1] Their success in certain grades was so remarkable that a British Board of Trade Report claimed that they had struck into one of the two main branches of the China trade.[2] Impressive though the Japanese success was, the Austrian Vice-Consul at Tientsin wrote shortly before the outbreak of the First World War that the greater part of the imports of cotton prints was from Manchester and nearly all the cheapest qualities were from Lancashire.[3] A report from the Belgian Consul-general at Shanghai also pointed out that Manchester supplied the bulk of the cotton goods there.[4] In the meantime, the available statistical information fully confirms the marketability of the British cotton goods.

The decade or so prior to 1913 is an ideal period to study the competitiveness of British goods for competition in the Chinese market was never so keen. It is shown in Table 26 that first of all Britain did not have an equal importance in each branch of cotton piece goods. Britain was strong in higher quality goods such as shirtings, jeans and T-cloths while very weak in lower grades like sheetings and drills. A second conclusion is that not only did Britain not lose its position in its chosen line of development, but, despite the unprecedented rivalry, it made progress towards the end of our period. In the period 1903-7, it supplied an average of 93.6 per cent. of the grey plain shirtings that China imported. Between 1908 and 1913, its average went from an already high level to 95.4 per cent. of the total. The average share of jeans also went up rapidly from 66.6 per cent. in

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1. B.P.P., 1914-16, LXXXI. Consular Commercial Reports, China for 1913, p.14.
2. U.K., Report upon the Condition and Prospects of British Trade in China, hereafter Conditions and Prospects ... in China (1916), p.9.
3. Competition with Germany and Austria-Hungary, op.cit., Cotton Prints, p.12.
4. Ibid., p.12.

Table 26
The Percentage of Britain, America, Japan and India in Total Quantity of the Import of Selected Cotton Goods of China, 1903-1913.

Commodities	Average 1903-7 %	Average 1908-13 %
Shirtings, grey, plain		
Britain	93.6	95.4
America	5.4	2.0
Japan	0.5	2.4
India	0.4	0.0
Sheetings, grey, plain		
Britain	8.1	4.7
America	84.6	48.3
Japan	6.2	45.1
India	1.0	0.2
Drills		
Britain	7.2	6.1
America	80.8	35.2
Japan	8.6	54.3
India	1.6	0.2
Jeans		
Britain	66.6	90.1
America	28.7	5.3
Japan	0.0	1.3
India	0.0	0.0
T-Cloths, 32 and 36 inches		
Britain	75.8	80.0
America	0.2	0.0
Japan	16.4	13.5
India	7.2	6.3

Source: Calculated from:

B.P.P., 1909, XCIII. Report on the Foreign Trade of China for the year 1908, pp.23-5; B.P.P., 1911, XCI. Report for the year 1910 on the trade of China, pp.34-5; B.P.P., 1914-16, LXXI. Report on the Foreign Trade of China for the year 1913, pp.28-34.

the period 1903-7 to 90.1 per cent. between 1908 and 1913. Similarly, Britain's proportion in T-cloths went up more than four points from the level of 1903-7 to 80 per cent. in 1908-13. On the other hand, the weaker areas of British cotton goods were retreating, but the drills only at a marginal rate. It has already been shown that the performance of British cotton yarns was disappointing. Considering the small involvement of Britain in these grades, the British situation was well-maintained. In value terms, Britain still supplied over 70 per cent. of the total cotton piece goods imported into China in 1913.[1] The British success, generally speaking, can be attributed to the high prestige of British firms and the inability of the Americans and Japanese to produce similar goods.[2] To say that Britain continued to advance after 1903 does not contradict the contemporary praise of Japanese products. The above Table shows also that the Japanese were making significant progress in sheetings and drills as well, but at the expense of the Americans rather than the British.

Less information has survived on the other branches of British exports to China, presumably due to their relative insignificance. The Germans were believed to be very strong in chemical products. A British government investigation claimed that they had a virtual monopoly in ammunition and aniline dyes and synthetic indigo.[3] But within the broad heading of chemical products, soda ash and other sodium

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1. B.P.P., 1918, XIII. Report on the Department Committee Appointed by the Board of Trade to Consider the Position of the Textile Trades after the War, p.54.

2. B.P.P., 1920, XLIII. Report for the year 1919 on the Conditions and Prospects of British Trade with China, p.22.

3. Prospects and Conditions ... in China, op.cit., p.14. For detail, see, for instance, L.F.Haber, The Chemical Industry during the Nineteenth Century (Oxford, 1958).

products that China imported came almost entirely from Britain,[1] who also headed the list of soap importers in China in 1910 while the products of its printing industry were in considerable demand.[2] In the mean time, the Germans and other Continental countries were competing for Chinese machinery orders. The Report upon the Condition and Prospects of British Trade in China, submitted to the Board of Trade in 1916, concluded that British manufacturers were less successful by 'open market' methods in obtaining Chinese orders for industrial, especially electrical, materials than their rivals, although a substantial amount of British railway materials and supplies had been shipped to China as a result of the many projects financed by British financiers, who, other conditions being equal, had given preference to British products.[3] But it added that the trouble originated from the inadequacy of representation of manufacturing interests in China more than anything else.[4] This was in contrast with the key to the German advancement, namely, the marketing technique which included the 'up country' method, i.e. setting up local representative firms even in the Chinese interior.[5] Since it was the marketing method that made the difference, there was no reason why the British could not secure the business if the manufactures would only cooperate with the merchants in China in supplying the types of articles needed.[6] In the trade report for China for 1910, the British Commercial Attache stated that the general impression of the costliness

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1. Competition with Germany and Austria-Hungary, op.cit., Heavy Chemicals, p.25.
2. Ibid., Soaps, p.12 and Products of Printing Industry, p.7.
3. Prospects and Conditions ... in China, op.cit., p.26.
4. Ibid., p.26.
5. Ibid., pp.13-5; also B.P.P., 1913 LXIX. Consular Commercial Reports, Hankow for 1912, p. 15.
6. Prospects and Conditions ... in China, op.cit., p.111.

of British machinery had been exaggerated.[1] A British Foreign Office Survey found out that British merchants would have a ready market for mining machinery such as pumps.[2] Besides, British distillers, breweries and aerated water factories in China and Hong Kong preferred British machinery.[3] At the other extreme, the German dynamos were more popular due to their lower prices but the British merchants still secured many orders for boilers and engines placed by the Chinese.[4] From the incomplete picture presented above, it would seem that Continental countries, especially Germany, were challenging traditional British success in engineering and chemical products, and they might have defeated the British in certain branches, such as chemical dyes and ammunition. The general impression, however, is that the British were able to stand against their challenge, but regrettably, the unsatisfactory nature of the surviving information does not allow to draw any firm conclusions, in the engineering and chemical products.

Besides the visible exports discussed above, Britain was particularly strong in invisible exports. It has been mentioned in chapter one that the Oriental Banking Corporation was the first modern bank that operated in China. With the subsequent opening of the Chartered Bank of India and China, the Hong Kong and Shanghai Bank and less well-known, though by no means unimportant, concerns like the Mercantile Bank of China, the Bank of Hindustan China and Japan, the British assumed a very important role in the finance sector of the China trade. The first three banks in the above list issued notes in China too -- the first one from 1850, the second from 1860 and the third from

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1. B.P.P., 1911 XC. Consular Commercial Reports, China for 1910, p.15.
2. U.K., (Foreign Office), List of the Principal Foreign and Chinese Industrial Enterprises in China and Hong Kong (Shanghai, 1918), p.35.
3. Ibid., p.12.
4. Ibid., p.15.

1890.[1] Since China was a silver using country and "as London was the centre of the world's silver market as well as, before 1914, the pivot of international finance as a whole, the British banks were well placed for dominating the foreign exchange in China."[2] Furthermore, as will be shown in chapter five, the Chartered Bank and the Hongkong and Shanghai Bank were actively financing Chinese government loans, especially in the post 1895 period.

Insurance business is another aspect in which the British had a considerable experience. The early history of the British insurance business mainly managed by Jardine Matheson Company and Dents, was told in chapter one. In 1866 Jardine Matheson started another concern, the Hongkong Fire Insurance. Other major firms included the Yang-tsze Insurance Association established in 1862, the North China Insurance Company established in 1863,[3] the British Traders Insurance Company established in 1865 and the Fire Insurance Company established in 1870. Besides having been mainly engaged in marine insurance, they also dealt with fire insurance in the treaty ports. It was through them that the China trade became more stable.

The British shipping interest advanced simultaneously with the prosperity of the British trade with China. British shipping in the China trade was exceedingly strong in the seventies and eighties, as the following Table shows. In 1877 and 1887, the British share was well over 80 per cent. of the total. But other countries were not slow to come into the business. After the mid-90s, the Japanese endeavour began to reap its fruit and accordingly, the relative share of Britain

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1. Hou, op.cit., p.56.
2. Allen and Donnithorne, op.cit., p.111.
3. It was reorganised and incorporated in England in 1883.

Table 26a.

Foreign Shipping in China, 1868-1913.

Year	Total Tonnage (millions)	Percentage Distribution				
		Britain	Japan	U.S.	Germany	Others
		%	%	%	%	%
1868	6.4	52.2	0.1	35.0	7.3	5.4
1877	8.0	81.1	1.4	6.9	6.2	4.3
1887	16.5	85.7	1.9	0.4	9.0	3.0
1897	25.9	84.4	2.5	1.0	6.4	5.6
1907	63.4	52.5	24.6	1.6	10.5	10.8
1913	73.4	51.9	31.9	1.2	8.6	6.4

Source: Chinese Maritime Customs Returns.

fell. But by 1913, it was still more than half of the total, a very commanding position but of course not as unchallenged as a couple of decades before. There is no reason, nevertheless, to expect that Britain would hold its monopoly after other countries became industrialised. The facilities offered by these invisible exports gave British merchants a more prominent position in the Chinese scene.

In short, although Britain's share in total values of Chinese imports was falling, it had a very strong trading position in China till 1914. But one should not expect Britain to keep its dominant share in Chinese imports after global industrialisation. Available evidence shows that British cotton piece goods, i.e. the established line of exports, still controlled the Chinese market by the outbreak of the First World War, while other branches were less successful but far from being knocked out. To argue that British goods were very competitive until 1914 does not imply that British merchants felt that their

position was secure enough in China, for, as described in Section I earlier, the total current value of British imports from China dropped continuously after the mid-1870s, and so did the total quantity of tea and silk. Gradually, the ever improving Indian and Ceylonese teas were driving the Chinese growths out of the British market whilst the cheap Japanese silk was increasing its sale at the expense of the Chinese. In view of the fact that tea and silk were almost the only Chinese produce that were worth shipping to Britain on a large scale and more importantly, their production and quality were completely beyond the control of and in no way could be improved by British merchants, the future of the British import trade from China must have appeared black. On the other hand, total values of all British commodities and the total quantity of cotton and woollen goods exported to China stagnated for two decades from the 1870s. Furthermore, the rise of price levels in China after the mid-1890s, as chapter six reveals, caused further trouble for tea and silk exports as well as the sale of British goods in China and consequently, British trade with China must have run into further difficulties and the survival of British China merchants was threatened. Forced by these troubles in trade on the one hand, coupled with the requirement of capital by the Chinese government as well as private enterprises on the other, the big British trading firms, i.e. those which had the ability, began to depart from their traditional role of relying on import and export business and switched to become financiers and industrialists. Since capital was extremely scarce in the East, these merchants came to London - then the financial centre of the world - for necessary finance and with London supplying China's demand for capital, the investment aspect of the commercial intercourse between Britain and China became more important. As for the China merchants, financial engagements and

industrial projects were the only areas that could offer them real hope. When they encountered competition from other countries in these areas, they saw a very serious blow to their survival and therefore, were eager to ask for active political support from Britain. On the other hand, the merchants' efforts established Britain's trading superiority, which the British government had to defend when other World Powers were competing severely in China, and in the end, the cooperation between the commercial community and the British Foreign Office began. British investments in China will be discussed in the next two chapters and the relationship between the China merchants and the British Foreign Office in chapter seven.

Chapter Four: BRITISH INVESTMENT IN CHINA, 1854-1914 : THE STUDY OF THE CAPITAL MARKET AND THE ESTIMATION OF THE VOLUME.

I. The London Capital Market : Primary and Secondary

As the London Stock Exchange handled the bulk of overseas lending in the United Kingdom before the First World War, no study of British overseas investment can afford to exclude it. The history of the London Stock Exchange, as well as its links with the borrowers and lenders, has received the attention of a number of scholars including Morgan and Thomas, Jefferys, Hall, Cairncross, Paish, Feis, Lavington, Bailey, Ayres, Jenks, Simon, Edelstein and more recently, Cottrell.[1] The first section of this chapter is, therefore, no more than a summary of the existing investigations, but paying special attention to the Anglo-Chinese experience. The next section goes on to deal with the estimation of the volume of total

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1. E.V. Morgan and W.A. Thomas, The Stock Exchange, Its History and Functions (1962); J.B. Jefferys, 'Trends in Business Organisation in Great Britain Since 1856', (unpublished Ph.D. thesis, University of London, 1938), hereafter referred to as Jefferys thesis; A.R. Hall, The London Capital Market and Australia 1870-1914, (Canberra, 1963), hereafter London Capital Market; A.K. Cairncross, Home and Foreign Investment 1870-1913 (Cambridge, 1953); F.W. Paish, 'The London New Issue Market', Economica, N.S., XVIII (1951); F. Lavington, The English Capital Market (1921); H. Feis, Europe, The World's Banker 1870-1914 (1961); C.K. Hobson, The Export of Capital (1914); J.D. Bailey, 'Australian Company Borrowing, 1870-1913', (unpublished Ph.D. thesis, University of Oxford, 1958), hereafter Bailey thesis ; G.L. Ayres, 'Fluctuations in New Capital Issues in the London Capital Market, 1899 to 1913', (unpublished M.Sc. thesis, University of London, 1934); L.H. Jenks, The Migration of British Capital to 1875 (1971); M. Edelstein, 'Rigidity and Bias in the British Capital Market, 1870-1913', in D.N. McClosky (ed.), Essays on a Mature Economy, Britain after 1840 (1971), also his 'The Rate of Return on U.K. Home and Foreign Investment, 1870-1913', (unpublished Ph.D. thesis, University of Pennsylvania, 1970); M. Simon, 'The Pattern of New Portfolio Foreign Investment, 1865-1914', in J.H. Adler (ed.), Capital Movements and Economic Development (1967), also in A.R. Hall (ed.), The Export of Capital from Britain 1870-1914 (1968). (References are made according to the latter) and P.L. Cottrell, British Overseas Investment in the Nineteenth Century (1975).

new British portfolio investment in China, the macro-economic determinants of the British capital outflow to China, and the effect of this outflow upon the British and Chinese economies. A study of investment cycles, by what type of Chinese joint stock companies were formed to respond to the changing trading situations, is put in the next chapter.

Benefiting from the experience of dealing in overseas lending after the 1810s, London had developed an established foreign capital

Table 27

The Proportion of Overseas New Issues Introduced by the Main Type of Issuing Houses 1870-1914. (%)

	Official & Semi-official Agencies	Private Banks[a]	Joint Stock Banks	Overseas Banks & Agencies	Companies via their Bankers	Other Media[b]	Total Amount Issued £m
1870-1874	1.8	53.0	4.4	9.6	18.2	13.0	390.6
1875-1879	14.5	36.5	0.8	24.7	13.0	10.5	149.2
1880-1884	6.7	38.5	3.3	14.1	26.7	10.7	355.3
1885-1889	9.9	43.7	5.3	7.5	26.1	7.5	479.2
1890-1894	10.4	46.4	9.0	8.8	19.6	5.8	349.6
1895-1899	8.7	25.1	11.2	20.3	25.2	9.5	359.6
1900-1904	27.4	19.2	17.8	14.4	16.7	4.5	258.2
1905-1909	10.3	32.7	12.2	22.4	18.7	3.7	509.9
1910-1914	8.3	35.2	17.4	18.8	17.5	2.8	783.8
1870-1914	9.8	37.2	10.3	15.4	20.5	6.8	
Total Amount Issued (£m)	355	1,354	371	562	746	248	3,636

Note:

a. i.e. merchant bankers.

b. comprising: (1) investment trusts, £23m., (2) finance, land and property companies, £18m., (3) special syndicates £41m., (4) issue house with stock exchange connections, £12m., (5) companies as their issuers, £13m. and (6) miscellaneous issuers, £131m.

Source: A.R. Hall, London Capital Market and Australia 1870-1914 (Canberra, 1963), p.72.

market by 1870.[1] The primary market, which handled new securities, consisted of a host of loosely-organised issuing houses ranging from reputable firms - many of which were European bankers that emigrated to England during and after the Napoleonic Wars, such as Rothschild, Shroeder and Seligmann - to ephemeral groups that were formed for a particular issue. Their relative importance in handling overseas issues is set out in Table 27 on the previous page. Having a combined share of over four-fifths of the total during 1870 and 1914, banks of all types were the most prominent issuers. That the importance of merchant bankers, as shown by the Table and believed by certain writers,[2] declined gradually is more apparent than real for, according to Cottrell, some of the new non-bank promoters evolved from merchant bankers.[3] Official and semi-official agents were also important, but they managed colonial issues. The group titled 'other media' consisted mainly of syndicates and investment trusts. Syndicates seemed to have originated with the issue of British government loans in the eighteenth century,[4] but after the 1870s the practice of forming a syndicate to handle issues by tender, as well as at fixed price, was firmly established.[5] Investment trusts existed before 1870 as unincorporated companies and doubts of their legality in 1879 turned the bulk of them into limited companies.[6] By 1914 they were playing a very active part in the issue of overseas loans. Promotion activity, other than for government loans and railway

1. Hall, London Capital Market, cit., p.61; also J.H. Clapham, An Economic History of Britain, II, (Cambridge, 1944), p.323.
2. Hall, London Capital Market, cit., p.71 and Cairncross, op.cit., p.91.
3. Cottrell, op.cit., p.32.
4. Hall, London Capital Market, cit., p.77.
5. Ibid., p.77.
6. Ibid., pp.81-2.

Table 28

Issuing Agents of the Chinese Government and Chinese Government Guaranteed Railway Loans Before 1914

Loan	Contract Amount	Actual paid-up	Issuing Agent
1875	£ 627,675	£ 615,122	Agent of Hongkong and Shanghai Bank
1877	1,604,276	786,045	-ditto-
1885	1,505,000	1,474,900	Hongkong and Shanghai Bank
1885	1,500,000	1,470,000	Baring Brothers
1885	750,000	735,000	Hongkong and Shanghai Bank
1894	Tls10,900,000	801,150	-ditto-
1895	£3,000,000	2,895,000	-ditto-
1895	1,000,000	1,006,000	Chartered Bank of India, Australia, China
1896	16,000,000	7,900,000	Hongkong and Shanghai Bank
1898	16,000,000	7,200,000	-ditto-
1899*	2,300,000	2,231,000	-ditto-
1904*	2,900,000	2,843,750	-ditto-
1905	1,000,000	485,000	-ditto-
1907*	1,500,000	1,500,000	-ditto-
1908*	5,000,000	1,836,125	-ditto-
1908*	1,500,000	1,485,000	-ditto-
1908*	5,000,000	2,450,000	-ditto-
1910[1]	$10,000,000	695,952	London City and Midland Bank, Messrs Dunn Fisher and Co.
1910*	£3,000,000	1,115,550	Hongkong and Shanghai Bank
1911*	6,000,000	1,507,500	-ditto-
1912	5,000,000	4,750,000	Lloyds Bank, London and South West Bank, Capital and Counties Bank, and Chartered Bank of India, Australia and China under the authorisation of the International Investment Trust Ltd.
1913	25,000,000	6,675,012	Hongkong and Shanghai Bank, Baring Brothers, London County and Westminster Bank. Parr Bank and J.Henry Shroder & Co.
1914[2]	8,000,000	7,000,000	Lloyds Bank Ltd.
		53,158,106	

Total Hongkong and Shanghai Bank (including Agents and Associates) = £44,536,154 = 83.8%

Total Hongkong and Shanghai Bank (excluding Agents and Associates) = £36,459,975 = 68.6%

* Railway loans
1 £210,000 was placed in 1914
2 Privately placed for the Peking Syndicate

Source : Stock Exchange Year Books

companies floatations, however, is less clear; being too small to attract professional promoters, other issues were managed generally by the companies' respective bankers.

With regard to British investment in China, there is a clear picture of the part played by issuing houses which handled government loans and Chinese government railway bonds and Table 28 gives the details. Firstly, banks had an absolute dominance as issuing agents; of the total twenty-three loans contracted, only one, in 1912, was issued by an investment trust and it had the assistance of four merchant banks. More significantly, the Table shows that the Hongkong and Shanghai Bank, which had close business links with Parr's Bank in London,[1] had the lion's share of the issuing business. Apart from the first two loans which were brought to the market through its agents - probably because the bank's reputation in London had yet to be established, as Sir Robert Hart wrote in 1881 that "if the (Chinese) government puts a loan in my hands, I should most likely give it to the O.B.C. (Oriental Banking Corporation) if large and for sterling, and to the Hongkong Bank if small and for silver "[2], - it issued subsequently sixteen out of the twenty-one laons rasied between 1885 and 1914. In monetary terms, its share, including that of its agents and acting as a joint issuer of the 1913 loan, was nearly 84 per cent of the aggregate; but it does seem that other banks were competing for China business after 1910.

In contrast to the complete picture that can be established for Chinese government and railway loans, the issuing houses for private Chinese enterprises are largely unknown. The two pieces of available

1. C.A.E. Goodhart, The Business of Banking (1972), p.136.
2. J.K. Fairbank, C.F. Bruner and E.M. Matheson (eds.), The I.G. in Peking (1975), Hart to Campbell, 16.4.1881, p.366.

evidence suggest that the Hongkong and Shanghai Bank again played a prominent role. Firstly, it issued £345,000 first mortgage debentures for the Indo-China Steam Navigation Company, a subsidiary of Jardine Matheson and Company.[1] Secondly, the Hongkong Bank, together with Parr's Bank and the Yokohoma Specie Bank, issued £4m. 5 per cent bonds and £6m. 4½ per cent bonds in 1907 and 1911 respectively. for the South Manchurian Railway Company, a company incorporated in Japan.[2] In the case of Indo-China Steam Navigation Company, in addition to the Hongkong Bank's reputation in London, it should be noted that the Bank had a long history of intimate friendship with Jardine Matheson. In 1877 William Keswick, a principal partner of Jardine's, was elected one of the directors of the Bank and three years later he became the chairman of the Court of Directors. The relationship between these two firms was drawn even closer after co-sponsoring the formation of the British and Chinese Corporation in 1898, established to look for financial and industrial projects in China. Besides these two instances, the way that other private companies had their shares issued is not readily available.

There were some common techniques of issuing a loan though they varied a great deal in detail between promoters. G.A. White gave a brief description of Barings' procedure of handling a loan before the Select Committee on Loans to Foreign States of 1875. "More generally, loans are issued by the firms in London as agents for the government;" the agents would prepare and issue the prospectus and advertise in the leading newspapers, but "nothing more than that."[3]

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1. Stock Exchange Year Book 1915, p.948.
2. Ibid., p.418.
3. Quoted in Morgan and Thomas, op.cit., p.89.

But this last statement is probably not true for he was the only witness before that committee who denied that promotors had manipulated securities by methods such as 'making a market' and what was commonly called 'Premium Dodge', i.e. to create a public impression of genuine demand for the securities before their actual allotment.[1] After the 1890s, there were various warnings against the fraudulent activities of Chinese loan promoters.[2] The system of issue depended upon the policy of individual promoters and the prestige of borrowers. Usually, promoters simply acted as commission agents and received subscriptions for borrowers with a first-class reputation while the 'contracting' system - buying a loan outright - which was only employed by the small promoters - was the common way of issue for borrowers whose credit was by no means unquestionable. Underwriting was a third system that became more popular after the 1870s. The underwriters, which might include wealthy individuals, insurance companies, banks, trusts and finance companies, borkers and - for industrial issues - industrialists, were prepared to save a loan if it 'missed fire'. Promoters' charges varied considerably: ranging from 2-3 per cent for high-class issues to over 20 per cent for borrowers with a poor credit rating.[3] They were about 3 per cent for Chinese government and government-guaranteed railway loans.[4]

While the primary market dealt with issuing new loans, the secondary market, as represented by the Stock Exchange, specialised in trading securities that either had been or were in the process of being issued. Although its origins can be traced back to the days

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1. Cairncross, op.cit., pp.93-4.
2. See, for example, The Economist, 29.6.1895, p.850, 15.10.1898, p.1488, 21.9.1912, pp.518-9 and 28.9.1912, p.563; also Lavington, op.cit., p.217.
3. Cairncross, op.cit., p.91; also Lavington, op.cit., pp.218-9.
4. See chapter seven, p.289.

of the Restoration, it was mainly the increased borrowings of the British government to finance, and the growth of large scale lending to Continental countries after, the Napoleonic Wars that institutionalised the London Stock Exchange.

By 1854 British portfolio foreign lending lay in the range £195m. to 230m. which was distributed in the following pattern. As can be seen, all British portfolio lending was directed to the Americas and

Foreign Securities Holdings of Britain in 1854 (£millions).

United States	50 - 60
French, Belgian, Dutch and Russian Government Securities	45 - 55
Spain and Portugal	35 - 45
Latin America	35 - 40
French Railways	25 - 30
Belgian Railways	5
TOTAL	195 - 230

Source: L.H. Jenks, The Migration of British Capital to 1875 (1971), p.423.

and the Continent. That China does not appear in the Table is not surprising for, as shown in chapter one, early British investment in China took the form of direct investment as 'agency houses' which were partnership organisations. After the opening of China, modern industrial concerns, like shipyards, came into existence, but it would seem that many were subsidiaries of, and were financed probably out of the profits, of large agency houses. Therefore, they did not need to seek extra capital from London.

After 1855 overseas lending increased rapidly; Imlah estimates from a reconstruction of the British balance of payments in the

nineteenth century, that total British overseas investment increased every year from 1855 and reached a peak of £3,990m. in 1913, an increase of nearly seventeen times.[1] His study, though valuable, is subject to a margin of error; insufficient surviving information, for instance, forced him to make some bold assumptions and assertions. Secondly, the growth rate of overseas assets of individual firms indicates that Imlah's results may be under-estimates.[2]

Another authoritative study was carried out by Simon.[3] Largely based on the information given in the Investor's Monthly Manual, he computed an annual series of new British portfolio foreign investment from 1865 to 1914. His estimates, with breakdowns with respect to continent and country, political status, climatic-ethnic region, type of user, industry of issuer and the kind of securities issued, are by far the most comprehensive, but his approach too has a number of limitations.[4]

Simon reckoned that new British portfolio investment during the period 1865 to 1914 totalled £4,082m. approximately.[5] Of this amount, £2,100m., or over 51 per cent went to the New World, of which North America alone gained £1,400m. The part that flowed to the other continents varied, but none of them received less than 10 per cent of the aggregate. When dividing the countries by their political

1. A.H. Imlah, Economic Elements in the Pax Britannica (Cambridge, Mass., 1958). Table 4. pp.70-5.
2. Cottrell, op.cit., p.13.
3. Simon, loc.cit., pp.15-44.
4. For a comment on the limitation of the Simon approach, see below pp.156-68.
5. If the 1914 figure is subtracted from the total, the aggregate new British portfolio investment from 1865 to 1913 was £3,789 millions which is comparable to Feis's adjustment of G. Paish's stock estimate of £4,014 millions. See Feis, op.cit., p.27.

status, independent countries had a share of 60 per cent. Re-arranging the data, he discovered that the bulk of the British investment, namely, £2,400m. or approximately 68 per cent, went to the regions of 'recent settlement'. Private firms, which took 55 per cent of the total, were more important than government and colonial borrowers. A study of how the funds were used indicates that social overhead projects were dominant - accounting for almost 70 per cent. Transportation, obtaining a 70 per cent share within the group, was the single largest industry. In contrast, less than 4 per cent of the total lending was devoted to manufacturing. Quite contrary to the belief of some writers,[1] there was no persistent trend of the British capital flowing to the 'new' Empire after the 1870s. After reaching a peak in 1885 at 67 per cent of the total - which was the result of increasing activities in Australasia - the Imperial share came down to 25 per cent in 1890. It rose again during the mining boom in Australia in the nineties and advanced to another climax, at a 59 per cent share, in 1903 after further Canadian borrowing. Thereafter, it declined to below 40 per cent in the years before World War I.[2] Long swings were a common feature of the flunctuations of the different series. Total British investment, for instance, had two and a half long swings; the first starting in the early 1860s, peaked in 1872 with lending then declining to 1877. The second long swing reached a peak in 1889 before falling to a trough in 1901.

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1. See, for example, S.B. Saul, Studies in British Overseas Trade (Liverpool, 1960). '... but from the mid-1870s onwards investment in Empire became more and more important.' (p.67); 'The long term trend after 1873 was away from Europe to the primary producing countries and especially towards those within the Empire', Hall, London Capital Market, cit., p.12; also J.A. Hobson who argued that overproduction in manufacturing and a surplus of capital forced Great Britain, Germany, Holland and France to look for market overseas. See his Imperialism, A Study (1954), p.80. For a recent discussion, see D.K. Fieldhouse, 'Imperialism : an Historiographical Revision', E.H.R., 2nd ser. XIV (1961). The author expands this article in his The Economics and Empire (1974).

2. Simon, loc.cit., p.29.

The next long swing rose vigorously to a peak in 1913, a year before the outbreak of the great war. Similar long swings existed in the series of Independent Countries, Regions of Recent Settlement, North America, South America, Europe, the United. States, Private Enterprises, Manufacturing, Railroads and Social Overhead Capital. Conversely, the series of the British Empire, Mixed Enterprise and Government, do not, with the exception of the third swing, display such pronounced fluctuations as the total British series. As for the Australian, African and Asian experience, no similar long swing is apparent at all.[1] British investment in China, however, was not treated separately in his study.

II. The Method of Estimation of British Investment in China

Naturally, the first question of students of international investment is 'how much?' The measurement of the volume of British overseas lending in the nineteenth century is estimated by two methods. The direct approach is an estimation of either the stock of British overseas holdings at a point of time or of the subscriptions to overseas loans over a period of time.[2] The indirect approach, on the other hand, measures the total value of the net outflow of capital from the residual components of balance of payment accounts.[3] Both of these methods have their limitations and more important, what they

1. A.I. Bloomfield found that the Australian capital imports had long swings but they were quite different from the pattern of the U.S. and Canada. See his Patterns of Fluctuation in International Investment before 1914 (Princeton, 1968), pp.27-9.

2. Leading studies are: G. Paish, 'Great Britain's Investment in Other Lands', Journal of the Royal Statistical Society, hereafter J.R.S.S., LXXI (1909), pp.456-80 and 'The Export of Capital and the Cost of Living', The Statist, supplement to the issue on 14.2.1914; Hall, London Capital Market, cit. Recently, Simon has made a direct estimation from the overseas calls given in the Investor's Monthly Manual; see M. Simon, loc.cit.

3. See, for example, C.K. Hobson, op.cit., Cairncross, op.cit., and Imlah, op.cit.

measure is not exactly the same. The direct estimation produces ex ante investment while the indirect approach gives ex post investment. The main difference is that the direct estimation does not take account of British direct overseas investment, short term international capital movements and foreign holdings of British overseas securities. However, its estimates can be subdivided easily in terms of borrowing countries or the way that funds were used. The indirect method provides only an aggregate for Britain as a whole and in addition is subject to a wider margin of error, caused by the poor state of the surviving data on some components of the balance of payments, like invisible earnings, for which estimates have to be made. Despite all the scholarly enquiries into British investment abroad, the volume of British funds flowing to China has - probably due to the relatively unimportance of China in total British foreign lending - received very little attention.[1] Revising Paish's estimate, Feis suggested that British portfolio investment in China was 43.9m.[2] Assuming that Chinese securities issued prior to 1895 were fully redeemed,

new British portfolio investment in China, estimated from I.M:M. Calls, totalled £68.0 million and was considerably higher than Feis' calculations. The following is an attempt to estimate the annual outflow of new British portfolio investment in China from 1865 to 1914.

The method adopted in the present study is direct estimation. Necessary information on the invisible items in the balance of payments, namely, earnings from foreign trade and services, insurance brokerage

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1. G. Paish gave an estimation of British subscription to Chinese calls from 1907 to 1913. See his 'The Export of Capital and the Cost of Living', cit., p.v.

2. See Feis, op.cit., p.23.

commissions, net credits from shipping as well as remittances abroad is not available to carry out an accurate estimation of the British balance of payments with China. In fact, the following estimation of British investment in China is based on the method first used by Simon - by aggregating calls made on Chinese issues published in the Investor's Monthly Manual (I.M.M.) from January, 1865.[1] This information was checked against that in the Stock Exchange Year Books, Burdett's Stock Exchange Official Intelligence and the company records filed with the Board of Trade.[2] Simon's estimates on new British portfolio investment in China between 1865 and 1914 on decennial basis have been made available to me by Professor Irving Stone of Baruch College, the City University of New York, to whom I am very grateful. But there is a difference between Simon's and my estimates; this will be explained below.

British portfolio investment was defined as the public subscriptions to securities, offered either by the Chinese government or Chinese companies, in London. Unlike Chinese government and railway loans, the determination of the area of business of Chinese companies is by no means an easy task. In the present study, the area of activity of a company was used as the criterion: a British concern was not regarded as a Chinese company unless it operated in China. Many trading houses in China, such as Jardine Matheson and Butterfield and Swire, had their agents in Britain,[3] and undisputedly, these agency companies contributed a great deal to promoting Anglo-Chinese trade and finance, but at the same time, they were basically British

1. The I.M.M. was first published in October, 1864.
2. Checks against the Stock Exchange Year Book are not possible before its publication from 1875.
3. Matheson and Company and John Swire and Son Company respectively.

companies and as such, they were not taken into consideration. Likewise, a Chinese tea-import and a cotton-exporting firm based in Britain was also disregarded. China, as mentioned in the second chapter, means China and Hong Kong since it is impossible to separate the intricate private British trading and financial interests in these two places. For instance, the Hongkong and Shanghai Bank, the largest bank engaged in Anglo-Chinese commerce, had its head-office in Hong Kong, Similarly, the Chartered Bank of India, Australia and China, the Chartered Bank of London and China, the Bank of Hindustan China and Japan, the Indo-China Steam Navigation Company, etc., all of whom were concerned with Chinese business, had strong footholds at that port. Formosa was also treated as an integral part of the Chinese economy in spite of its cession to Japan in 1895. However, the three Hong Kong government loans, namely, of 1887, 1893 and 1906, were issued for internal development purposes, and which can easily be separated from the British funds which were put into British trading and financial undertakings in China, were not counted.

The above criterion, too, applies to British shipping companies which were well-established in the China trade. The Peninsular and Oriental, Blue Funnel, Ben Line, the China Mutual Steam Navingation,[1] Castle Line, Glen Line and White Star Line plied between the ports of Britain and China to a greater or smaller extent.[2] Although they were an indispensable part of the Anglo-Chinese trading and financial network, they were British companies as far as the daily administration

1. It was first formed in 1882 under the title of China Shippers' Mutual Steam Navigation Company. Then it was reconstructed in 1891 as the China Mutual Steam Navigation Company and again reconstructed in 1900 under the same title. See P.R.O. BT31/2991/16831, BT31/5211/35316 and company number 68539 at the Company Registration Office of the Department of Trade and Industry.

2. For detail, see F.E. Hyde, The Far Eastern Trade (1973).

of the companies was concerned, and therefore, the present study did not take account of them. However, when a shipping concern was engaged significantly in Chinese coastal and inland river transport, then they were considered, as for example, the Indo-China Steam Navigation Company and the China Navigation Company.

Another problem arises from the precise area of activity of some Chinese firms. Because of the historical and economic characteristics of the British expansion in the East - from the East Indies to China and Japan - British investments had a strong Asiatic rather than a sole Chinese character. The development of a triangular settlement of the trade balance between Britain, China and India was the basis of the system. Their Asiatic nature is especially striking with investment in banking and shipping before the 1870s. It is well-known that British ships called at Indian and Chinese ports on the same eastern voyage. That the business of the banks had to follow the triangular pattern of trade needs no comment and titles like the Chartered Bank of India, Australia and China, the Oriental Banking Corporation and the Indo-China Steam Navigation Company, etc. explain the area of business of the respective companies. In dealing with these companies, either an 'all-in' or 'all-out' approach has drawbacks. The criterion adopted here was that when a British company operated in the East, of which China was a part, it was taken as a Chinese company provided that it had a significant role in the Chinese Empire. Therefore, the Bank of Hindustan China and Japan which held an important position in China before 1895 was included in the list despite its substantial business

elsewhere in Asia.[1] On the other hand, the Agra Bank and the National Bank of India, even though they once had branches in China, were excluded.

In addition to the task of defining Chinese companies, a question arose in accounting for the 'joint issues' given in the I.M.M. Some of the borrowings, especially political loans of considerable size, were placed in other non-U.K. financial centres, as well as London. The exact amount issued in London was traced as far as information allowed; otherwise, Hobson's practice of halving the sum for London was adopted.

The yardsticks mentioned above are open to criticisms and errors, especially in determining whether a company played a major role in the China trade, but throughout the process of selection, the utmost care has been taken and the problems discussed above borne in mind. It is hoped that any over-counting will partly, if not wholly, off-set any serious omissions.

III. The Nature of the Estimates

The foremost question is the reliability of the I.M.M. A detailed comparison with the records given in the Stock Exchange Year Book and the Stock Exchange Official Intelligence shows that calls arising out of Chinese borrowing published in the I.M.M. are broadly correct.[2] But issues of substantial size were called up

1. Ching-yü Wang, 汪敬虞 'Shih-chiu-shih-chih wai-kuo chai-hua yin-hang shih-lih ti kang-chang chih chih tui chung-kuo tung-shang hou-ngang chin-yung shih-chang ti kung-chih, 十九世紀外國在華銀行勢力的擴張及其对中國通商口岸金融市場的控制 (The Expansion of Foreign Banks in China and Their Control of Financial Markets in the Treaty ports'), Li-Shih Yen-chiu 歷史研究 (The Study of History) (1963), p.53.

2. See below, pp.157-68.

in parts over a period of time rather than on a 'once-for-all' basis. It is here that a problem occurs because very often, the I.M.M. did not record the complete series of calls. But the missing ones can be found by comparing the data from the I.M.M. with that in the Stock Exchange Year Book and the Stock Exchange Official Intelligence. For instance, the calls of the Chinese Government Railway Loan of 1899, issued at 97 per cent were given in the I.M.M. as follows:

Time of Call	Capital Created (if any)	Already Paid	Capital called up	call per Share
Feb. 1899	£2,231,000	-	£115,000*	-
Mar. 1899	-	£25	£575,000	£15
Apr. 1899	-	£50	£575,000	£15
May 1899	-	£75	£506,000	£22

* First payment

The first payment was £115,000, i.e. £5 per share. But the second call stated that £25 per share had been paid. Both the Stock Exchange Year Book and the Stock Exchange Official Intelligence indicate that the loan was issued at 97 per cent. It is obvious that the £20 called between February and March of 1896 had not been recorded. Therefore, corrections were made by treating the missing £20 as having been paid at the time of the first call. Similar examples in the I.M.M. are not uncommon and they were corrected in this study accordingly.

As mentioned before, the estimates arrived at are the subscriptions to Chinese borrowings in London; so they are by no means the total funds which were transmitted to China. First of all, there were some British companies which operated in China, but did not raise their

capital in London. For example, there were numerous other British companies which were incorporated in Hong Kong before 1914. They ranged from import and export firms, insurance companies, shipping concerns, and banks to factories.[1] The full picture of the history of these firms is unclear; but it seems that most of the enterprises of some importance were subsidiary organisations of some of the prominent 'agency houses.' Jardine Matheson and Company was engaged in every aspect of the Chinese business. Needless to say, the firm itself was the most important import and export merchant house. It also owned a few large insurance companies[2] and the Ewo Bank at Shanghai.[3] In shipping and shipyard business, it established the Indo-China Steam Navigation Company, the Hong Kong and Whampoo Dockyard, the Star Ferry and with Butterfield and Swire, the Hong Kong, Canton and Macau Steam Boat Company.[4] In manufacturing, Jardine founded the Silk Reeling Establishment and the Ewo Silk Filature, one sugar refinery in Hong Kong in 1876 and one in Swatow in 1878 as well as the Ewo Spinning and Weaving Company.[5] Butterfield and Swire, another major 'prince' firm, was more interested in shipping

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1. The British Foreign Office carried out a survey of foreign industrial enterprises in China in 1917, giving the names of the concerns and the nationality of their owners. For the complete list, see Great Britain, List of the Principal Foreign and Chinese Industrial Enterprises in China and Hong Kong (Shanghai, 1918). For the non-industrial enterprises which were still in existence in 1936, see Tōa Kenkyūjo, 東亞研究所 (East Asian Research Institute) Shogaikoku no tai-shi tōshi 諸外国の対支投資 (Foreign Investment in China) 3 vols. (Tokyo, 1942-3); also C.M. Hou, Foreign Investment and Economic Development in China 1840-1937 (Cambridge, Mass., 1965) ch.3 and G.C. Allen and A.G. Donnithorne, Western Enterprises in Far Eastern Economic Development, China and Japan (1954), chs.3-10.
2. See ch.3, p.137.
3. E. LeFevour, Western Enterprise in Late Ch'ing China (Cambridge, Mass., 1968), p.138.
4. Tōa Kenkyūjo, op.cit., pp.424-5 and 428.
5. C.M. Hou, Foreign Investment and Economic Development in China, 1840-1937 (Cambridge, Mass., 1965), pp.83-6.

and sugar refining business. It owned the China Navigation Company, the Taikoo Dockyard and Engineering Company of Hong Kong, the Tientsin Lighter and Company, the Taikoo Sugar Refinery and with Jardine, the Hong Kong, Canton and Macau Steam Boat Company.[1] It should be noted, however, that some of the concerns listed above, namely, the Indo-China Steam Navigation Company, the Taikoo Dockyard and Engineering Company of Hong Kong, the China Navigation Company, the Taikoo Sugar Refinery and the Tientsin Lighter Company, were incorporated in England, and that the first three were public companies. Since limited liability was adopted by Hong Kong in 1865, it would seem that the main attraction of forming these companies in the United Kingdom was to secure the necessary capital which was extremely scarce in China. If this is the case, then those which did not raise capital in Britain were smaller concerns, as far as their initial capital was concerned.

Remer has made a frequently-quoted estimate of total British investment in China in 1914 which, he reckoned, totalled U.S. $ 607.5 millions, i.e. £125 millions.[2] Total Chinese calls in London estimated from the I.M.M. from 1865 to 1914 amount to £79 millions, or 37 per cent short of Remer's calculations. But Remer's estimation was based on market values of the assets of British companies and is, therefore, not directly comparable to the results from the I.M.M. issues. According to Paish, direct foreign investment was never more than the annual amortisation quotas and repayment of existing loans; so British overseas investment can be taken as British holdings of

1. Tōa Kenkyūjo, op.cit., pp.426-8.

2. C.F. Remer, Foreign Investments in China (New York, 1968), p.361. The first edition appeared in 1933. His estimate is often quoted both by Chinese and Western authors. Hou, op.cit., published thirty-two years after the first edition of Remer's book, could not improve on his estimates.

foreign stocks being traded in the London Stock Exchange.[1] Since many British companies, which were engaged in the Chinese trade, existed in China and Hong Kong and they did not appeal to British investors for their capital, further research is needed before any firm conclusion can be drawn.

Secondly, part of the overseas issues in London might have been subscribed by non-British citizens. To treat all overseas issues as British lending is therefore an overstatement. The inflow of Continental capital has a long history and became more pronounced after the 1870s. The Economist commented in 1875 that

> "for many months it has been noticed in our money article that while good stocks were steady and advancing the speculative stocks (Egyptian, Turkish and Peruvian) were out of favour, and were on balance rather being sold by the English public, and were bought chiefly by foreign speculators. The transfer of stock from London to Paris during this period has been notorious...." [2]

A close examination of the joint stock company records shows that foreign capital in 'public companies' amounted to almost one-third;[3] but the shares of some of these companies were traded, and might have been issued, in non-United Kingdom financial centres, such as Shanghai. The cases of Chinese government, railway loans and company debentures, however, are not known. Since the I.M.M. gave calls to be subscribed in London, it is unlikely that such a high proportion of foreign elements patronised the calls.

Another problem is the private placement of shares. There were, from time to time, securities which had either been issued privately or outside the United Kingdom but were later placed on the London

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1. F.W. Paish, loc.cit., p.2.
2. The Economist, 8.8.1875, p.908.
3. See chapter five, p.211.

Stock Exchange List. Their subscription, unfortunately, was in no way recorded in the I.M.M. In 1914 as far as British lending to China was concerned, private placements included three Chinese government loans offered by the Austrian Oesterreichische Laenderbank totalling £1.7 millions, one of £15.8 millions offered by the French Comptoir National d'Escompte and the Crédit Lyonnais, one of £0.5 million offered by the Anglo-Austrian Bank and one of 10 million yen offered by the Japanese Yokohama Specie Bank.[1] Jardine, Matheson and Company also put £150,000 Chinese Tientsin Railway bonds on the market.[2] In addition, the Chinese Central Railway Ltd., although incorporated as a private company, traded its shares on the London Stock Exchange in 1914.[3] Similarly, the securities of a number of companies which were registered at Hong Kong or elsewhere outside the United Kingdom, were quoted on the London stock market.[4] The amount of British holdings in these securities is unknown and there is no way of estimating it at the moment. Since they were private placements, the amount should not have been great.

Fourthly, not every penny of the loans raised in London was necessarily spent in the borrowing countries. Hall suggested that the raised loan was not always wholly spent overseas. Some of the mining company borrowings abroad were no less than a transfer of capital within Britain. For instance, in many gold mining

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1. Stock Exchange Year Book 1915, p.45, p.40 and p.43.
2. Ibid., 1895, p.182.
3. P.R.O. BT31/36256/79679/1.
4. The list includes the Yangtze Insurance Association of Shanghai, the Hong Kong Fire Insurance Co., the Union Insurance of Canton Co., the Canton Insurance Co., Banque Industrielle de Chine and the Bank Russo-Asiatique.

promotions, bases were purchased abroad for say £10,000 (actual overseas investment) but offered in London for perhaps £100,000 (new capital issue).[1] In this case, only one-tenth of the British subscription actually went overseas if no more capital was put into working the mines. So far as Chinese issues are concerned, similar evidence is rare; but it is true that the Anglo-Chinese firms, with offices in Britain, would have spent part of their capital in maintaining their daily operation in Britain.

There are one or two minor problems. It has been found that the vendors' shares, which were excluded in the I.M.M. calls, were rather high in British home companies,[2] due to their practice of rewarding their vendors during reconstructions. But this practice was infrequent for Chinese companies. Furthermore, some companies, for various reasons, repaid part of their capital they had raised, but the practice was scarcely popular for Chinese companies either; not a single Chinese company, the calls of which were given by the I.M.M., refunded any of its borrowed capital before 1914.

IV. New British Portfolio Investment in China 1865-1914.

Total new British portfolio investment in China in the fifty year period from 1865 to 1914 was £78,820,076 which was raised over time in the following way:

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1. A.R. Hall, 'A Note on the English Capital Market as a Source of funds for Home Investment before 1913', Economica, N.S., XXIV (1957), p.63.

2. The capital paid to vendors in the five years 1889 to 1903 averaged as high as 70 per cent. The average was 45 per cent between 1904 and 1913. These figures are calculated from the table given in Ayres, op.cit., pp.40-1.

Period	My Estimation (£000's)	Simon's Estimation (£000's)
1865-1874	1,345	940
1875-1884	2,992	2,739
1885-1894	6,053	5,169
1895-1904	29,709	24,818
1905-1914	38,941	40,081
Total	£79,040	£73,747

As can be seen, British investment in China was increasing steadily by decade throughout the period. Although based on a similar source as Simon, there is a 6.7 per cent difference between the aggregate of our estimates. With the exception of the last decade, my estimates are constantly higher. But the late Professor Simon did not explain in detail how he came to his final estimates so that the causes of this difference are not known exactly. The following factors are thought to be responsible. Firstly, both of us believe that the I.M.M. does not provide a record of the complete series of calls of loans and that the Stock Exchange Year Books and the Stock Exchange Official Intelligence were used to trace the omissions. But sometimes the information given in them is rather ambiguous and judgement has to be based on other sources, e.g. company histories and company records. This is particularly necessary before the publication of the Stock Exchange Year Book in 1875. Secondly, the different definition of Chinese companies is another major factor. In my estimation, Chinese companies also included those which operated in Hong Kong and Asia if they had a significant role in the Celestial Empire. Hence, the Chartered Bank of India, Australia and China, the Bank of Hindustan China and Japan, the Bank of China and Japan, the Hongkong and Shanghai Bank, the India, Australia and China Submarine Telegraph, the Eastern Extension of India, Australia

and China Telegraph Company were all included. But it is not certain how Simon treated these companies. Thirdly, our treatment of steamship companies might be another point of divergence. The Indo-China Steam Navigation Company, which regularly served the Chinese coastal ports and inland rivers, was considered as part of the British investment in China. Simon might have put it into another category. The difference in our estimates is better explained by an illustration. The calls of the first period, i.e. from 1865 to 1874 have been taken as an example; the I.M.M. gave the following details of Chinese issues:

Time of Call	Company Name	Number of Shares	Capital Created if any £	Capital Already Paid £	Present Call £	Present Call per Share £
Jul.1865	Bank of Hindustan China and Japan	-	-	10	100,000	5
Oct.1865	-ditto-	-	-	20	100,000	5
Nov.1866	-ditto-	40,000	-	25	120,000	3
Jul.1869	Hongkong and Shanghai Bank	20,000	-	5 5/8	112,500	5.12.6.
Aug.1869	India, Australia & China Telegraph	17,500	-	-	87,500	5
Dec.1869	China Submarine Telegraph	52,500	525,000	-	105,000	2
Feb.1870	-ditto-	30,000	300,000	-	60,000	2
Jul.1870	-ditto-	52,500	-	2	104,000	2
Oct.1870	-ditto-	42,500	-	4	42,500	1
Nov.1870	-ditto-	42,500	-	5	42,500	1
Dec.1870	-ditto-	42,500	-	6	42,500	1
Jan.1871	-ditto-	52.000	-	7	52,500	1
Feb.1871	-ditto-	52,000	-	8	52,500	1
Mar.1871	-ditto-	-	-	-	52,500	1
Jul.1872	Hongkong and Shanghai Bank	20,000	-	22½	112,500	5.12.6.
Total					1,288,500	

The Chinese issues totalled £1,288,500, but it is thought that some issues of the Hongkong Bank are missing. From the first call recorded in July, 1869, the I.M.M. stated that the bank already had

a paid-up capital of £5.12.6d. per share. However, the bank did not come into existence until 1866. It must have raised the first part of its capital between 1866 and 1869 and the initial portion was probably issued in London because subsequent parts were. Therefore, it was taken that the first call of £5.12.6d. per share was not recorded. Similarly, the second recorded call of the Bank in July, 1872 indicates that the 'already paid up' capital per share was £22.10.0d. The nominal amount of the Bank's share was £28.2.6d. at that time. Apparently, the Bank had broken up its call of the full nominal value into five equal separate calls of which that of 1872 was the last of the series. Discarding the possibility that it could have issued the calls in between elsewhere, it was considered that the second and third call of the issue did not catch the attention of the I.M.M. and therefore, these missing transactions, totalling £337,500, were added to the recorded total. But the Hongkong and Shanghai Bank issued this loan on the Continent simultaneously and since the exact British portion is untraceable, it was taken that half of the total was placed on London. On the other hand, the India, Australia and China Telegraph Company did not actually collect its recorded calls for £87,500 before being wound up since its only 'summary of capital and shares' filed with the Board of Trade and which was made up to February, 1870, i.e. eight months after its call appeared in the I.M.M., shows that only seven shares, totalling £140 were subscribed.[1] Therefore, its call was taken out from the list. Adding all the calls together, the aggregate of China's issues

1. P.R.O. BT31/1480/4528/cnl. 4525/4. The company was declared to be dissolved in 1884 by the Registrar of the Joint Stock Companies who had failed for several times to contact the company.

between 1865 and 1874 was £1,344,750. But the corresponding total of Somon was only £940,000.

Before going further, it is perhaps helpful to test the accuracy of the estimates based on the I.M.M., the reliability of which Hall, among others has doubted.[1] It is true that the I.M.M. only gives the calls of those securities that were publicly traded. But in Stock Exchange Year Books, there were a number of companies for which the IM.M. did not record any calls. They were either formed as private companies[2] but their shares, after being widely circulated, gained a place in the London Stock Exchange and hence assumed the character of public companies in reality, or, simply, the I.M.M. might have overlooked that they had ever appealed to the public for funds. To supplement the I.M.M. calls, a study of the new calls on China was carried out by comparing the annual issue of the Stock Exchange Year Book after its appearance in 1875 and the result is set out in the following table. (For detail, see Appendix III).

In compiling Table 29 Chinese companies with their capital in currencies other than sterling such as French francs, Hong Kong dollars, roubles, etc. were not taken into consideration, for, presumably, they were not British companies. Even though their securities were traded on the London market, their total British subscription should have been small. The increase of capital of reconstructed companies, on the other hand, was included. That reconstructed companies often compensated their previous shareholders by the allotment of new shares is well-known

1. A.R. Hall, 'The English Capital Market before 1914 - A Reply', Economica, N.S., XXV (1958), p.343.

2. Private companies only received statutory recognition in 1907 although they had existed after the 1855-62 Company Acts. They are companies not appealing for public funds. H.A. Shannon, 'The Limited Companies of 1866-1883', Economic History Review, 1st ser. IV (1932-34), p.290.

Table 29

Total New British Portfolio Investment in China the I.M.M. did not record, 1875-1914

Period	(1) Missing Calls	(2) Estimates from I.M.M.	(1)/(2)
Year	£000s	£000s	%
1875-1884	439	2,992	14.7
1885-1894	511	6,053	8.4
1895-1904	2,003	29,709	6.7
1905-1914	1,608	38,941	4.1
Weighted average			5.8

Source: Stock Exchange Year Books

and therefore, their increase of capital might well be a double counting.[1] But it is hoped that the overstatement in this respect would make up for the ignorance of foreign company securities which were traded in London. Weighed by the total volume of calls given in the I.M.M. by decade, the above table shows that the total new British investment taken from Stock Exchange Year Books from 1875 to 1914 averaged 5.8 per cent more than the total from the I.M.M. It is possible, however, that some companies and securities left out from the I.M.M. might have not been issued in London; so the 5.8 per cent should be the upper limit of missing calls. But there is no way to ascertain the exact amount.

One more type of company needs mentioning. It is the private company which has often been neglected, partly because it was minor in importance and partly because its records were not easily accesible. An exercise of summing up the initial paid-up capital of all private Chinese companies was done.[2] The total accounted for o.6

1. During the period 1870 to 1914, the following is a list of notable reconstruction activities. The North China Insurance had two reconstructions; the Bank of China and Japan had two and the Chinese Engineering and Mining had one.

2. For detail, see Appendix IV .

per cent of the total calls recorded in the I.M.M. during the period 1865 to 1914. Here no attempt was made to calculate their paid-up capital further than the initial one. But at any rate, the scale of those companies in terms of paid-up capital was small. Had they needed great financial resources, they would have invited the public to subscribe to their shares. As the missing calls and the private companies only make up an upper limit of less than 7 per cent of the total I.M.M. calls, the estimates from the I.M.M. are broadly correct.

Unlike many of the series that Simon estimated, the total new British portfolio investment in China between 1865 and 1914, does not, in original estimates, show any regular recurring long swings. (See Table 30 and Fig. 5). There are, however, a few peaks - in 1885, 1898, 1907, 1911 and 1913. Except for the 1907 peak, all of them have a common characteristic: the issue of Chinese government loans. The 1907 peak, on the other hand, was due to the two Chinese railway loans. The outcome is not at all surprising as Table 32 on page 175 demonstrates that the Chinese government loans accounted for 51.1 per cent of the total British investment while railways had a share of 33.6 per cent. But apart from the South Manchuran Railway, the borrower of all railway loans was also the Chinese government. Putting political and railway loans together, they constitute 84.7 per cent of the total.

But when the series is smoothed by the technique of a moving average, the two and a half long swings - a feature of many of the Simon series - emerge although the timing of the swings in the outflow of British funds to China does not correspond exactly to the pattern of the total new British portfolio overseas investment which, according to Simon, had its first long swing from 1862 to 1877; its second swing from

Table 30

New British Portfolio Investment in China 1865-1914 (£000's)

1865	200	1890	656
1866	120	1891	622
1867	-	1892	80
1868	-	1893	-
1869	418	1894	1,015
1870	395	1895	4,391
1871	156	1896	10,878
1872	56	1897	250
1873	-	1898	7,850
1874	-	1899	2,481
1875	-	1900	900
1876	275	1901	200
1877	160	1902	233
1878	626	1903	208
1879	450	1904	2,319
1880	100	1905	485
1881	-	1906	-
1882	496	1907	7,271
1883	885	1908	5,961
1884	-	1909	2,640
1885	3,680	1910	1,608
1886	-	1911	7,436
1887	-	1912	5,200
1888	-	1913	7,425
1889	-	1914	910

1865-1874	1,345
1875-1884	2,992
1885-1894	6,053
1895-1904	29,709
1905-1914	38,941
1865-1894	10,390
1895-1914	68,436
1865-1914	79,040

Source: see text

Table 31

Five-Year and Nine-Year Moving Averages and Their Detrended Series of the Total New British Portfolio Investment in China 1865-1914 (£000's).

Year	5-Yr. M.A.	Detrended	9-Yr M.A.	Detrended
1867	147.6	- 147.6		
1868	186.6	- 186.6		
1869	193.8	+ 224.2	149.4	+ 286.6
1870	205.0	+ 190.0	127.2	+ 267.8
1871	205.0	- 49.0	113.9	+ 42.1
1872	121.4	- 65.4	144.4	- 88.4
1873	42.4	- 42.4	162.2	- 162.2
1874	66.2	- 66.2	185.3	- 185.3
1875	87.0	- 87.0	191.4	- 191.4
1876	212.2	+ 62.8	185.2	+ 89.8
1877	302.2	- 142.2	179.0	- 19.0
1878	322.2	+ 303.8	234.1	+ 391.9
1879	267.2	+ 182.8	332.4	+ 117.6
1880	334.4	- 234.4	332.4	- 114.8
1881	386.2	- 386.2	710.8	- 710.8
1882	296.2	+ 199.8	693.0	- 197.0
1883	1,012.2	- 127.2	623.4	+ 261.6
1884	1,012.2	-1,012.2	573.4	- 573.4
1885	913.0	+2,767.0	562.3	+3,117.7
1886	736.0	- 736.0	635.2	- 635.2
1887	736.0	- 736.0	649.2	- 649.2
1888	131.2	- 131.2	559.8	- 559.8
1889	255.6	- 255.6	559.8	- 559.8
1890	271.6	+ 384.4	263.7	+ 392.3
1891	271.6	+ 350.4	751.6	- 129.6
1892	474.6	- 394.6	1,960.2	-1,880.2
1893	1,221.6	-1,221.6	1,988.0	-1,988.0
1894	3,272.8	+2,257.8	2,860.2	-1,845.2
1895	3,306.8	+1,084.2	3,063.0	+1,328.0
1896	4,876.8	+6,001.2	3,093.8	+7,686.2
1897	5,170.0	-4,920.0	3,107.2	-2,857.2
1898	4,471.8	+3,378.2	3,133.1	+4,716.9
1899	2,336.2	+ 144.8	3,043.4	- 562.4
1900	2,334.8	-1,434.8	2,813.2	-1,913.2
1901	804.4	- 604.4	1,658.4	-1,458.4
1902	772.0	- 539.0	1,630.7	-1,397.7
1903	689.0	- 481.0	1,566.3	-1,358.3
1904	649.0	+1,670.0	1,953.0	+ 366.0
1905	2,056.0	-1,571.6	2,146.3	-1,661.3
1906	3,207.2	-3,207.2	2,302.8	-2,302.8
1907	3,271.4	+3,999.6	3,103.1	+4,167.9
1908	3,496.0	+2,465.0	3,657.8	+2,303.2
1909	4,983.2	-2,343.2	4,225.1	-1,585.1
1910	4,569.0	-2,961.0	4,272.3	-2,664.3
1911	4,861.8	+2,574.2		
1912	4,515.8	+ 684.2		

Source: Table 30.

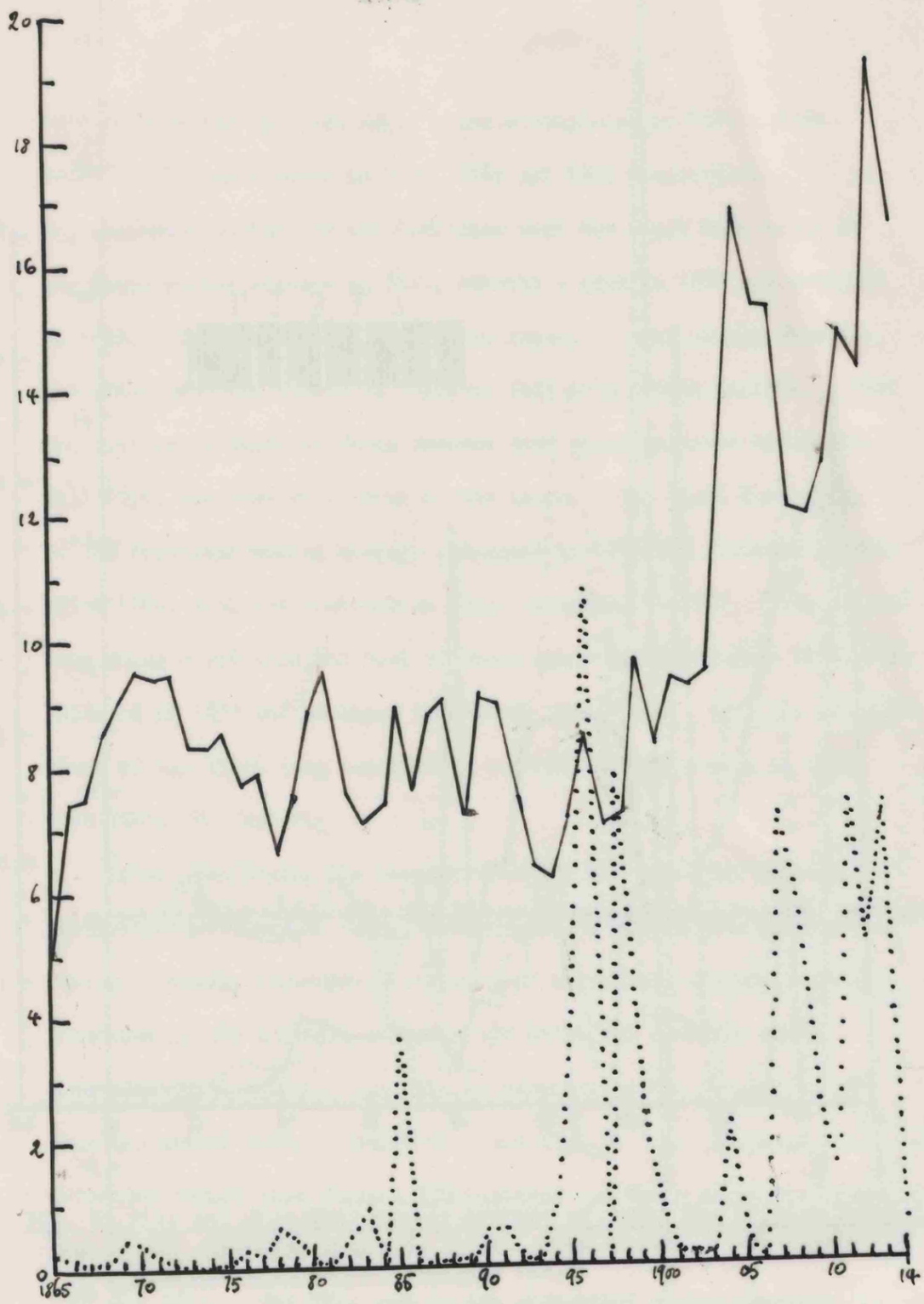

Fig. 5: Total New British Portfolio Investment in China and Total Value of British Exports to China 1865-1914 (£m.).

..... Investment.

—— Exports.

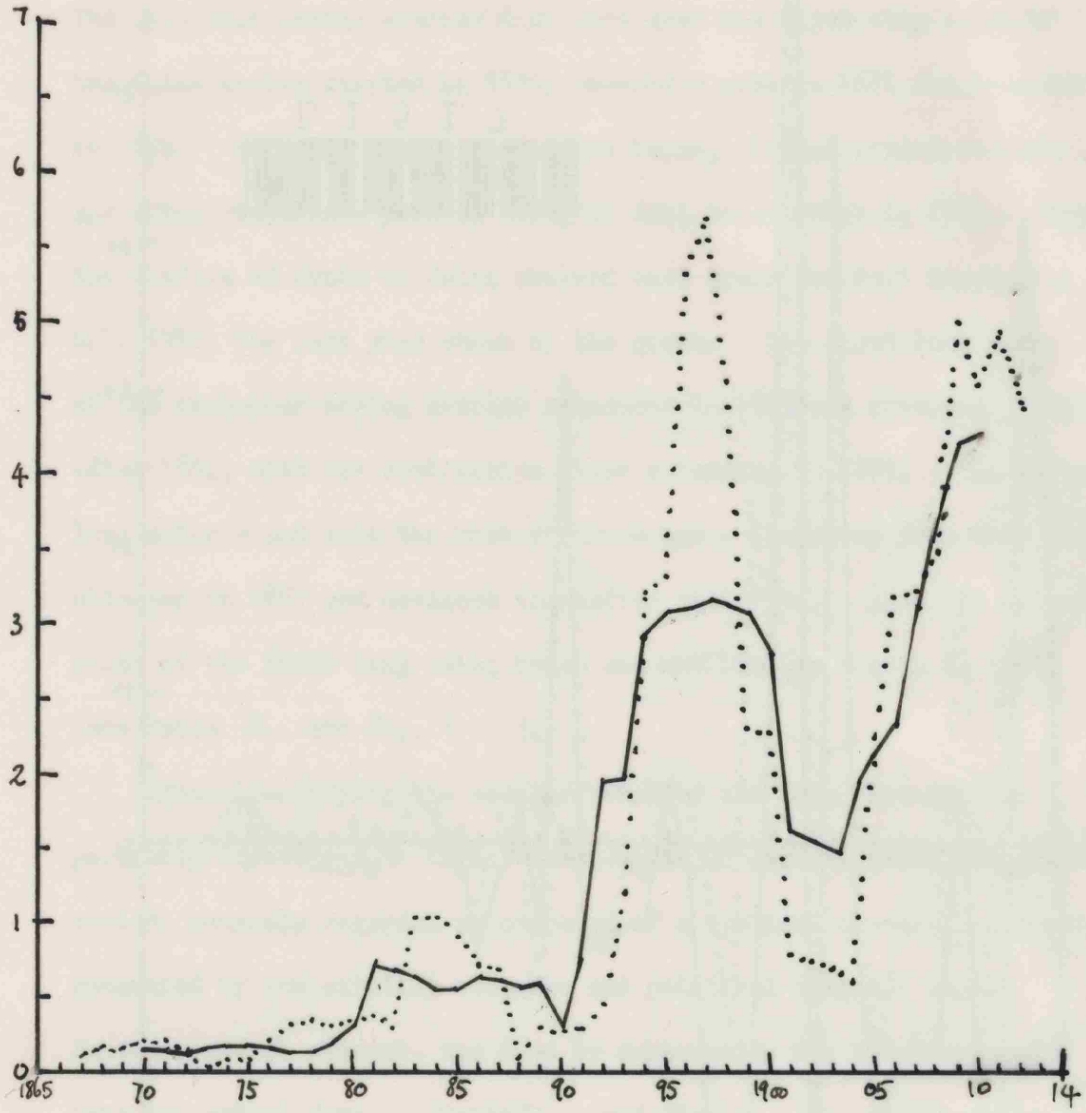

Fig. 6: Five and Nine-Year Moving Average of Total New British Portfolio Investment in China 1867-1912 (£m.)

..... Five-Year M.A.

——— Nine-Year M.A.

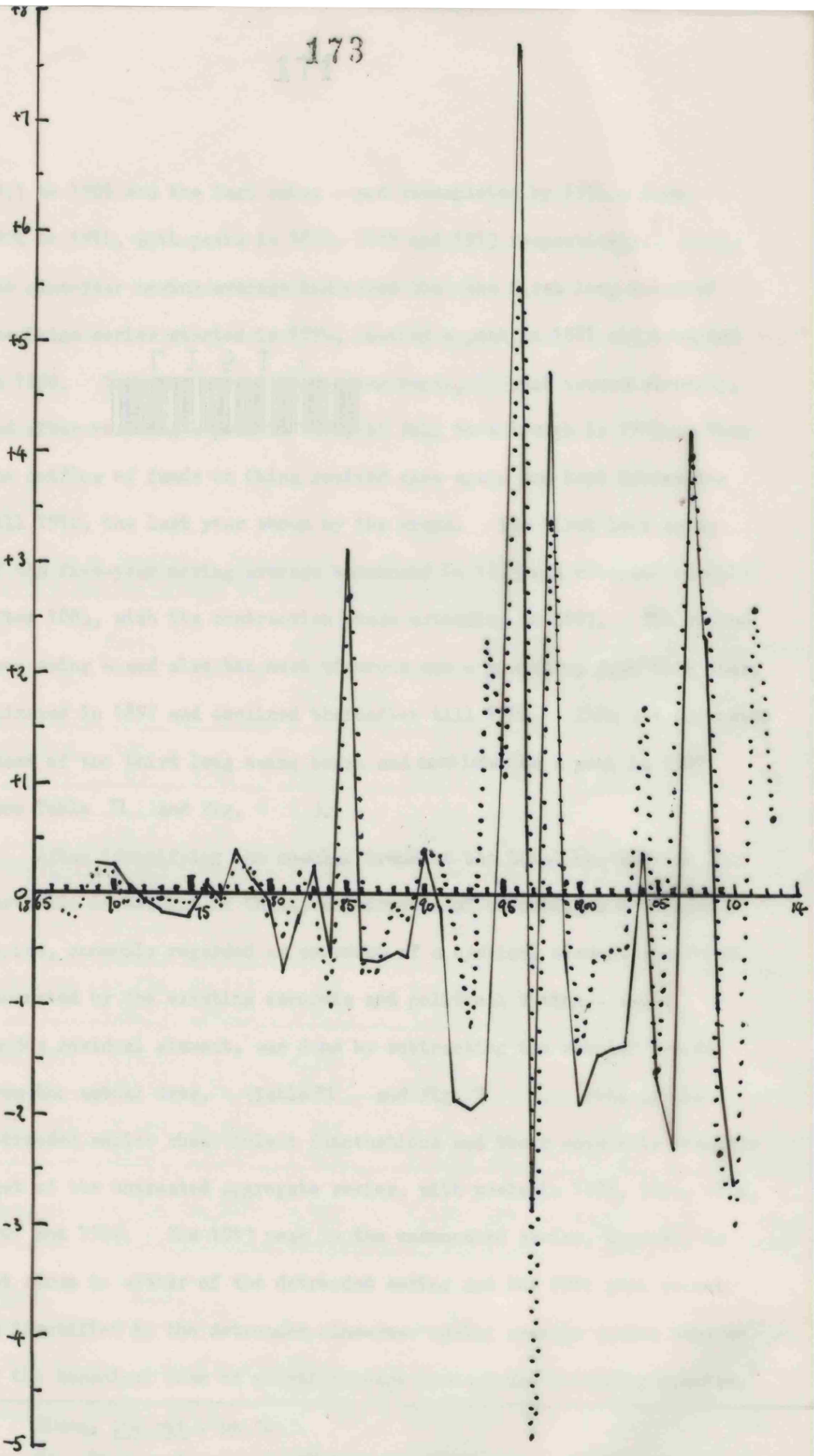

Fig. 7: The Deviation from Trend of the Five and Nine-Year Moving Average of Total New British Portfolio Investment in China 1863-1912 (£m.)

..... Five Year Moving Average

——— Nine Year Moving Average.

1877 to 1901 and the last swing - and uncompleted by 1914 - from 1902 to 1914, with peaks in 1872, 1889 and 1913 respectively.[1] The nine-year moving average indicates that the first long swing of the China series started in 1870, reached a peak in 1881 and troughed in 1890. Then the second long swing began, went upwards strongly, and after reaching a peak in 1898, it fell to a trough in 1904. Then the outflow of funds to China revived once again and kept increasing till 1910, the last year shown by the graph. The first long swing of the five-year moving average commenced in 1873 and reversed sharply after 1884, with its contraction phase extending to 1887. Its second long swing - and also the most vigorous one - picked up from this year, climaxed in 1897 and declined thereafter till 1904. Then the expansion phase of the third long swing began and continued to a peak in 1909. (see Table 31 and Fig. 6).

After identifying the secular trend of the total new British portfolio investment in China, an exercise of computing a detrended series, commonly regarded as composed of a cyclical element - a force generated by the existing economic and political system - and a random residual element, was done by subtracting the secular trends from the actual data. (Table 31 and Fig. 7). Both of the detrended series show violent fluctuations and their movements resemble that of the untreated aggregate series, with peaks in 1885, 1896, 1898, 1907 and 1911. The 1913 peak in the unsmoothed series, however, is not shown in either of the detrended series and the 1911 peak cannot be identified in the detrended nine-year moving average series because of the technical loss of counting years through the smoothing process.[2]

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1. Simon, loc.cit., pp.32-3.

2. If a time series is smoothed by a n-year moving average, then a total of $(\frac{n-1}{2})$ years - equally distributed at the beginning and at the end of the series - will be lost.

There are a few points of note after examining the following table of how the British funds were being used. Dividing the period 1865 to 1914 into two at 1895, it is found that Chinese government loans accounted for about half of the total investment in both sub-periods. Railway loans made the most remarkable progress. Apart from these two issues, there were not many which sought the facility

Table 32

New British Portfolio Investment in China, 1865-1914, By Type of Issuer (£000's and percentage of the total in parenthesis).

Period	Govt. loan	Railway	Steam-ship & Telegraph	Banks	Public Utility	Manu-factur-ing & Mining	Concess-ion Mongers	Total
1865-1874	- (0)	- (0)	744 (55.3)	601 (44.7)	- (0)	- (0)	- (0)	1,34 (100.0
1875-1884	1,061 (35.5)	- (0)	1,496 (50.0)	310 (10.4)	125 (4.1)	- (0)	- (0)	2,99 (100.0
1885-1894	4,045 (66.8)	- (0)	320 (5.3)	1,664 (27.5)	24 (0.4)	- (0)	- (0)	6,05 (100.0
1895-1904	22,469 (75.6)	4,425 (14.9)	650 (2.2)	400 (1.3)	- (0)	250 (0.8)	1,516 (5.2)	29,71 (100.0
1905-1914	12,820 (32.9)	22,142 (56.9)	345 (0.9)	2,214 (5.7)	172 (0.4)	1,247 (3.2)	- (0)	38,94 (100.0
1865-1894	5,106 (49.1)	- (0)	2,560 (24.6)	2,575 (24.8)	149 (1.5)	- (0)	- (0)	10,39 (100.0
1895-1914	35,289 (51.4)	26,567 (38.6)	995 (1.4)	2,614 (3.8)	172 (0.3)	1,497 (2.2)	1,516 (2.3)	68,65 (100.0
1865-1914	40,395 (51.1)	26,567 (33.6)	3,555 (4.5)	5,189 (6.6)	321 (0.4)	1,497 (1.9)	1,516 (1.9)	79,04 (100.0

Source: See text.

of the London capital market frequently. Only eighteen Chinese firms, according to the I.M.M., issued securities in Britain although they were more important than government borrowing in the period 1865 to 1895. -

50.9 per cent of the total investment; but as opposed to the remarkable increase in the political and railway borrowings, they came down steeply in their relative importance - only 10 per cent of the total during the period 1895 and 1914. Within the category of private enterprises, banking was the most important. The Bank of Hindustan China and Japan made its call as early as 1865. The Hongkong and Shanghai Bank, the most powerful bank in the East until the present, followed four years later and became a frequent borrower subsequently,[1] but the Chartered Bank of India, Australia and China, another powerful bank in the East, only borrowed once during the whole period in 1907.[2] Other bank issuers were the Bank of China, Japan and the Straits,[3] the National Bank of China and the Russo-Chinese Bank.[4]

Following the banks, the private companies next in importance were concession hunters. The defeat of China in the Sino-Japanese War of 1894-5 had two main effects.[5] The first was a scramble for concessions by European Powers. The second was a clause in the peace treaty, the Treaty of Shimonoseki, which entitled foreigners to set up factories in the Chinese treaty ports. The concession hunters, therefore, intensified their activities on the one hand and broadened their field of operation on the other. The British and Chinese Corporation and the Peking Syndicate, the two most well-known names in the group, had financial backing from London.

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1. For detail, see M. Collis, Wayfong (1965).
2. For detail, see C. Mackenzie, Realms of Silver (1954).
3. It was first incorporated in 1889 as the Trust and Loan Company of China, Japan and the Straits. Then it changed its name to the Bank of China, Japan and the Straits in 1891. Finally, it was reconstructed as the Bank of China and Japan in 1894. See P.R.O. BT31/4622/30349/cn1294481/1 and 30349/2 and P.R.O. BT31/6059/42877.
4. It was established in 1896 and later in 1910 was amalgamated with the Banque du Nord under the title of the Banque-Russo-Asiatique. Though not registered in the United Kingdom, it issued securities in London in 1907 amounting to £425,835.
5. For detail, see, for example, W. Langer, The Diplomacy of Imperialism (New York, 1950).

As a result of the Chinese government's granting of rights of setting up factories by foreigners, manufacturing and mining companies emerged in China. The North China Gold Territory Development Company was the first in this category to make a call in 1897. The Chinese Engineering and Mining Company was the second and the last. On the other hand, the Peking and North China Electrical Corporation, whose call of £49,500 was recorded in the I.M.M. in 1902 did not actually collect the capital; its only annual return of shareholders filed with the Board of Trade shows that, one and a half years after the I.M.M. published its call, it had only £7 of its total capital taken up.[1] The total calls of manufacturing and mining were £1.5 millions, or just under 2 per cent of the total.

Steamship and telegraph companies borrowed a total of £995,000. The Eastern Extension of Australia, China Telegraph Company was of the greatest importance. The Indo-China Steam Navigation Company was the only steamship borrower. There were also a few companies which were concerned with the provision of public utilities in the Chinese treaty ports, such as the Hankow Light and Power Company and the Shanghai Waterworks Company. Like the steamship and telegraph companies, they were small borrowers. No portfolio investment, however, was directed to plantations and the processing of tea and silk, the two staple Chinese exports. This was because before 1914, foreigners were not allowed to set up business outside the treaty ports where tea and silk were largely produced. As opposed to the vigorous pressure they put on the Chinese government in order to obtain industrial and railway concessions, they did not seek similar undertakings for plantations of tea and the cultivation of silk after 1895 because

1. P.R.O. BT31/9915/13913/11.

the former had already lost ground to Indian and Ceylonese produce and the latter was facing severe competition from Japan, and consequently, they were not profitable enough to attract capital from London.

Chinese government loans, on the other hand, ranked top in value. Taking the whole period of fifty years, they were 51.1 per cent of total Chinese borrowings. The amount under this heading before 1895 was already substantial. In the next two decades, there was a rapid development both in frequency and value, but due to a considerable increase of railway loans, the share of Chinese government loan in 1895 to 1914 did not advance much. In the period 1865 to 1914, a total of twelve loans were issued in London and they were for political and military rather than industrial or commercial purposes, with the exception that 20 per cent of the 1908 loan was supposed to be used to improve communication projects within China. In accordance with the purposes for which Chinese government loans were raised, there was a clear division before and after 1895. In the pre-1895 period, all Chinese government loans were devoted to military affairs. For example, the 1877 loan was used to cover the expenses of a war with China's tribes on the western border. In 1884 French aggression in Annam, then a Chinese tributary in Indo-China, resulted in the Franco-Chinese War. To finance the two-year war, China raised three loans in London: two through the Hongkong and Shanghai Bank and one through Baring Brothers. Ten years later, the heavy expenditure that was incurred as a result of the Sino-Japanese War forced the Chinese government to borrow Taels 10.9 millions, i.e. £1.6 millions, in November 1894 and another loan of £3 millions in February, 1895, both through the Hongkong

and Shanghai Bank. In April 1895, a further loan of £1 million, generally known as the 'Cassel Loan', was contracted through the Chartered Bank of India, Australia and China.

The period after 1895 was marked by Chinese indemnity loans. The heavy indemnity that China was made to pay Japan drove the Chinese government to seek aid from the foreign capital market again. But the first part of the indemnity loan went in to the hands of the Russians; the British and Germans jointly won the second part. Two loans were issued in London: in April, 1896 and March, 1898 respectively, and both were for £16 millions which were equally divided and placed in England and Germany. After the Boxer uprising in 1900, China had to pay an indemnity of £67.5 millions; but no loan was raised immediately in London to cater for the fund. To prevent the losses of the recipients caused by the depreciation of the Chinese currency due to the devaluing gold price of silver, the indemnity, according to the agreement, was to be paid in gold. The Chinese currency, however, continued to depreciate after 1901, posing a heavier burden for China. Therefore, the 1905 loan of £1 million, known as the Exchange Adjustment Loan, found its way to the London market.

After the Chinese Revolution of 1911, the nationalist government succeeded the Ch'ing dynasty, and short of funds for reconstructing the country, the new government contracted two more loans from London. In 1912 there was the first and last part of the Crisp Loan of half a million pounds,[1] which was intended for the repayment of some of the existing loans and for the organisation of the Chinese government as well as productive works. A year later, the Reorganisation Loan,

1. The original amount of the loan was £1 million. Under the pressure of the British Foreign Office and a Consortium composed of British, French, German, Japanese, Russian, and American financiers, G. Birch Crisp and Co. finally withdrew from its former agreement with the Chinese government.

was issued for general reorganisation and administrative purposes of the Chinese government. The total sum of this loan was £25 millions, of which £7.4 millions was placed in London. The total value of Chinese government loans in the whole period amounted to £40.3 millions or 51.1 per cent of all Chinese borrowings from the United Kingdom.

The second largest item in Chinese borrowing was railway loans. In 1862 the British built the first railway for China; but due to the strong opposition of the local people of Shanghai, the tracks were taken up eventually.[1] Thereafter, the Chinese government was reluctant to grant railway construction rights to foreigners; but a change in government thinking was setting in towards the end of the last century, and in 1898, it granted the first contract - the North China Railway project - to the British, who remained the most successful in Chinese railway business among Europeans till 1914.[2] The British gained a number of major projects - the Imperial Northern Railway, the Shanghai-Nanking Railway, the Canton-Kowloon Railway, the Tientsin-Pukow Railway, the Shanghai-Hangchow-Ningpo Railway, the Hukwang Railway,[3] and the Hunan Railway. The pattern of realising railway projects was that the interested parties - often with political support - negotiated with the Chinese government. After an agreement was reached, a Chinese government guaranteed loan would be issued to obtain the necessary capital. Accordingly, seven loans for the above named railways were issued in London.[4] In addition, there

1. P. Kent, Railway Enterprise in China (1907), p.2.

2. See E.-tu Z. Sun, Chinese Railways and British Interests 1898-1911 (New York, 1954), for detail.

3. The Hukwang Railway Sinking Fund of 1911 was a new loan issued in London to redeem some American railway bonds in China and the balance to construct a railway between the provinces of Hunan and Hupei.

4. Messrs. Matheson Company did place £150,000 of the Chinese Tientsin Railway bonds in 1888 privately, Stock Exchange Year Book 1895, p.182.

was the Peking-Hankow Railway Redemption Loan which was floated to redeem the original Belgian capital. The loan was brought into London in three parts:[1] firstly, a total of £2.5 m was issued by the Hongkong Bank in 1908; secondly, a total amount of £0.45 m was offered for sale in 1910 while a further sum of £0.19 m was placed in 1914. Their total value was £26.1 m - some 33.6 per cent of the total aggregate new British portfolio investment in China.

As far as the total amount that was raised in London was concerned, the mid-1890s was again a clear dividing line. Chinese government loans - the major item - went up seven times from a total of £5.1 millions from 1865 to 1894 to £35.3 millions from 1895 to 1914. Railway loans were virtually non-existent before 1895; they became the dominant sector of British portfolio investment in China in the decade 1904 to 1914 and their issues totalled £26.6 millions by 1914. Besides the Chinese government-guaranteed loans described above, the South Manchurian Railway Company, which was based in Japan, also had three separate railway bonds issued. In common with the railway loans, large scale manufacturing and mining companies and concession hunters were formed after the Treaty of Shimonoseki. However, the volume of calls of steamship and telegraph companies, banks and insurance enterprises fell after 1895. In aggregate, the total new British portfolio investment in China raised in the twenty years between 1895 and 1914 was six and a half times larger than that raised in the thirty years from 1865 to 1894.

After the above analysis, it is worthwhile to ask the question what has determined British investment in China. At present, there is no concensus of opinion of the determinants of British investment abroad. Rostow has put forward the view that the terms of trade were

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1. Ping-lin Liu 劉秉麟 近代中國外債史稿 Chin-tai chung-kuo wai-chai shih-kao (Draft History of the Loans of Modern China) (Peking, 1965), p.64; also Stock Exchange Year Book 1915, p.42.

crucial.[1] Similarly, Cairncross suggested that British investment would, after a long period of adverse terms of trade, flow into the foreign country which supplied Britain with imports.[2] He, though first discovering the limitation of the terms of trade thesis in explaining the movement of British foreign lending in the eighties, maintained that they were satisfactory explanatory factors during the period 1870 to 1914.[3] His view has been vigorously attacked by Thomas who argued that the terms of trade were an effect rather than a cause of overseas lending.[4] He believed that migration was the pre-eminent factor in bringing British investment across the Atlantic.[5] Williamson, on the other hand, emphasised the role of the American demand for imports, which, especially after 1850, strongly affected the flow of British capital to the United States.[6] As for the case of China, where government loans accounted for such a high proportion in total British investment, one should readily doubt the validity of the above thesis. It has been mentioned that, except for 1907, each peak of the British investment in China between 1865 and 1914 was caused by government loans. Furthermore, it will be shown in chapter seven that railway loans as well as the formation and the operation of concession hunters, such as the British and

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1. W.W. Rostow, British Economy of the Nineteenth Century (Oxford, 1968), ch.1.
2. Cairncross, op.cit., p.189.
3. Ibid., pp.189-95.
4. B. Thomas, 'The Historical Record of International Capital Movements to 1913', in Adler, op.cit., pp.27-30.
5. B. Thomas, Migration and Economic Growth (Cambridge, 1973).
6. J.G. Williamson, American Growth and the Balance of Payments 1820-1913 (Chapel Hill, N.C., 1964), esp. ch.4.

Chinese Corporation and the Peking Syndicate were substantially affected by political pressure that the British government put on the Chinese government. Therefore, needless to say, political development in China, more than anything else, dictated the timing and volume of its loans from Britain.

Some writers believed that British overseas investment stimulated British exports.[1] Fig. 5 indicates that the movement of total new British portfolio investment and total values of British exports to China did not show any great harmony. This result can be expected since British portfolio investment in China - being mainly military and indemnity government loans - did not directly augment the demand for the principal commodities that Britain sent to China, namely, cotton goods which, as described in chapter three, never accounted for less than 62 per cent by decade of the total value of British exports to China since 1864, although railways constructions - to a certain extent - widened the market, and therefore might have raised the consumption of British imports. But it has also been noted that there was a remarkable increase in the British export of modern industrial and chemical products to China, though these two types of goods did not have a major share in the total value of exports even by 1914. Their increase can - at least partly - be explained by the formation of British public utility, mining and concession hunting companies and the construction of some Chinese railway lines by British capital. There was no 'tied clause' in the railway agreement reached between the Chinese government and British financiers to favour British manufactures except for the Canton-Kowloon Railway where "at equal rates and qualities, goods of British manufacture shall be given preference over

1. See, for example, Cairncross, op.cit., p.233.

other goods of foreign origin."[1] The financiers were simply appointed agents for purchasing materials who would, by agreement, buy necessary materials from the cheapest source by the 'open market' method. Very often, it was also stated that Chinese goods, if available, would be favoured. But with the Chief Engineers of these British-financed railways being British, it is not surprising that they would prefer British products.[2] At the same time, the industrialisation of China - no matter how limited it was - had a secondary effect on British exports to the rest of the world since the fifty year period before the First World War was close to the classical vision of an unrestricted international economy. Even if China placed its railway material orders in other countries, they would in turn increase their imports from Britain, then the world's biggest exporter, after a rise of their national income.

In monetary terms, China was by no means important in total British overseas lending. Table 33 shows that China's share in the first three periods was extremely small although it rose somewhat between 1895 and 1914. Taking the period 1865 to 1914 as a whole, China's share in total British portfolio foreign investment was 1.6 per cent.

On the other hand, Britain was the most important foreign investor in China. Remer estimated from the market values of foreign assets in China that Britain accounted for about a third of the total in 1902 and 1914 (Table 34). In the latter year, Britain had a clear lead over the other countries for its share was more than two times that of the country of second importance, namely,

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1. J.V.A. MacMurray, Treaties and Agreements with and Concerning China, 1895 - 1919 (New York, 1954), I, p.233.
2. Ibid., pp.175, 391, 619, 690, 707, 874; also ch.3 p.135 above.

Table 33

China's Percentage in Total British Overseas Lending, 1865-1914.

Period	Total British £000's	Total China £000's	China's percentage %
1865-1874	489,700	1,345	0.3
1875-1884	465,700	2,992	0.6
1885-1894	745,900	6,053	0.8
1895-1904	738,700	29,709	4.0
1905-1914	1,641,800	38,941	2.4

Source: Total British: calculated from M. Simon, 'The Pattern of New British Portfolio Foreign Investment, 1865-1914', Table II, in A.R. Hall (ed.), The Export of Capital from Britain 1870-1914 (1968), pp.38-9.

Total China: see text.

Table 34

Foreign Investment in China, by Share of Countries, 1902-1914 (%)

Country	1902	1914
Great Britain	33.0	37.7
Japan	0.1	13.6
Russia	31.3	16.7
United States	2.5	3.1
France	11.6	10.7
Germany	20.9	16.4
Belgium	0.6	1.4
Others	0.6	0.4
Total	100.0	100.0

Source: C.F. Remer, Foreign Investments in China (New York, 1933), p.76.

Russia, and as chapter seven shows, when this lead was threatened, the British government came in to support British financiers in China to secure more financial contracts.

The benefit to the economy of Britain as a creditor as well as the economy of the debtor in international monetary flow has been a centre of debate. Economists, economic historians and political scientists alike throw themselves into one camp or another. The insignificant Chinese share in total British overseas investment is unlikely to have had any influential effect on the British economy.[1] For the Chinese side, Marxists, among others, maintained that the coming of foreign capital has caused the poverty of modern China.[2] Believers in classical economic theories, on the contrary, have tried to demonstrate that the liberal economic model did and will work.[3] The debate is an extremely complicated problem especially treated in an historical context when surviving records, whether statistical or descriptive, are hardly adequate. The central theme of the controversy involves a cost-benefit relationship. But both of the concepts, which include monetary and non-monetary returns, are by no means easy, if at all possible, to quantify. As far as British investment in China was concerned, railway construction certainly improved its transport system making Chinese exports more commercialised and if net profits from the operation of railways were sufficient to cover the costs of railway loans, it raised the employment

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1. For a recent discussion on the effect of British foreign investment on the growth of the British economy, see W.P. Kennedy, 'Foreign Investment, Trade and Growth in the United Kingdom 1873-1913', Explorations in Economic History, XI (1974).

2. For example, Mao Tse-tung argued that foreign investment in China directly exerted 'economic pressures on China's own industries and hampered the development of her productive forces.' Select Works of Mao Tse-tung (Bombay, 1954), III, p.79. For a slightly modified view, see Yu-Kwei Cheng, Foreign Trade and Industrial Development of China (Seattle, 1956).

3. The leading figure now is C.M. Hou. See Hou, op.cit.

level and as a result, the national income of China. But judging from the fact that the group of manufacturing and mining concerns only had a share of 1.9 per cent in the total British investment in China, it is doubtful that British funds played a significant role in modernising the industrial structure of China.

To sum up, the London Stock Exchange had ample experience in dealing with shares long before the nineteenth century and as the volume of British overseas investment increased greatly after the 1850s, it further quickened the pace of the development of the London capital market so that by 1870, both the primary as well as the secondary markets were well established. With the Hongkong and Shanghai Bank handling the bulk of the issue of the Chinese political, government-guaranteed railway loans and - as far as available evidence suggests - the borrowings of the two private companies, it confirms the dominance of banks in issuing overseas loans on the one hand, and demonstrates clearly the dominant position of the Hongkong and Shanghai Bank in the Chinese trade and finance on the other. British portfolio investment in China before the first half of the nineteenth century was negligible and although it increased gradually after the 1860s, China was not, by any standards, a major debtor of Britain. The volume of new British portfolio investment in China, smoothed by five and nine-year moving averages, has two and a half long swings, with peaks caused by Chinese government loans and/or railway loans. As a result of the increasing borrowing by the Chinese government, railways, concession hunters and mining companies, total British lending to China went up remarkably after 1895. A study of how the issued capital was used shows that Chinese government and railway loans were prominent - 51.1 per cent and 33.6 per cent respectively

of the total from 1865 to 1914 - and since British diplomatic pressures heavily affected the negotiations and conclusion of Chinese railway loans, political developments, more than anything else, determined the volume and timing of the outflow of British funds to China. Although indemnity and administrative loans of China did not directly stimulate British exports to China, the railway loans, the formation of public utility, manufacturing, mining and concession hunting companies certainly induced Chinese demand for British industrial and chemical products. Since manufacturing and mining companies accounted for less than 2 per cent of the total new British investment in China, their role in transforming positively the industrial structure of China is doubtful. While China was a marginal British borrower, Britain was the single largest foreign investor until 1914. After an analysis of the volume of the total new British portfolio investment in China, the next chapter is devoted to a study of the Chinese companies which were incorporated in the United Kingdom.

Chapter Five : British Investment in China, 1854-1914 : The Study of Chinese Joint Stock Companies

Although joint stock enterprises in Britain existed at least since 1533, they were not largely recognised and regulated until the passing of the Company Registration Act of 1844, "an Act for [their] registration, incorporation and regulation" and which was the first great modification of the law of partnership.[1] A joint stock company was then defined as a commercial partnership with more than 25 members or with a capital divided into freely transferable shares. The Act applied to all companies, including insurance and friendly societies, but not banks and it did not apply to Scotland. Under the 1844 Act, the registration of a company involved two steps. Firstly, after a prospective company, through its promoters, had registered with the Registrar of Joint Stock Companies its name and objectives as well as their names, addresses and descriptions, it received 'provisional registration'. Secondly, other documents, the most important of which was the deed of settlement, had to be submitted to the Registrar to obtain complete registration. In 1855 the general Limited Liability Act came into force and companies could then conduct their business on limited liability, but as far as company registration was concerned, it was merely an addendum to the 1844 Act. Companies still had to go through the dual stages and they had to have the minimum requirement of 25 shareholders and three-fourths of their capital subscribed on which 20 per cent had to be paid-up. One year later, this Act was repealed by the Limited

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1. H.A.Shannon, 'The Coming of General Limited Liability', Economic History, II (1930-33), pp.267, 279-80; also C.A.Cooke, Corporation Trust and Company (Manchester, 1950), pp.135-6.

Liability Act of 1856 - a further liberalisation of company registration - which stipulated that any seven or more persons could - by a single step of registering a 'memorandum of association' in which they had to declare the objects of their company and its intention of being limited by its shares - become a body corporate with limited liability. However, the registration of limited liability for banks, and only those which did not issue notes in the United Kingdom, had to wait for the Joint Stock Banking Act of 1858 whilst the insurance companies did not obtain this privilege until the Company Act of 1862. Although there were some modifications in British company acts subsequently, the fundamental principle of the modern company system did not change and therefore after 1862 almost every type of commercial organisation was eligible for limited liability by an expedient registration procedure. The intention of this chapter is to examine two interesting characteristics of Chinese companies registered under these modern company acts - firstly, a study of investment cycles according to the time of the formation of the companies, and secondly the social and geographical composition of their shareholders.

I. The Investment Cycle 1854-1914

In terms of the area of the business of the Chinese companies, the sixty year period from 1855 to 1914 had clear investment cycles by the time of their formation. The trends suggests strongly how well the British commercial community adjusted itself to the changing trading situation of China. The companies formed between 1853 and 1914 are set out in Table 35 according to the area of business they

Table 35 : The Frequency Distribution of British China Companies with respect to their Time of Incorporation, 1855-1915 (percentage in parenthesis)

Period	a	b	c	d	e	f	g	h	i	j	k
1855-1864	1 (11.1)	1 (11.1)	1 (11.1)	5* (65.0)	- (0)	1 (11.1)	- (0)	- (0)	- (0)	- (0)	9 (100)
1865-1874	2 (22.0)	6 (60.0)	2 (20.0)	- (0)	- (0)	- (0)	- (0)	- (0)	- (0)	- (0)	10 (100)
1875-1884	1 (12.5)	- (0)	- (0)	- (0)	2 (25.0)	2 (25.0)	- (0)	3 (37.5)	- (0)	- (0)	8 (100)
1885-1894	2 (14.4)	- (0)	1 (7.1)	7 (50.1)	1 (7.1)	- (0)	1 (7.1)	- (0)	- (0)	2 (14.1)	14 (100)
1895-1904	3 (6.3)	- (0)	2 (4.2)	2 (4.2)	1 (2.1)	4 (8.3)	27 (56.3)	4 (8.3)	3 (6.1)	2 (4.2)	48 (100)
1905-1914	3 (7.5)	- (0)	- (0)	- (0)	- (0)	3 (7.5)	13 (32.5)	5 (12.5)	8 (20.0)	8 (20.0)	40 (100)
1855-1894	6 (14.6)	7 (17.1)	4 (9.8)	12 (29.3)	3 (7.3)	3 (7.3)	1 (2.4)	3 (7.3)	- (0)	2 (4.8)	41 (100)
1895-1914	6 (6.8)	- (0)	2 (2.3)	2 (2.3)	1 (1.1)	7 (8.0)	40 (45.5)	9 (10.2)	11 (12.5)	10 (11.3)	88 (100)
1855-1914	12 (9.3)	7 (5.4)	6 (4.7)	14 (10.9)	4 (3.1)	10 (7.8)	41 (31.8)	12 (9.3)	11 (8.5)	12 (9.2)	129 (100)

Note: * including the Chartered Bank of India, Australia and China formed in 1853.

a=shipping companies; b=telegraph companies; c=railway and road transport companies; d=banks; e=insurance companies; f=public utility companies; g=concession hunters; h=manufacturing companies; i=mining companies; j=miscellaneous companies and k=total.

Source: see text

were, or intended to be, engaged.

The way of making up the Table needs some explanation. The definition of Chinese companies is the same as that in chapter four; but this chapter is confined to the study of companies which were incorporated in the United Kingdom, including those formed by Royal Charter. Some prominent China firms, which originated from partnership-based 'agency houses', such as Jardine Matheson and Butterfield and Swire, were formed at Hong Kong where limited liability was introduced in 1865; its immediate effect on the formation of commercial organisations, however, is not certain. For instance, Butterfield and Swire was founded in 1867 - after the availability of limited liability - as a private partnership, although by the late 1930s, the bulk of the important British China firms had adopted the modern company system.[1] Unfortunately, due to the inaccessibility of the records of these Hong Kong companies, they had to be excluded. But many of their subsidiaries, like the Indo-China Steam Navigation Company of Jardine Matheson and the China Navigation Company of Butterfield and Swire, were taken into consideration for they were registered in the United Kingdom.

In contrast to the Chinese companies considered in the last chapter which were relatively big and whose place of operation was known, it is more difficult to identify small and abortive ones which can only be judged by the titles that they bore. Fortunately, there is ample evidence that Chinese companies did have names related to China, e.g. Chinese, Peking, Shanghai, Anglo-Chinese, etc.

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1. Tōa Kenkyūjo 東亞研究所 (East Asian Research Institute), Shogaikoku no tai-shi tōshi 諸外國の対支投資 (Foreign Investment in China) (Tokyo, 1942-3).

Some of the companies also assumed an Asiatic nature; their exact country of operation was checked from the objects of their business in the files that they submitted to the Board of Trade which will be discussed at a later stage.

Bearing the definition in mind, a list of Chinese companies was compiled from the annual return of joint stock companies published by Parliament, but unfortunately, it ceased publication in 1907. Then the Index to the limited liability companies kept at the Public Record Office in London, which includes all companies registered under various limited liability acts, was consulted to counter-check the list obtained from the annual joint stock company parliamentary returns and furthermore, to extend the list of Chinese companies formed in the United Kingdom till 1914. These companies were required to file certain documents, namely, their 'articles and memorandum of association', an 'annual summary of capital and shares', etc. with the Registrar of Joint Stock Companies and these are now open for public inspection. Files of companies which were dissolved before 1960 are kept at the Public Record Office whereas the rest, including live companies, are at the Company Registration Office of the Department of Trade and Industry. At the same time, the Stock Exchange Year Book and the Stock Exchange Official Intelligence were used to make up a list of Chinese firms so as to include chartered companies which were outside the control of the Board of Trade.[1] During the sixty years from 1853 to 1914, all of the Chinese firms were registered in England with the exceptions of one incorporated

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1. I am grateful to the Secretary to the Chartered and Standard Bank Group for providing me with a list of the first shareholders of the Chartered Bank of India, Australia and China.

in Ireland,[1] and one in Scotland.[2] No effort was made to read their records which are kept in Northern Ireland and Edinburgh respectively. But the company files consulted can be taken as representing the United Kingdom as a whole.

It should be noted, however, that a company formed does not necessarily mean that it went into business. Some companies did not go beyond the stage of filing their 'memorandum of association' for registration purposes and they were described by the Registrar of Joint Stock Companies as 'abortive'. Twenty-two of the Chinese companies fall into this category.[3] But this section aims at tracing the course of mercantile activities and therefore, abortive companies deserve equal attention.

The area of the business and the place of operation of a company was based on its objectives given in the 'memorandum of association'. As regards the former, apparently,the wider the activities a company listed, the safer it would be in justifying that it did not conduct business outside its intended area. Thirty different items of possible business were not uncommon for a company. The Tientsin Lighter Company, for example, which was mainly concerned with transmitting cargoes to shore by small lighters, stated that its objectives were owners of steamships, tugs, other vessels, wharfingers, forwarding agents, ship-brokers, dealers in manufacturers of all kinds of

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1. The Belfast Hong Kong Marine Engineering Company.
2. The Hong Kong Navigation Company.
3. H.A.Shannon discovered that about 36 per cent of the total company registrations between 1856 and 1865 were 'abortive' and 'small' companies. See his 'The First Five Thousand Limited Companies and Their Duration', Economic History, II (1930-33), pp.401-2. Of the total registrations during 1866 and 1874, the abortives accounted for 31 per cent while the figure for 1875-83 was 35 per cent. Idem, 'The Limited Company of 1866-1883', Economic History Review, 1st ser. IV (1932-4), p.292.

commodities, bankers, engineers, property developers, dealers in exchanging companies property, in construction, erection, maintainance of railway, tramways, roads, waterways, etc.[1] Nevertheless, their main activities were usually put down in the first and second items of their whole list of wide ranging objectives. Sometimes, the exact nature of a company is not clear. Take the concession hunters and mining companies for an example; the Chinese government was very reluctant to give mining rights to foreigners and therefore, no concession could be obtained readily. In order to operate a mine in China, a company needed to combine the process of hunting for a concession with its subsequent working, but the division between the two processes was not clear-cut. The former companies were concession hunters whereas the latter were mining concerns. In all cases, the activity of a company was judged by the objects for which it was formed. If a company bore a title of mining, but at the same time put down concession hunting as its business in the first few items in its objects in the 'memorandum of association', it was classified as a concession hunter . Otherwise, they were grouped into the mining concerns. But their division must be treated with some caution. The principle of determining whether an Asiatic company was Chinese or not is similar to that in chapter four. If a company had an Asiatic nature, but at the same time stated in the 'memorandum of association' that China was part of its area of activity, it was taken onto the list of Chinese companies. Otherwise it was dropped.

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1. P.R.O. BT31/35998/80272/4.

Accordingly, Table 35 was made up and it shows clear waves of economic activity by Chinese companies. It can be seen that in the first two decades, efforts were mainly put into the improvement of trading services, namely, banking and communication. Then manufacturing industry began to emerge, but it was based at Hong Kong rather than in China proper. After a renewed promotion of banks in the period 1885 to 1894, the trading services were reasonably well established and in the next two decades, the formation of concession hunters and manufacturing enterprizes was the main element of the business of Chinese companies.

Facilities for transmitting the proceeds from the sale of goods in China or India were extremely limited before the 1850s and in fact, the accumulation of these funds but without proper outlets, was one of the principal causes why 'country merchants' wanted to get rid of the East India Company's monopoly in China so that they could buy Chinese tea and silk with their idle money. In 1845 the Oriental Banking Corporation opened the first modern exchange bank in China. The blossoming of China trade after the opening of China demanded more exchange banks to handle the bills of exchange business and at the same time, provide credit facilities to both the Chinese and British merchants. There was such a constant demand for exchange facilities that some bigger firms even had to provide them themselves.[1]

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1. For instance, Jardine, Matheson and Company often paid their creditors by bills drawn on the Matheson and Company, their agent in London. See, for example, Jardine Matheson Archive, Unbound Correspondence, Great Britain, hereafter J.M., UC, GB, Thomas G.Hill and Company to Jardine Matheson and Company, 19.11.1868. The Rathbones in Liverpool also sent credit to its China agents. F.E.Hyde, The Blue Funnel (Liverpool, 1956), p.30; also S.Marriner, The Rathbone of Liverpool 1845-73 (Liverpool, 1961), p.178. Butterfield and Swire a prominent China firm based at Hong Kong, was allowed to draw on their tea partners in England. F.E.Hyde and S.Marriner, The Senior John Samuel Swire 1825-98 (Liverpool, 1967), p.49.

In the ten years from 1855 to 1866, five banks, constituting 56.6 per cent of the total number of companies formed, came into existence. The second China bank incorporated in Britain was the Chartered Bank of India, Australia and China, which established a branch in Shanghai in 1858.[1] The Chartered Mercantile Bank of India, London and China, founded by a Royal Charter in 1857, immediately set up branches in Hong Kong that year.[2] The Bank of Hindustan China and Japan, a concern of considerable influence in China in the 1860s, was also born in this decade.

The next ten years saw a boom in submarine telegraph construction in China, where accurate and speedy transmission of information and business orders to and from Britain was necessary for smooth trading. In consequence, the European-India international cable was extended eastward[3] with an eagerness shown by the formation of six submarine telegraph companies within a period of four years from 1869 to 1873 for the purpose of connecting China with London by telegraph. As a result, the China Submarine Company linked Shanghai and Hong Kong with Europe by submarine cable in 1871. Two years later, the company was amalgamated into the Eastern Extension, Australia and China Telegraph Company, which carried on laying cables overland to the Chinese treaty ports. During 1865 and 1874, 60 per cent of companies formed were telegraph concerns.

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1. Ching-yü Wang, 汪敬虞, 'Shih-chiu-shih-chih wai-kuo chai-hua yin-hang shih lih ti kang-chang chih chih tui chung-kuo tung-shang hou-ngang chin-yung shih-chang ti kung-chih' 十九世紀外國在華銀行勢力的擴張及其对中國通商口岸金融市場的控制 ('The Expansion of Foreign Banks in China and Their Control of Financial Market in the Treaty Ports'), Li-shih Yen-chiu 歷史研究 (The Study of History) (1963), p.53.
2. Ibid., p.52.
3. Indo-European telegraph was completed in 1865. See D.A.Fairnie, East and West of Suez (Oxford, 1969), p.72.

After easier credit and better communications, the next decade had something different: manufacturing industry began to grow in China. But no foreigners were allowed to set up factories in China before 1895. In the decade from 1875 to 1884, three factories, all of which were sugar refineries, were established in Hong Kong. The most important one was the Taikoo Sugar Refinery Company, a subsidiary of Butterfield and Swire. In the early eighties, the risk involved in the China trade was further eliminated by the coming of insurance companies, which, though in existence once the trade between China and Britain was opened to the general British public, were ventures controlled by the most prominent China merchants and no Britain-registered insurance company existed until 1883 when two influential firms in the field, namely, the North China Insurance Company and the Yangtze Insurance Association, were founded. As a result of the prosperity of the treaty ports, public utility investment also emerged. The first one, the Hong Kong and China Gas Company, still a live concern at present, had been formed in 1862. The successful Shanghai Waterworks Company was the second one. In 1883, the plan to form the China and Japan Telephone Company was realized. An important shipping company, the Indo-China Steam Navigation Company was founded in 1881 and under the management of Jardine, Matheson and Company, it soon became one of the most prominent shipping companies in the East.

The continued prosperity of the China trade in the next decade led to a revival in the formation of banks,[1] among which were two

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1. The average of the total trade of China from 1865 to 1875 is Haikwan Taels 139,699; the average in the next decade is Haikwan Taels 133,355. From 1885 to 1894, it rises to an average of Haikwan Taels 217,611.

prominent names - the Bank of China and Japan and the National Bank of China. However, a total of five new banks, making a 50.1 per cent of the total company registration in this decade is more apparent than real. The Bank of China and Japan had two reconstructions, thus enabling it to be counted three times in the table.[1] Further double counting is due to the re-incorporation with limited liability of the Chartered Mercantile Bank of India, London and China which had originally been founded by a Royal Charter in 1856.[2] The only insurance company formed, as shown in the table, is also an overstatement for it was the first reconstruction of the North China Insurance Company. The first druggist, the Dakin Brothers of China, Ltd. established itself in China in 1888.

In many respects, the year 1895 was a watershed in China. Firstly, the European powers started to accelerate their pace of concession hunting. Secondly, manufacturing rights in the Chinese treaty ports were granted to foreigners. The British merchants were not slow in seizing these enlarging opportunities. From 1895 to 1904, 28 concession hunters, four manufacturers and three mining companies appeared, which together made up 70 per cent of the total. Of the concession hunters, the British and Chinese Corporation, the Peking Syndicate and the Yangtze Valley Company were the most powerful; of the mining group, the Anglo-French Quicksilver and Mining Concession (Kwei-Chau Province) of China and the Chinese Engineering and Mining Company assumed a considerable standing. The insurance company formed in this decade as shown in the table was not a new concern for it

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1. Cf. Chapter four, p.176.

2. P.R.O. BT31/5475/37893/cnl/356/2.

was the second reconstruction of the North China Insurance Company. Two more public utility companies were formed of which the Hong Kong Tramway Electric Company, incorporated in 1902, was the more important. There were a few other companies ranging from shipping to general merchants, the latter of which were put into the miscellaneous group.

The principal area of business for which companies were formed from 1895 to 1904 continued until 1914. The combined share of concession hunters, manufacturing and mining was 65 per cent - a minor fall from the last decade but still dominant. The share of concession mongers fell sharply while that of manufacturing and mining industries went up. But as has been explained earlier, the dividing line between the three is not clear-cut. Major mining companies include the reconstructed Anglo-Chinese Quicksilver and Mining Concession (Kwai-Chau Province) Company and the Chinese Engineering and Mining Company. For the manufacturing group, the Asiatic Petroleum (North China) Company and the Asiatic Petroleum (South China) Company, which changed their names to Shell Company of China and Shell Company of Hong Kong respectively, and the Taikoo Dockyard and Engineering Company of Hong Kong were the most significant additions. The increase of the miscellaneous group was due to the formation of a few small general merchants.

It is apparent that the timing of the incorporation of the companies during the whole period of 1855 to 1914 shows how well British merchants, industrialists and entrepreneurs adjusted themselves in the ever changing circumstances of China trade. Before 1865, banks were the leading feature of investment. From 1865 to 1874, the

necessity of quick transmission of information led to the formation of telegraph companies. In the next decade, more banks came into existence to cope with the growth of the China trade. In the post-1895 period, concession hunters, manufacturing and mining companies grew vigorously in response to enlarging opportunities in China. But it should be noted that the above analysis does not take into account the companies formed in Hong Kong. Unfortunately, there is at present no study of this aspect. The above inquiry also excluded partnership organisations. But the highly-risky China trade could have discouraged this form of business organisation and as limited liability became more common, it can be assumed safely that partnership businesses were not a matter of importance. Finally, there is the problem of double counting of reconstructed companies, which sometimes cannot be traced and pointed out.

II. Sources of Equity Capital in British Investment in Chinese Companies, 1854-1914 : By Region

Unlike the borrowers whose securities were quoted on the London Stock Exchange and so leave a public record of their activities, information on the part of lenders is more obscure. As a result, the exact composition of investors is by no means clear although there are a few scholarly inquiries into the attitude of different groups of shareholders.[1] Railway investors, largely because of the importance

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1. See, for example, J.B.Jefferys, 'Trends in Business Organisation in Great Britain Since 1856',(unpublished Ph.D. thesis, University of London, 1938) herafter Jefferys thesis, ch.10; Hall, London Capital Market, cit., ch.2 and Cairncross, op.cit., pp.84-9.

of the railways in developing the British capital market, have been studied and a clearer picture, if still fragmentary, has begun to emerge.[1] As for other joint stock companies, our knowledge about their investors was very limited before Bailey's attempt to establish - though not very comprehensively - some idea of the composition of the shareholders in certain Australian pastoral companies.[2] Very recently, Cottrell and Anderson have also contribruted to the understanding of the banking investors on Merseyside.[3] Apart from these two pieces of work, the nature of the nineteenth century investors in joint stock companies is still largely unknown. The following is - taking Chinese joint stock companies as a sample - an investigation of the regional and social composition of the shareholders of the British joint stock companies in the nineteenth century.

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1. The most important contributions are H.Pollins, 'The Finances of Liverpool and Manchester Railway', hereafter 'Liverpool and Manchester Railway', Economic History Review, hereafter E.H.R., 2nd ser., V, (1952-3), and also 'The Marketing of Railway Shares in the First Half of the Nineteenth Century', Ibid., VII (1954-5); S.A.Broadbridge, 'The Early Capital Market : the Lancashire and Yorkshire Railway', Ibid., VIII (1955-6) and its enlarged version entitled 'The Sources of Railway Share Capital', which appears in M.C.Reed (ed), Railways in the Victorian Economy (Newton Abbot, 1969). References are made to the enlarged version of the article. M.C.Reed, Investment in Railways in Britain, 1820-1844, hereafter, Investment in Railways (1975).

2. J.D.Bailey, 'Australian Company Borrowing, 1870-1913', (unpublished Ph.D. thesis, University of Oxford, 1958), hereafter Bailey thesis, pp.55-71 and App. II. But only three Australian pastoral companies were studied.

3. B.L.Anderson and P.L.Cottrell, 'Another Victorian Capital Market, A Study of Banking and Bank Investors on Merseyside', E.H.R., 2nd. ser., XXVIII (1975).

The present investigation is based on the 'annual summary of capital and shares', a complete list of shareholders with specification of their address, occupation, number of shares held and number of shares sold during a year, which had to be sent to the Registrar of Joint Stock Companies every year by every joint stock company. However, the Public Record Office has only kept one return out of five for those companies that were wound up before 1960. Those that survived after 1960, on the contrary, have a complete set of documents. Due to the bulky nature of annual shareholders returns, only the first one of each company was studied; but in a few cases, the first annual return only listed the original signatories for company registration while the second one consisted of the 'public' shareholders. In this case the second annual return was used instead of the first. Save for two differences, the companies under study in the following two sections are in every way the same as the last section. Firstly, reconstructed companies were not treated as new concerns on the assumption that their social and regional composition of shareholders was not very different from the original companies.[1] Secondly, abortive companies, i.e. those which did not file a single 'annual summary of capital and shares' with the Board of Trade, were ruled out for consideration because, presumably, no capital was ever paid up and therefore, there were no real shareholders in these companies. All the abortive ventures,

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1. Amalgamated companies, on the other hand, were regarded as new enterprises. The China Submarine Company, for instance, was amalgamated with the British Indian Extension Telegraph Company and the British Australian Telegraph Company to become the Eastern Extension, Australia and China Telegraph Company in 1873. The China Submarine Company and the Eastern Extension were taken as two separate companies in the study.

however, have a list of, usually seven, original signatories as required by law to apply for their incorporation. These signatories might be people who were just asked to lend their names to their friends who were interested in forming the company. Since original signatories might not be genuine investors, they had to be excluded. Accordingly, the annual returns of shareholders of a total of 93 companies were analysed. Twenty thousand data cards, each representing a shareholder, were punched and in turn processed by the computer. Regretably, the company files do not include debentures and therefore, they cannot be studied.

Mention should be made of how shares have been treated. The 'annual summary of capital and shares' only lists the shares actually subscribed. Occasionally, there were shares 'agreed to be considered as paid-up'. This was partly due to the time lag between the subscription of shares and the actual payment and partly due to the usual practice of rewarding vendors and people who had made a contribution to the company with the free allotment of shares. Therefore, these shares were not different from the paid-up ones and as such, they had a same status in the study. There were some companies which had different types of shares - ordinary, preference and deferred (founders) shares. The denomination of the last two were not always the same as the company's ordinary shares. Deferred shares were - especially after the mid-1880s - used to accommodate certain groups of shareholders. As opposed to their low nominal price per share, they were entitled to a substantial benefit from the company. So their paid-up value was not functional to their share of the company's dividends. The method adopted here was that, regardless of the denomination of different types of shares, they were taken as equivalent.

In analysing the geographical spread of British investors, a plan of eight main areas, in addition to the heading of unidentifiable addresses, was drawn up. (See Table 36) Except for two main differences, the classification system is similar to Reed's.[1] Firstly, his heading of foreign addresses was broken down into four - China and Hong Kong, Other Asian and Australasia, France and European, and Others. Secondly, his 'more than one address' was cancelled for even if shareholders had two or more addresses - which few people did - their first was taken. London was meant to include the whole of Middlesex. Furthermore, there are different places in the United Kingdom with the same name; the residence of these shareholders here was assigned to the most populated place unless it was a borough within the London area, where in the latter case, the shareholder was without exception regarded a Londoner. Each subdivision under the eight areas was given a code which was punched on a computer data card.

The classification of the occupation of shareholders was based on a method similar to Broadbridge.[2] (See Table 37) The principal difference was the creation of the item 'Institutional' investors. Professional people were also listed under separate headings in contrast to his items of 'Law' and 'Miscellaneous'. Finally, 'Esquires' were taken out of his 'Land' group and placed in the 'Non-Occupational'. As with the geographical classification, each item under the occupational group was coded before being put into the computer.

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1. Reed, Investment in Railways, cit., pp.106-8.

2. Broadbridge, loc.cit., pp.194-210.

Table 36 : The Coding of the Regional Source of British Investment in Chinese Companies 1854-1914

North

10. Northumberland
11. Durham
12. Cumberland

Yorkshire

20. North Riding
21. East Riding
2.2 West Riding

Westmorland, Lancashire and Cheshire

30. Westmorland
31. Lancashire except Liverpool & Manchester
32. Liverpool
33. Manchester
34. Cheshire

Midlands

40. Derbyshire
41. Nottinghamshire
42. Leicestershire & Rutland
43. Northamptonshire
44. Shropshire
45. Herefordshire
46. Worcestershire
47. Staffordshire
48. Warwickshire

East

50. Lincolnshire
51. Huntingdonshire
52. Cambridgeshire & Ely
53. Norfolk
54. Suffolk
55. Bedfordshire

South East

60. London
61. Essex
62. Hertfordshire
63. Kent
64. Surrey
65. Sussex
66. Hampshire
67. Berkshire
68. Oxfordshire
69. Buckinghamshire

South Wales and West

70. Bristol
71. Gloucestershire
72. Somerset
73. Wiltshire
74. Dorset
75. Devon
76. Cornwall
77. Monmouthshire
78. Glamorgan

Miscellaneous

80. Scotland
81. Ireland
82. Wales except Glamorgan & Monmouthshire
83. Isle of Man
84. China and Hong Kong
85. Other Asian & Australasia
86. France
87. European and others
88. Channel Islands

90. Unidentifiable Address

Table 37 : The Coding of the Occupational Source of British Investment in Chinese Companies 1854-1914

10. TRADE

11. Merchants

12. Middlemen/agents

13. Shipowners

14. Retailers

15. Others

20. INDUSTRY

21. Manufacturing including Mining

22. Service industry

23. Handicraft

24. Others

30. BANKING

40. PROFESSIONALS

41. Law

42. Medicine

43. Clergy

44. Officers in service

45. Master marriners

46. Engineers, Architects, Surveyors

47. Accountants

48. Teaching

49. M.P.s and others

50. LAND

51. Land proprietors

52. Farmers

53. Others

60. INSTITUTIONAL

70. MISCELLANEOUS

71. 'White-collar' group

72. Ministers and Officials

73. Superintendents

74. Directors and managers

75. Skilled and unskilled workers

76. Domestic servants & service workers

77. Others

80. NON-OCCUPATIONAL

81. Gentlemen

82. Esquires

83. Women

84. Nobilities & other Honourable titles

85. Others

90. UNSPECIFIED

The full results of the geographical distribution of British shareholders in China companies are set out in Appendix V. First consider the pattern by putting all the companies together.

Table 38 : Sources of Equity Capital in British Investment in Chinese Companies 1854-1914 : By Region (%)

North		2.2	South Wales and West		1.2
Yorkshire		0.7	Miscellaneous :	China and Hong Kong	7.7
Westmorland, Lancashire and Cheshire		3.1		All Others	14.2
Midlands		0.6	Unidentifiable Address		0.2
East		0.3	Total		100.0
South East :	London	62.9	No of Companies		93
	All Others	6.9			

Table 38 shows that the most striking feature is the role that London played; it supplied a little less than two-thirds of the total capital. Compared with other regions, the rest of the south-east counties of England were also an important source of finance. The south-east England as a whole accounted for just under 70 per cent of the aggregate. The dominance of London is not totally unexpected in view of its financial strength and having more than 10 per cent of the total population of the United Kingdom from 1861 to 1911.[1] Moreover, only

1. Calculated from B.R.Mitchell and P.Deane (comp.) Abstract of British Historical Statistics (Cambridge, 1962), Tables 4 and 7 on pp.12-4, 20-2.

five of the total 93 companies studied had their registered office in places outside the metropolis. It is not certain, however, which of these two factors was more dominant. It is likely that both of them - local financial support and the developed London capital market - played a part.

The experience of the five concerns which had their registered office outside London suggests that local finance was significant. The Hong Kong Steam Ship Company, a Cardiff concern, had 80.2 per cent of its capital from Glamorgan, i.e. its local county, while 99.6 per cent of the capital of the Newcastle upon Tyne based Chinese Antimony Company came from Northumberland. The Manchurian Steam Ship Company was similar; 76.5 per cent of its capital was supplied by its native county - Durham. In the case of Lever Brothers (China) Company, all of its capital came from shareholders in neighbouring Cheshire, though not directly from Liverpool itself, where the firm was situated. The Formosa Sugar and Development Company, on the other hand, was somewhat different; 99.7 per cent of its capital, which was held by three shareholders, was from Formosa, China. Judging by the names of these three shareholders, they were British and probably they were the firm's representatives in Formosa; but their home addresses are not known. That people in places outside London support local companies heavily was not uncommon. According to Jefferys, it was almost a norm for the industrialists in Lancashire, Northumberland and other north counties to provide for their own

capital.[1]

In contrast to the importance of shareholders living in London, the North, Yorkshire, Westmorland, Lancashire and Cheshire, the East and South Wales and West together constituted less than one-tenth of the capital of all chinese companies. Referring to App. V:1, Scotland had a share of 3 per cent while Ireland's portion was less than 1 per cent. The part from overseas, however, was quite substantial, totalling almost 18 per cent, of which China, with 7.7 per cent, was the most important. The share of Other Asian Countries and Australia, France and 'Other European Countries and Others' ranged from 1.6 per cent to 5.5 per cent. In total, regions besides the South East accounted for almost one-third of the total capital in Chinese companies which shows - no matter how important London as a source of finance was - the importance of non-South-East England capital. But the less than 2 per cent share of Lancashire, as given in App. V:1 does not confirm the study of early railway capital markets made by Broadbridge and Reed which revealed the strengths of Lancashire in financing railway construction.[2]

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1. Jefferys thesis, cit., p.5. Bailey has also found that the Scots subscribed heavily to the shares of some Australian companies because their shares were marketed in Scotland. See J.D.Bailey, 'Australian Borrowing in Scotland in the Nineteenth Century', E.H.R., 2nd ser., VII (1954-55). Similarly, Anderson and Cottrell, have discovered the local interests of banking finance at Merseyside. Anderson and Cottrell, loc.cit., p.614 and 608-12. But Pollins argued that the Liverpool and Manchester Railway did not rely initially on local men, although Liverpool supplied a substantial part of the capital. See his 'Liverpool and Manchester Railway', cit., p.93. On the other hand, Broadbridge suggested that Lancashire, rather than London or local interests, was responsible for early railway finance. See Broadbridge, loc.cit., pp.207-10.

2. Broadbridge, loc.cit., p.211; Reed, Investment in Railway, cit., pp.146, 167, 187. It should be noted that Reed also stressed the widespread source of finance. See ibid., pp.193-8.

The companies were then divided into public and private companies. Public companies were defined as those which had issued their shares publicly while private companies were those which did not. Although private companies did not have a legal status until 1907, they were in existence long before. One criterion to separate public from private companies is whether their shares were traded on the London Stock Exchange. Some companies were formed as private companies, but later their shares, after being widely circulated, were quoted on the stock exchange and thus assumed the character of public companies. Here, the difference was ignored. Any company which was either quoted on the London Stock Exchange or issued shares to the public was regarded as a public company. The geographical sources of capital of these two types of companies is laid out in Table 39 . It is evident that south-east England was the largest supplier of finance to private as well as public companies. By comparison, the public companies had less skewed distribution of sharholding, suggesting a more perfect capital market for their shares. South-east England only supplied 60.8 per cent of the capital in public companies whereas its share was nearly 73 per cent. in private concerns. A higher share of foreign capital in public companies is also apparent from the table; as much as almost one-third of the total capital came from abroad. Among the foreign countries, China was the most important in public companies while 'European and Others' contributed the most in private concerns.

It should be noted, however, that some public Chinese firms traded their shares on the stock markets in China as well. In 1913 for instance, ten British China companies, all of which were substantial enterprises, were listed on the Shanghai Stock Exchange.

Table 39 : Regional Sources of Equity Capital in British Investment in Chinese Companies 1854-1914 : Public vs Private Companies. (%)

Regions	Public	Private
North	0.4	2.9
Yorkshire	0.8	0.7
Westmorland, Lancashire and Cheshire	2.0	3.4
Midlands	1.3	0.4
East	0.7	0.2
South East : London	56.4	65.0
All Others	4.4	7.7
South Wales and West	1.0	1.3
Miscellaneous : China & Hong Kong	15.0	5.5
All Others	17.9	12.7
Unidentifiable Address	0.1	0.2
Total	100.0	100.0
No. of Companies	26	67

They were the Chartered Bank of India, Australia and China, the Shanghai Waterworks Company, the North China Insurance Company, the Yangtze Insurance Association, The British and Chinese Corporation, The Chinese Engineering and Mining Company, the Peking Syndicate, the Indo-China Steam Navigation Company, the Electric Traction Company of Hong Kong,[1] and the Shanghai Electric Construction Company.[2] In

1. Formerly Hong Kong Tramway Electric Company.

2. H.E.Morris and C.R.Maguire (comp.), China Stock and Share Handbook (Shanghai, 1914).

1883 as much as 98 per cent of the capital of the Yangtze Insurance Association came from China. But not all the shareholders in China were Chinese; some were European citizens. Furthermore, the European, in particular the French, connection with the London market was close. Some companies, like the Syndicat du Yunnan,[1] and the Anglo-French Quicksilver and Mining Concession (Kwei-chau Province) of China were joint ventures of Britain and France. The latter company, which carried a French share of 72.6 per cent in 1904 is the best illustration of this. The Chinese Engineering and Mining Company also had almost one-tenth of its capital from France in 1906. The group 'Other Asia and Australasia' consists of India, Japan, the Straits Settlement and Australasia. Its portion of 4.9 per cent is somewhat inflated because Indian shareholders held 87.6 per cent of the capital of the Chartered Mercantile Bank of India and China. When the Bank relied more upon the London market subsequently, the Indian share was lowered significantly.[2]

The data was examined to see if there were any changes over time, with 1854 to 1914 being divided into six sub-periods.[3] (See Table 40) Not unexpectedly, the bulk of the shareholders were Londoners. With the single exception of the period 1875-84, the metropolis supplied no less than 58 per cent of all the capital required in each sub-period, with its greatest share in the decade 1895 - 1904. The

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1. Firstly incorporated under the title of the Anglo-French Syndicate in 1899. P.R.O. BT31/16278/63876.

2. The Bank was founded by a charter in 1857. Its Indian capital decreased gradually. See its annual summary of capital and shares made up to 1892. P.R.O. BT31/5474/37893.

3. The last period is from 1904 to 1915 for the first annual shareholder returns of companies that were formed in 1914 would have been made in 1915 usually.

Table 40 : Regional Source of Equity Capital of British Investment in Chinese Companies, 1854-1914 : By Time (%)

	1855-1864	1865-1874	1875-1884	1885-1894	1895-1904	1905-1915
North	0.2	1.4	0	0.1	0.3	4.9
Yorkshire	1.4	1.5	0	0.7	1.2	0.3
Westmorland, Lancashire and Cheshire	2.4	10.4	0.6	3.8	2.6	0.4
Midlands	1.8	1.4	0.3	0.6	1.0	0.1
East	0.6	0.2	0	0.2	0.3	0.5
South East: London	68.3	67.3	37.0	58.4	72.3	62.4
All Others	5.9	11.1	2.2	2.8	6.0	7.9
South Wales and West	1.7	2.4	0.4	11.1	0	0
Miscellaneous : China & Hong Kong	0.2	0	42.3	0.1	2.0	6.1
All Others	16.5	3.9	17.2	16.5	13.7	17.1
Unidentifiable Address	0	0.4	0	5.7	0.6	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
No of Companies	7	5	5	8	29	39

unusually poor performance of London in 1875-84 was caused by the exceptionally high stake from China and Scotland. That the Scots in the late nineteenth century were interested in subscribing to company securities is not new to the literature of regional sources of finance. According to Bailey, they played a significant role in financing Australian pastoral industry,[1] and similarly, Jackson has revealed

1. See Bailey, loc.cit.

their investment in the American West after the 1870s.[1] With regard to the Chinese share, it was negligible before 1875. After reaching a peak of 42.3 per cent during the decade 1875-84, it declined to 2 per cent in 1895-1914 before slightly improving in the last sub-period. The maintainance of the high share of London implies that there was no clear trend of market perfection during the period 1855 to 1914, or alternatively, it can be argued that a pattern of company finance was established in the 1850s and it did not change fundamentally before 1914.

The following is a classification according to the nature of the business of a company - the same as that in Table 35 An examination of Table 41 shows that similar to the cases discussed above, the dominance of London also occurred. Insurance apart, the share of London subscribers was never less than 47 per cent of the total. Unlike the others, insurance companies obtained 75.5 per cent of their capital from China and over 85 per cent from Asia and Australasia as a whole. It seems that insurance business had very strong Chinese financial support. In complete contrast, telegraph companies did not have any Chinese shareholders. European capital was important in mining enterprise - 10.2 per cent from France and 6.3 per cent from other 'European Countries and Others'. It also appears from the Table and App. V:4 that the Northern counties contributed the most in mining concerns, the South-Eastern and Scottish investors preferred railway and road transport companies.

Finally, companies which issued more than one type of shares were examined. Different types of shares, i.e. ordinary, preference and

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1. For detail, see W.T.Jackson, The Enterprising Scot (Edinburgh, 1968).

Table 41 : Regional Sources of Equity Capital of British Investment in Chinese Companies, 1854-1914 : By Type of Business (%)

	a	b	c	d	e	f	g	h	i	j
North	8.9	1.7	0	0.2	0	0	0.5	0.2	12.5	0
Yorkshire	1.8	0.9	0	0.6	0.1	0.7	0.8	0.2	0.2	0
Westmorland, Lancashire and Cheshire	12.1	4.2	0	2.2	2.8	0.6	1.0	11.9	0.1	0
Midlands	0.4	1.5	0	0.5	0.3	1.4	0.8	0.2	0	2.0
East	0.1	0.2	0	0.6	0	1.6	0.3	0	0.1	0
South East : London	51.5	74.0	78.5	47.0	10.9	65.0	68.3	57.8	68.0	66.7
All Others	1.1	10.4	8.0	16.4	0.5	5.2	10.3	5.9	0.3	7.0
South Wales and West	10.3	1.7	0	1.8	0.2	0.3	0.1	0	0	0
Miscellaneous : China and Hong Kong	8.0	0	3.1	11.1	75.5	9.5	2.1	12.8	0.6	6.6
All Others	5.6	4.9	10.4	17.5	9.7	15.7	15.4	10.8	18.5	19.7
Unidentifiable Address	0.2	0.5	0	2.1	0	0	0.4	0.2	0	0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No of Companies	9	4	5	7	2	9	33	9	8	7

Note: a=shipping companies; b=telegraph companies; c=railway and road transport companies; d=banks; e=insurance companies; f=public utility companies; g=concession hunters; h=manufacturing companies; i=mining companies and j=miscellaneous companies.

founders (deferred) were grouped together respectively. (See Table 42.) There was not much variation between different types of shares. The share of south-east England ranged from 58 per cent in ordinary capital to 69 per cent in founders. China was less important in founders shares in which French investors were the most significant when compared with their share in ordinary and preference capital.

Table 42 : Regional Source of Equity Capital in British Investment in Chinese Companies, 1854-1914 : By Type of Securities (%)

	Ordinary	Preference	Founders
North	0.7	0.2	0.2
Yorkshire	1.5	0.5	1.6
Westmorland, Lancashire and Cheshire	1.1	6.4	0.8
Midlands	1.3	0.1	0.4
East	0.6	0.6	0.3
South East : London	51.5	58.0	55.9
All Others	6.5	2.2	12.9
South Wales and West	0.2	0.2	0.1
Miscellaneous :			
China and Hong Kong	20.0	21.3	5.3
All Others	16.3	10.4	22.5
Unidentifiable Address	0.3	0.1	0
Total	100.0	100.0	100.0
No of Companies	23	10	15

III. Sources of Equity Capital in British Investment in Chinese Companies : By Occupation

So much for the geographical spread of investors in China companies registered in London. The occupation of shareholders, namely that given in the annual returns of companies, was analysed similarly and the results under the nine main headings are set out in Table 43 and under their detailed subdivisions in Appendix VI. Table 43 shows that the shareholders, who classified themselves in the group of Trade, taking the 93 companies as a whole, were the greatest source of capital. They accounted for 26.2 per cent of the aggregate subscriptions and within this group, merchants were the most important. Middlemen and agents, many of whom were brokers and jobbers, had a share of 5.3 per cent; followed by shipowners with 1.8 per cent. The share of retailers at 0.1 per cent was minimal.[1]

Table 43 : Occupational Source of Equity Capital in British Investment in Chinese Companies, 1854-1914 (%)

Trade	26.2	Miscellaneous	12.0
Industry	3.2	Non-Occupational	17.1
Banking	2.9	Unspecified	9.9
Professionals	12.0	Total	100.0
Land	1.0	No of Companies	93
Institutional	15.7		

The second largest pool of financial support came from shareholders who described themselves as not being gainfully occupied. In view of

1. App. VI:1.

the regional preeminence of London and other South-East counties, it is not surprising that the Trade and Non-Occupational group of investors were the most important. The order of significance in the Non-Occupational group was Gentlemen, one-tenth; Women, 2.5 per cent; Esquires, 2.2 per cent; Nobilities and Other Honourable Titles, 1.9 per cent, and Others, i.e. those who indicated their occupation as 'none', 0.5 per cent. The source of the finance of the 'Women' group, which is composed of spinsters and widows can readily be explained; the bulk of it must have been the accumulated savings either of themselves or their family. It is equally conceivable that income from land, as well as from other channels such as commerce and industry, enabled the nobility to invest. On the contrary, who exactly the gentlemen and esquires were is less certain. The majority might have been wealthy land owners. But Bailey has suggested that merchants, bankers, members of Parliament, manufacturers, civil service personnel or even engineers and architects called themselves 'gentlemen'.[1]

With a share of 15.7 per cent, Institutional investors were the next in importance. Investment trusts, syndicates and banks were leading corporate bodies in this group. Some concerns, such as the Asiatic Petroleum Company (North China), the Asiatic Petroleum Company (South China), the China and Japan Telephone Company, the Chinese Central Railway Ltd., the Prices (China) Company and the Tientsin Lighter Company, were simply subsidiaries of existing institutions.[2]

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1. Bailey thesis, cit., p.58.

2. The Anglo-Saxon Petroleum Company founded the two Asiatic Petroleum companies; the Oriental Telephone Company founded the China and Japan Telephone Company; the British and Chinese Corporation and the Peking Syndicate co-founded the Chinese Central Railway Ltd.,; Prices (China) Ltd. was a subsidiary of the Prices Patent Candle Company and the Tientsin Lighter Company was mainly owned by the China Navigation Company which was founded by Butterfield and Swire.

Many of the Institutional investors, it should be noted, were French concerns - an indication of the links between British and French companies in the China business.[1]

The share of the Miscellaneous group was 12 per cent. Quite unexpectedly, the 'white-collar' shareholders contributed 10.5 per cent - higher than any other sub-division within Miscellaneous investors. Many in the 'white-collar' heading classified themselves as 'clerks'; it is possible that some were 'clerks in Holy Orders' who should have been put in the Professional group, which also took up 12 per cent of the total capital. 'Engineers, architects and surveyors' were the principal professional investors. Anyhow, the Professional and the Miscellaneous groups, which together made up one quarter of the total, indicate the strength of middle class investors.

Industry, Land, Banking and the working class were not significant sources of equity finance. Working class investors were almost totally absent. The Land group had a trivial one per cent, but it is probable that some self-described 'gentlemen' were actually landed proprietors. Industrial capitalists did not subscribe for many more shares than the working class and the Land groups. Sixty years after the passing of the first general limited liability act, their influence in company finance remained slight. Surprisingly, the Banking group, which consists of wealthy bank managers and bank directors, played a much less important role than the 'white-collar' group.

The companies were divided into public and private companies. (See Table 44) The most significant feature is that the share of Miscellaneous investors in private companies was four

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1. Cf. p.213.

Table 44 : Occupational Source of Equity Capital in British Investment in Chinese Companies, 1854-1914 : Public vs Private Companies (%)

Occupation	Public	Private
Trade	31.1	25.2
Industry	1.5	3.8
Banking	2.7	2.9
Professionals	7.7	13.1
Land	0.4	1.2
Institutional	15.1	16.0
Miscellaneous	3.7	14.8
Non-Occupational	20.4	15.7
Unspecified	17.4	7.2
Total	100.0	100.0
No of Companies	26	67

times larger than their holding in public companies, while the share of Professionals was almost twice as large. On the contrary, the public companies had a much more substantial proportion of shareholders in the 'Unspecified' group. Institutional investors, on the other hand, had the same interest in both public and private companies. Unlike the regional composition of capital, public companies had a more notable occupational imperfection as shown by the greater contribution from their Trade and Non-Occupational shareholders.

In common with the geographical spread analysed above, the occupation data were in turn set out on the basis of the date on which the annual return to the Registrar of Joint Stock Companies was made. The most notable trend over time is the secular increase of the participation of institutions; they started from almost nothing in the first sub-period and reached almost one-fifth in 1875-1884. After falling

Table 45 : Occupational Source of Equity Capital in British Investment in Chinese Companies 1854-1914 : By Time (%)

Occupation	1855-1864	1865-1874	1875-1884	1885-1894	1895-1904	1905-1915
Trade	36.5	29.1	45.2	51.3	22.9	20.6
Industry	3.3	0.2	3.4	0.3	4.0	3.6
Banking	1.7	1.0	2.4	4.7	2.2	3.5
Professionals	7.9	19.9	9.1	6.1	11.9	13.0
Land	0.1	0	0.4	0.5	0.7	1.6
Institutional	0.2	2.1	19.1	1.0	15.6	22.9
Miscellaneous	2.5	3.0	8.6	14.5	10.8	16.0
Non-Occupational	30.8	42.9	11.2	16.6	18.4	9.5
Unspecified	17.0	1.8	0.6	5.0	13.5	9.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
No of Companies	7	5	5	8	29	39

sharply to 1 per cent in 1885-1894, their share started rising again to reach over one-fifth in the last sub-period.

Apart from the increasing role of corporate bodies, there was a movement towards the democratisation of investment. The total share of the Industry, Banking, Professionals, Land and Miscellaneous groups had a clear increasing trend throughout the period 1854 to 1914; 15.5 per cent in 1855-64, 24.1 per cent in 1865-74, 23.9 per cent in 1875-84, 26.1 per cent in 1885-94, 29.6 per cent in 1895-1904 and 37.7 per cent in 1905-15. Nonetheless, Hall calculated from the property assessed for death duty in 1913-14 that people with property over £50,000 had more than half of their property in shares, stocks and funds and people

with property over £20,000 had more than 70 per cent.[1] He went on to claim that the term 'democratisation' was almost meaningless since estates of less than £1,000 owned only two per cent of total securities and those under £5,000 only ten per cent.[2] But it does appear from the company records that more people, other than the commercial and wealthy 'rentier' classes, who had hitherto remained distant from the stock market, became more ready to invest during the second half of the nineteenth century. As a result of the advancement of institutional and middle-class investors, the share of the Trade and Non-Occupational groups declined after the 1890s and early twentieth century respectively.

In turn the data was arranged according to how the capital was used. (Table 46) The respective percentage of the total subscription of different types of investors varied so much that it seems investors with different occupations had preferences towards certain types of enterprises. This preference substantiates the findings of Edelstein, who, by using statistical techniques, discovered that the United Kingdom's investment in the United States was heavily affected by the activities of the investors who favoured higher yielding, though more risky, securities.[3] The Trade group prferred insurance, shipping, miscellaneous, manufacturing and banking companies while it was not much interested in mining and public utilities. The Non-Occupational

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1. Hall, The London Capital Market and Australia, 1870-1914 (Canberra, 1963), p.42, Table 8; also Cairncross, op.cit., pp.84-8.

2. Hall, op.cit., p.39.

3. M.Edelstein, 'The Determinants of U.K. Investment Abroad, 1870-1913 : The U.S. Case', Journal of Economic History, XXXIV (1974), pp.980-99, esp. p.995.

Table 46 : Occupational Source of Equity Capital in British Investment in Chinese Companies, 1854-1914 : By Type of Business (%)

Occupation:	a	b	c	d	e	f	g	h	i	j
Trade	45.5	20.9	27.0	44.4	63.8	10.3	17.8	37.3	3.1	54.1
Industry	3.6	0.3	0.7	1.0	0.7	0.8	2.3	18.0	0.4	0
Banking	2.0	1.2	0.1	2.8	3.6	2.6	4.0	4.5	0.8	0
Professionals	4.6	26.9	4.6	9.4	6.5	11.0	20.0	1.1	3.3	12.7
Land	0	0	0	0.7	0	0.2	2.5	0	0.4	0
Institutional	16.3	2.6	31.6	1.2	0	31.4	6.3	21.1	57.6	0
Miscellaneous	1.9	3.7	1.3	15.7	12.5	8.1	20.6	11.7	10.7	0
Non-Occupational	23.3	42.2	29.6	13.0	12.0	19.2	15.6	3.3	9.4	14.1
Unspecified	2.8	2.2	5.1	11.8	0.9	16.4	10.9	3.0	14.3	19.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No of Companies	9	4	5	7	2	9	33	9	8	7

Note : a=shipping companies; b=telegraph companies; c=railway and road transport companies; d=banks; e=insurance companies; f=public utility companies; g=concession hunters; h=manufacturing companies; i=mining companies and j=miscellaneous companies.

group, on the other hand, had a special taste for telegraph, railway and road transport, shipping and public utility businesses, whereas it was prejudiced against manufacturing and mining. The Institutional investors, too, concentrated on a few areas — mining, railway and road transport, public utilities, manufacturing and shipping. They played practically no part in insurance, only 1.2 per cent in banks and a mere 2.6 per cent in telegraph companies. Likewise, investors in Industry group had the greatest importance in manufacturing, which means that industrialists were more ready to finance manufacturing companies than any other type of business. Their influence in other areas, save for shipping companies, was very slight. The Professional and Miscellaneous group were by no means different from the other groups, so far as favouring particular types of business is concerned. The former opted for concession hunters and telegraph companies while disliking manufacturing, mining, shipping and railway and road transport companies. The latter had over one-fifth of all the shares in concession hunters but absolutely nothing in miscellaneous companies. The portion of the Land and Banking groups were, however, too small to show any significant influence although there was a similar trend of variations in their behaviour among different enterprises too.

Lastly, companies with more than one type of securities were selected for a special examination. (See Table 47) Putting the Unspecified group aside, the heading under Trade was the largest source of finance for all types of shares; but the part it played was fairly stable. Industry was the most important in preference when compared with its part in ordinary and deferred shares. The Miscellaneous group, however, contributed the most in ordinary shares. The Professional and Institutional investors participated more in ordinary

Table 47 : Occupational Source of Equity Capital in British Investment in Chinese Companies, 1854-1914 : By Type of Securities (%)

Occupation	Ordinary	Preference	Founders
Trade	27.9	23.3	25.2
Industry	6.7	11.6	4.4
Banking	3.8	1.7	4.9
Professionals	11.4	13.3	6.8
Land	0.9	0.4	1.6
Institutional	10.9	10.3	5.7
Miscellaneous	5.3	1.2	2.5
Non-Occupational	14.8	9.9	24.2
Unspecified	18.3	28.3	24.7
Total	100.0	100.0	100.0
No of Companies	23	10	15

and preference shares. Banking and Land, on the other hand, had their highest percentage in deferred shares. Contrary to the general belief, the Non-Occupational group or the 'rentier' class, did not show any sign of favouring preference capital. Their share in preference shares was almost 5 per cent less than that in ordinary. But the last conclusion is very tentative for the share of investors who did not specify their occupations in preference capital was 10 per cent more than the ordinary capital. If the occupations of this 10 per cent were known, the pattern of share distribution might change. That the share of agents in founders capital, as shown in Appendix VI:5 was much greater than their shares in ordinary and preference capital is extremely suggestive that stock brokers and jobbers were benefiting from the

companies' practice of rewarding people with the allotment of founders shares.

There are a number of points which call for caution in the above analysis. First of all, it is only concerned with the ordinary, preference and deferred shares of China companies. A study of investors in their debentures together with those which held Chinese government loans, is, due to inaccessible or non-existent records, not possible. Even within the companies considered here, the files of the Taikoo Sugar Refinery Company and the Industrial Bank of China have been destroyed by the Registrar of Joint Stock Companies. There were also some companies that had been incorporated outside the United Kingdom - in particular at Hong Kong - but which made use of the London capital market, but unfortunately the absence of their records does not allow their inclusion either. Secondly, the number of companies considered does not always justify firm conclusions. While the 93 companies in the overall averages might be reckoned as a fairly reasonably large population statistically, the various breakdowns, especially by type of business, are subjected to small-sample errors. There are, for instance, only two companies in the insurance group and four in the telegraph. Thirdly, the data used is the occupation and address stated in the annual returns of shareholders and therefore, that given by the shareholders themselves. While there is little ground to be sceptical about the accuracy of their address, their occupations are perhaps more questionable. For instance, some people might have different occupations at one time. Even if they only had a single occupation, they might have classified themselves differently. Lord Rothschild, who was a prominent financier, once called himself

'bankers'[1] whereas on another occasion, he did not give himself any occupation.[2] Besides, some people might have given themselves occupations which placed them in the upper social strata while some might have done the opposite. However, there is no way of correcting these distortions, if there be any. Above all, the way shareholders have described themselves is sometimes ambiguous. For example, it is not certain whether cotton spinners, flax spinners, paper makers, etc. were manufacturers or industrial labourers. In the present study, they were all placed in the former category.

In short, general limited liability was first adopted in Britain in 1855 and after a few modifications of its principle, the modern company system was extended gradually to almost every type of company. The study on the time of the formation of British joint stock Chinese companies registered under the different limited liability acts demonstrates a clear pattern of investment cycles with respect to the area or intended area of business and it shows how expedient and well the British commercial community adjusted themselves to the business opportunities that arose. Since 88 out of the 93 Chinese joint stock companies had their registered office in London, which was the most populated city as well as the financial centre of Britain, it is not surprising to find that it supplied the bulk of the Chinese equity capital throughout the period 1855 to 1914 and in every type of business except insurance; but at the same time, shareholders of Chinese companies were not confined to Londoners for, taken all companies under study as a whole, as much as almost one-third of the total capital

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1. 'Annual summary of capital and shares' of the Yangtze Trading Company made up to 1901, P.R.O. BT31/8603/62675.

2. 'Annual summary of capital and shares' of the Upper Yangtze Syndicate made up to 1899, P.R.O. BT31/8611/62743.

came from inhabitants residing outside south-east England. In consideration of the importance of the last two named regions, the high contribution of Traders and Non-Occupational investors in company finance is to be expected. Regionally speaking, the arrangement of the data in accordance with the time that the annual shareholder returns were made does not manifest a clear trend towards market perfection; but this indicates that the pattern of shareholdings, by region, was established in the 1850s, and remained unchanged until 1914. The social composition of shareholders, on the other hand, shows an apparent democratisation movement over time. As London and the south-east counties of England still provided the bulk of the capital by 1914, the maturity of the British capital market can only be said to be one of the social composition of shareholders. Within the progress that different social groups made, Institutional investors, who became the most important source of equity finance in the period 1905-1914, was the most remarkable. In spite of the trend of democratisation, serious market imperfection still existed in 1914 for the top three social groups, namely, Institutional, Trade and Miscellaneous, accounted for almost 60 per cent of the total capital raised. The feature of an imperfect capital market is supported by the preference that different social classes gave to particular types of business.

Chapter Six: The Depreciation of the Gold Price of Silver After 1872 and Its Effect on Anglo-Chinese Trade and Finance

I. The Causes of the Depreciation of the Gold Price of Silver.

During the sixty-one year period 1854 to 1914 under study, Britain and China did not have the same monetary standard. Britain adopted the gold standard in 1821 while China remained on silver. However, this diversity did not cause much difficulty to the trading and financial relations between these two countries until 1872 because the exchange rate between sterling and the Chinese tael did not fluctuate much. But as the price of silver kept depreciating against the price of gold in the world market after 1872, leading to a depreciation of the Chinese against the British currency, things were changed. The following is an attempt - after sketching the causes leading to the secular decline of the gold price of silver - to account for its impact on the British trade with, and investment in, China in a period when few people, if any, thought that the price of Chinese tael in terms of sterling would recover to the pre-1873 level.

Since gold and silver have been used as means of exchange, their exchange ratio has varied. From 1300 to 1492, the ratio of the price of silver to the price of gold ranged from 10:1 to 14:1 and between 1493 and 1700, the ratio went down to 10.75:1.[1] In 1803 the French Government fixed the exchange rate at 15½:1,[2] the then current market

1. J.L. Laughlin, A New Exposition of Money, Credit and Prices, I (Chicago, 1931), pp.97-111.

2. For the monetary system of France from 1803 to 1860, see H.P. Willis, A History of the Latin Monetary Union (Chicago, 1901), ch.1.

price of the two metals and its variation was small down to 1872,[1] when silver started its continuous depreciation against gold which continued until January 1903 in "a movement without precedent in history, either in speed or in amount."[2] Although the price of silver relative to gold recovered somewhat from 1902 to 1906, it remained far below the 1872 ratio. A depreciation in the gold price of silver meant a devaluation of the currency of the silver-using nations such as India and the Eastern countries[3] vis-à-vis gold currencies and whose exports, as a result, would have a bounty over similar British goods, that would consequently become less competitive. The change of the price ratio between gold and silver received much attention in Britain and in 1876, four years after the beginning of the depreciation of silver, a select committee was appointed to study the matter.[4] As silver continued to fall in price, there began a

1. Ibid., p.1.

2. J.H. Clapham, An Economic History of Modern Britain, II (Cambridge, 1932), p.338.

3. In 1870 Britain took 50 per cent of Indian exports. In 1913-14, its share was still 24 per cent. At the same time, Britain supplied 80 per cent of all Indian imports in 1870 and 70 per cent in the 1890s. See S.B. Saul, Studies in British Overseas Trade 1870-1914 (Liverpool, 1960), pp.197-9.

4. B.P.P. 1876, VII. Select Committee Report on the Depreciation of Silver.

heated debate over British monetary policy.[1] At the same time, a fall both in the price level and profit margin of British industries occurred during the 1880s. This 'down-turn' of economic activity is commonly known as the Great Depression,[2] and indeed it caused widespread contemporary alarm especially amongst manufacturers.[3] A royal commission was set up to study the depression in the United Kingdom and it suggested in its report that one of the causes was the depreciation of gold[4] and, that the monetary factor deserved a further study.[5] Consequently, the Royal Commission on Gold and Silver of 1887 was appointed with the purpose of examining whether the relative change of the values of the metals was due to a depreciation of silver,

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1. The strength of the debate over bimetallism can be seen in the evidence given to the Gold and Silver Commission. See the First, Second and Final Reports of the Commission of Gold and Silver. B.P.P. 1887, XXII and 1888 XLV. The final report has been reprinted as R. Robey (ed.), the Monetary Problem, Gold and Silver (New York, 1936). As early as the 1850s, when the gold price of silver devalued somewhat as a result of the gold discovery in California, it stirred up some debate over the monetary standard for Britain. Those who advocated for the silver standard - as represented by James Maclaren, William Austin and P.J. Stirling - did not gain much support, however. See R.S. Sayers, 'The Question of the Standard in the eighteen fifties', Economic History, X (1930-3), pp.575-601. But the theoretical issues on monetary affairs in the period 1845 to 1875 had very little positive effect on the monetary and banking law of Britain. See F.W. Fetter, Development of British Monetary Orthodoxy 1797-1875 (Cambridge, Mass., 1965), ch.8.

2. For a general discussion, see S.B. Saul, The Myth of the Great Depression (1972).

3. See the First, Second and Third and Final Report of the Commission on the Depression of Trade and Industry. B.P.P., 1886, XXI, XXII, and XXIII.

4. The Third Report of the Commission on the Depression of Trade and Industry, cit., p.4.

5. The Final Report of the Royal Commission on the Depression of Trade and Industry, cit., p.xxi.

an appreciation of gold or both.[1] Owing to India's importance to Britain, the Commission was asked to pay particular attention to the change of the ratio of the metals on the future trade between these two countries.

The causes leading to the continuous depreciation of silver were highly controversial in the 1880s and have remained so.[2] Basically, the fall was due to an increase in the world demand for gold and a decrease in the demand for silver - in conjunction with a large expansion in the output of the white metal - resulting in a constant adjustment and re-adjustment between their prices.

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1. The Commission sought advice from a variety of people, including Government officials, professional statisticians and merchants. Its First Report was published in June 1887; the Second Report in January 1888; and the Final Report in October 1888. The Final Report which took into account of all evidence given before the Commission, was the most important. It is divided into three parts: part one, signed by all members, is an examination of the problem from all angles; part two is signed by the gold monometalist members while part three is signed by the bimetallist members.

2. See, for example, the controversy in the Reports of the Gold and Silver Commission.

Table 48

Estimated Amount of the Production of Gold and Silver in Each of the Under-mentioned Periods.[a]

Period	Annual Averages			
	Weight		Value	
	Gold (ounces)	Silver (ounces)	Gold (£000's)	Silver (£000's)
1811-20	402,864	19,035,104	1,563	4,765
1821-30	500,403	16,211,712	1,941	3,990
1831-40	714,173	20,924,640	2,771	5,168
1841-50	1,927,517	27,470,608	7,478	6,732
1851-55	7,018,458	31,191,248	27,231	7,851
1856-60	7,101,602	31,855,648	27,554	8,062
1861-65	6,514,026	38,760,480	25,274	9,756
1866-70	6,864,915	47,135,792	26,635	11,733
1871-75	6,121,421	69,323,760	23,751	16,870
1876-80	6,068,973	86,248,870	23,547	18,702
1881-85	5,249,622	100,732,157	20,368	20,987

Note:

a The table was originally in kilogrammes and German marks. Kilogrammes were converted into ounces at the rate of 1 Kilogramme = 2.2.lbs. According to H.F. Easton, Tate's Modern Cambist, 26th edition (1921), one sterling pound contained 123.27447 grains of gold, with a fineness of 0.91666. (p.13) Therefore, one sterling pound contained 113.000776 grains of pure gold. The weight of German Mark of gold was 61.4589765 grains troy, and the fineness was 0.900. Therefore each German Mark contained 5.53130789 grains of pure gold, and equalled 0.04894219 sterling.

Source:

From Soerbeer's 'Materialien', &c., p.1, given by Mr. Giffen to the Royal Commission on Gold and Silver. B.P.P., 1887, XXII. First Report of the Gold and Silver Commission, p.690.

Table 48 indicates that the world production of silver was increasing from 1821. Between 1851 and 1855, its average annual output was 31,191,248 ounces and it rose threefold to 100,732,157 ounces in the period 1881 to 1885. The increase in the world production of the white metal was accompanied by a large sale of silver as a result ot its demonetisation in Germany. When the German Empire was established finally after its victory in the Franco-Prussian War in 1871, it decided to change to the gold standard by making use of the French indemnity. Contrary to some writers' belief that the payment was in gold, the indemnity was paid actually in bonds which were then exchanged for gold in London.[1] Table 49 shows the German sale of silver, the price of which dipped as the clearance began. The total sale amounted to £28,356,986, more than one and half times of the average annual world production of silver between 1876 and 1880. Such a large increase in the supply of silver must, of course, have disturbed the previous equilibrium of the gold-silver market ratio and caused widespread concern in the remaining silver-using countries.

Table 49

The Value of the Sale of Silver of Germany, 1873-79

Year	Proceeds of Sales £	Average price per oz. standard. d.
1873	464,834	59 5/16
1874	3,056,783	58 3/4
1875	910,422	57 1/4
1876	4,696,824	52 3/8
1877	11,521,211	54 5/16
1878	6,310,192	52 9/16
1879	1,396,720	50

Source: B.P.P., 1888, XLV. Final Report of the Gold and Silver Commission, reprinted in R. Robey, The Monetary Problem, Gold and Silver, (New York, 1936), p.23.

1. M. de Cecco, Money and Empire (Oxford, 1974), pp.46-7.

The Scandinavian countries adopted a similar monetary standard almost immediately after the German reform, followed by the Netherlands a year later; in 1872 Japan also limited silver coinage to the Osaka mint.[1] But the most serious of all the reactions was the suspension of minting silver in the Latin Monetary Union whose member countries, namely, France, Belgium, Italy, Switzerland and Greece, had made silver legal tender. They had fixed the ratio between gold and silver at $15\frac{1}{2}$:1 and tried to maintain it until 1878. For instance, large quantities of the German silver were bought by the French and Belgium mints: in 1873 more than £6 millions worth of silver were coined in France and more than £4 millions in Belgium. But mounting pressures in these two countries resulted in the Latin Union's Convention of 1874 by which it was agreed to limit the coinage of silver to the following amounts -- France, 60 million francs, Italy, 40 millions, Belgium, 12 millions and Switzerland, 8 millions.[2] The continued flow of silver of flood proportions into the Latin Union caused so much distress that in 1878 all the member states decided to stop its coinage.[3]

Britain and India also played an appreciable role in disrupting the delicate balance between the precious metals. India had to pay home charges, i.e. the payment of interest on loans contracted in London, dues and services from the British Government, etc. to the United Kingdom in sterling. In brief, the settlement worked thus.

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1. Ibid., p.47.
2. Robey, op.cit., p.28.
3. For a history of the adoption of the gold standard in the Latin Union, see Willis, op.cit., chapter one to seven.

The Secretary of State of India would exchange rupees that were based on silver for sterling in London. These silver rupees were then bought by the British merchants in London who had to meet their trade and financial indebtedness to India. If the amount of rupees sold in London roughly equalled the amount required, an overall balance between gold (sterling) and silver(rupee) could be maintained. However, as shown in Table 50 , the amount of Home Bills drawn upon India increased from the 1860s. An increase in the drawing of Home Bills led, first of all, to an increase in the supply of means of remittance to India. Secondly, it diminished the purchasing power of India which, in turn, diminished Indian demand for British exports. Finally, since the inflow of Bills was not a result of a British trade surplus with India, there was no regular demand for them. Ungoverned by mercantile needs, they were sold at any price in the London market, and with an excess of supply of silver, a fall in their price was inevitable

The demand for silver came from a number of sources. In the 1860s, the American Famine stimulated the export of Indian cotton, which coupled with the development of railway construction in India, induced a capital inflow. Besides, the outbreak of the Indian Mutiny in 1857 forced the Secretary of State of India to stop payment of Home charges. When the American cotton exports recovered after 1865,[1] the inflow of capital to India slowed down, so that the world outflow of silver to the Indian market was curtailed. Table 50 shows that the average annual value of silver sent to India in 1855-60 was 10 million rupees, it decreased to 9.9 millions in 1860-65, 9.4 millions

1. In April, the price of cotton was at its lowest level for three years. P. Harnetty, "The Imperialism of Free Trade : Lancashire and the Indian Cotton Duties, 1859-1862," Economic History Review, hereafter E.H.R., 2nd ser. XVIII (1962), p.349.

Table 50

The Increase in the Drawing of Home Bills from India and the Net Import of Silver to India.

Official Year	Net Imports of Silver into India	Amounts Received by the Home Government for Bills Drawn on India	Official Year	Net Imports of Silver into India	Amounts Received by the Home Government for Bills Drawn on India
	Rx.	£		Rx.	£
1850-51	2,117,225	3,236,458	1870-71	941,924	8,443,509
1851-52	2,805,357	2,777,523	1871-72	6,520,316	10,310,339
1852-53	4,605,024	3,317,122	1872-73	715,144	13,939,095
1853-54	2,305,744	3,850,565	1873-74	2,495,824	13,285,678
1854-55	29,600	3,009,078	1874-75	4,642,202	10,841,015
Average	2,384,590	3,370,209	Average	3,063,082	11,304,047
1855-56	8,194,375	1,484,040	1875-76	1,555,355	12,389,013
1856-57	11,073,247	2,819,711	1876-77	7,198,872	12,095,799
1857-58	12,218,948	628,499	1877-78	14,076,335	10,134,455
1858-59	7,728,342	25,901	1878-79	3,970,694	13,948,565
1859-60	11,147,563	4,694	1879-80	7,869,742	15,261,810
Average	10,072,495	992,569	Average	7,054,199	12,886,048
1860-61	5,328,009	797	1880-81	3,892,574	15,239,677
1861-62	9,086,456	1,193,729	1881-82	5,379,050	18,412,429
1862-63	12,550,157	6,641,576	1882-83	7,480,227	15,120,521
1863-64	12,790,719	8,979,521	1883-84	6,405,151	17,599,805
1864-65	10,078,798	6,789,473	1884-85	7,245,631	13,758,909
Average	9,968,028	4,721,019	Average	6,080,527	16,026,268
1865-66	18,668,673	6,998,899	1885-86	11,606,629	10,292,692
1866-67	6,963,103	5,613,746	1886-87	7,155,738	12,136,279
1867-68	5,593,962	4,137,285	1887-88	9,218,751	15,358,577
1868-69	8,601,022	3,705,741			
1869-70	7,318,144	6,980,122			
Average	9,428,981	5,487,159			

Source: Robey, op.cit., pp.24-5.

in 1865-70, to only 3.1 millions in 1870-75 and recovered somewhat to between 6 and 7 millions in the next ten years. Professor Nogaro pointed out that given the sum of trade balances between gold and silver countries due and receivable was substantially equal before the 1860s, when gold-using countries needed to remit to silver-using countries, they only had to exchange their gold currency into the desired silver currency; when the latter needed to make payment to the former, they could convert their currency into the required gold currency. Since the amount required to pay silver countries was reduced afterwards, the exchange ratio between gold and silver was favourable to the former.[1]

In the United States of America the Bland Act of 1878 enabled the government to coin silver amounting from $2 millions to $4 millions a month in order to maintain its value.[2] China also took in quite a considerable sum although the exact amount is not known; between 1874 and 1887, the total value shipped from Britain was £10,667,000.[3] It should be remembered that before 1854, British merchants shipped silver out of China if they failed to arrange remittance through banks. The amount of silver moving in or out of China before 1888 is unknown because of the absence of records, but from 1875 onwards, China's balance with Britain was always in excess. The proportion absorbed from these sources to world stock was small and the effect of the excessive supply of silver

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1. B. Nogaro, Modern Monetary Systems (London, 1927), pp.29-30. Professor J. Angell did not agree with the argument put forward by Professor Nogaro on the grounds that the amount of net excess payment due to silver-standard and gold-standard countries was not big enough to be a sufficient force to influence the relative price of silver. However, he admitted that it must have played an important part. See his The Theory of International Prices, History, Criticism and Restatement (Camb. Mass., 1926), p.421.

2. Robey, op.cit., p.30.

3. App.F of the First Report of the Gold and Silver Commission, cit., and the Annual Statement of Trade.

Table 51

The Total Value of the Production of Gold and Silver and the Gold Price of Silver, 1871-85.

Period	Value of Production (Annual Average)		Proportion of Silver to Gold Production	Aver. Price of Bar Silver
	Silver	Gold		(pence)
1871-75	16,870	23,751	0.710 : 1	59 1/16
1876-80	18,702	23,547	0.794 : 1	52 15/16
1881-85	20,987	20,368	1.030 : 1	50 5/8

Source: See Table 48 and Robey, op.cit., p.28.

is shown in the table above. With the production of silver continuing to increase and the production of gold falling, the average price of silver in terms of gold fell from 59 1/16d. to 50 5/8d.

As far as gold was concerned, first of all, Table 48 shows that world production fell. Annual average output was 7,018,458 ounces in 1851-55, but it fell to 5,249,622 ounces in 1881-85, a decrease of almost one-third. On the other hand, economies in the industrial use of gold had little effect on supply. Therefore, the total supply of gold for currency use declined as a whole. Against this background, new demands were emerging from the European countries, the United States and India. Not only did the United States stop exporting gold, but it imported a substantial sum after 1876. It can be seen from Table that its net export of gold averaged £8.6 millions per annum in 1871-75 but in 1876-80, it imported an average of £2.5 millions per annum and this flow increased to £4.4 millions per annum in 1881-85.

Table 52

The Import and Export of Gold of the United States, 1866-70.

Period	Production Outside the U.S. £	Annual Average Value of the Net Exp. from the U.S. £	Annual Average Value of the Net Imp. to the U.S. £
1866-70	16,604,900	8,069,000	---
1871-75	15,960,000	8,594,000	---
1876-80	15,135,360	---	2,468,000
1881-85	14,096,820	---	4,425,000

Source: Robey, op.cit., p.36.

Apart from the rise in American demand, Indian absorption of gold advanced as well. The annual average of Indian gold imports in 1866-70 was 4,985,528 rupees, it went down to 614,988 rupees in 1876-80; but rose again to 4,172,899 rupees in 1881-85 and 2,043,057 rupees in 1886-88.[1] As a result of the increased demand from America and India, the annual average of gold supply outside these two countries in 1866-75 was £209 millions, but fell to £85 millions in 1876-85, a mere fourty per cent. of the 1866-75 level.[2]

In the meantime, the European states imported a huge amount of gold to ensure their smooth conversion to the gold standard. Italy's purchase amounted to £6.5 millions from 1881 to 1886, Holland, £6

1. Robey, op.cit., p.37.
2. Ibid., p.37.

millions from 1875 to 1886, and the Scandinavian kingdoms £7 millions from 1872 to 1886.[1] Among them, Germany was the most important. The following table shows the gold bullion and specie exported to Germany from the three largest sources after it formally took up the gold standard in 1871. It totalled £79.3 millions, or more than three times the average annual world production of gold in 1871 to 1875.

Table 53

Value of Gold Bullion and Specie Exported to Germany in the Undermentioned Years. (£)

Year	Great Britain	France	Belgium	total
1871	8,448,000	4,585,000	1,776,000	14,849,000
1872	8,152,000	353,000	414,000	8,919,000
1873	7,263,000	7,040,000	41,323,000*	55,626,000
TOTAL	23,903,000	11,978,000	43,513,000	79,394,000

* Entered in the returns as "in transit from France."

Source: Robey, op.cit., p.38

A great part of these gold imports found their way into the vaults of European banks and therefore their gold reserves increased annually between 1878 and 1885, The Final Report of the Gold and Silver Commission quotes the figures as follows:[2]

1. Robey, op.cit., pp.38-9.
2. Ibid., pp.40-1.

1877--	£144.5	millions	1882--	£203.5	millions
1878--	142.5	"	1883--	230	"
1879--	175	"	1884--	234	"
1880--	189.5	"	1885--	252	"
1881--	195	"			

This phenomenon is not totally unexpected since these countries had converted to gold. Since a large reserve of gold symbolised financial and political stability, it tempted all European countries to get hold of it by different measures when gold reserves in state banks fell short. For example, the Bank of England used bank rate policy as well as giving gold importers free advances in order to increase its gold reserve.[1] On the other hand, the financial weakness - relative to London - of other European centres compelled them to use more direct interventions. A contemporary noticed that although the gold-export point had been reached, the European countries, notably Germany, France, Russia, did not want to part with gold and consequently, the only European country from which England could obtain gold was the Netherlands.[2] After an extensive consultation of the archives of various central banks of Europe, Bloomfield has revealed - as opposed to the general consensus - that European central banks - with the single exception of the Bank of England - took up complicated monetary policies instead of following 'rules of the game' for the sake of

1. R.S. Sayers, 'The Bank in the Gold Market', in T.S. Ashton and R.S. Sayers, (eds.), Papers in English Monetary History (Oxford, 1954), p.133, or R.S. Sayers, Bank of England Operations 1890-1914 (1936), p.73. For detail, see Sayers' Book, ch.2-4.

2. C. Rozenraad, 'The International Money Market', Journal of the Royal Statistical Society hereafter J.R.S.S., LXIII (1900), pp.20-7.

attracting gold.[1] For instance, even if gold flowed in from abroad, they would not lower their discount rates and furthermore, they would not help each other in getting over gold troubles except when such action was of direct interest to themselves.[2]

Due to the increasingly serious problems caused by the gold appreciation, a monetary conference was called in Paris in 1878 at the initiation of America; it was no more successful other than adopting a resolution that the monetary policy should be left to the discretion of individual countries, and, with regard to the unlimited coinage of silver, there was practically no agreement.[3] In 1881, another conference was convened in Paris. Despite the vigorous American and French efforts in arguing for bimetallism, they did not win the support of Britain and Germany.[4] So the conference adjourned without finding a solution for the future of silver.

In summary, the change of the relative price of the two precious metals was determined by their supply and demand. After 1872 an increase in silver supply was accompanied by a decrease in the demand for it; an increase in the demand for gold was accompanied by a decrease in its supply. Above all, when the value of silver continued to fall on the market, a psychological effect must have developed and aggravated the

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1. The central banks included the Swedish Rifsbank, the Bank of England, the Bank of France, the Netherland Bank, the Bank of Norway, the National Bank of Denmark, the National Bank of Belgium, the State Bank of Russia, the German Reichsbank, the Austro-Hungarian Bank, the Bank of Italy and the Swiss National Bank. The Bank of Japan was also among one of the banks under study.

2. A.I. Bloomfield, Monetary Policy under the International Gold Standard 1880-1914 (New York, 1959), pp.23-5.

3. B.P.P. 1878-79 XXI. Report of the Commissioners... at the Monetary Conference held in Paris in August 1878, p.16.

4. Both America and France were flooded with silver at that time. See B.P.P. 1882, LIII. Report of the Hon. C.W. Fremantle, C.B. the Delegate... at the International Monetary Conference held in Paris, 1881, pp.3-7.

situation. Since the demand for gold exceeded its supply, the gold price rose.

The world output of silver continued to increase after 1885. From 1876 to 1895, its new supply was 64 per cent. greater than the total of the previous twenty-five years. (See Appendix VIII) The United States Senate, witnessing an increasing output from the American mines, passed the Sherman Silver Purchase Act in 1890 which stipulated that the Treasury should coin 4.5 million dollars of silver as legal tender a month, or approximately twice as much as under the Bland Act, but shortly afterwards, an enormous outflow of gold set in.[1] Therefore, another monetary conference was called at Brussels in 1892. Failing to get international agreement again, the United States, which experienced a constant outflow of gold at home and a failure to secure an international remedy for silver, repealed the Sherman Act in 1893. The immediate result was a fresh drop in the price of silver from 35 5/8d. to 28 15/16d. per standard ounce, (see Appendix VII) and there were few countries which saw any hope in silver. The Indian Government stopped silver coinage in 1893 and adopted the gold exchange standard in 1899.[2] Austria-Hungary adopted the gold standard in 1892, Russia in 1899, Japan in 1897, the Philippines in 1903, Panama in 1904, Bolivia in 1905, the Straits Settlements in 1906, Columbia in 1907, Thailand in 1908 and Canada in 1910.[3] The extent of the shrinkage of the demand for silver can be imagined. But China did not abandon the

1. For a monetary history of the U.S.A., see M. Friedman & A.J. Schwartz, A Monetary History of the United States, (Princeton, 1969).

2. For a general description of the monetary system of India, see, for example, Sir J.C. Coyajee, The Indian Currency System 1835-1926 (Madras, 1930).

3. For a short review of the history of gold standard in Continental Europe, see de Cecco, op.cit., ch.3.

silver standard until the 1930s. It was almost the only big country which was still on silver after 1910 and served as a sort of dumping ground for the metal. Between 1888 and 1914, its net imports of silver totalled £12.7 millions.[1]

The fall of silver after 1900 was also related to changing methods of mining and trading. Firstly, since seventy-five per cent of the output of silver was mined as a by-product of copper, lead, zinc and gold in the early 1910s, changes in the price of silver did not greatly affect its output.[2] Secondly, the mining of silver was controlled by four organisations which co-operated closely with each other.[3] There were reports that certain syndicates - mainly based on India and London - were speculating and manipulating the silver market in the early 1910s.[4] Thirdly, their method of trading caused great instability in the price of silver; most of the silver ore was sold to the smelters who paid the miners according to the London quotations on the day of shipment. As a result,the smelters tried their best to hurry their refined silver, without taking into consideration its effective demand, to the London market as soon as possible to safeguard their profits against a background of continuous silver depreciation.[5]

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1. Annual Chinese Customs Reports. Haikwan Taels were converted into Sterling by annual prevailing exchange rates. 1888 was the first year that statistics were available for China.
2. U.S.A., Stability of International Exchange, Report on the Introduction of the Gold Exchange Standard into China and other Silver-using Countries, hereafter Gold Standard Report for China (Washington, 1903), pp.180-1.
3. Ibid., p.181.
4. Investor's Monthly Manual, Dec.1911, p.697; Dec.1912, p.689.
5. Gold Standard Report for China, cit., p.194.

Gold was discovered in South Africa in the 1880s and the Transvaal mines began its production from 1884.[1] During the period 1888 to 1914, China's net export of gold totalled almost £15 millions.[2] Partly due to the absence of confidence in silver and partly due to the smallness of the new gold supplies, the silver price kept going down.

Table 54

The Value of Net Increase of Gold and Its Proportion in the Hands of the Public in India, 1901-1912-3 (£).

Year	Net Addition to Stocks of Gold=(Imp.-Exp.)+ Prod.	Net Addition to Sovereigns in Hands of Public	Year	Net Addition to Stocks of Gold.	Net Addition to Sovereigns in Hands of Public
1901-2	3,233,000	967,000	1907-8	13,677,000	7,247,000
1902-3	7,882,000	2,198,000	1908-9	5,022,000	3,443,000
1903-4	8,963,000	3,278,000	1909-10	16,620,000	2,866,000
1904-5	8,841,000	2,937,000	1910-11	18,153,000	8,091,000
1905-6	12,698,000	3,732,000	1911-12	27,345,000	8,881,000
1906-7	12,061,000	5,156,000	1912-13	24,551,000	11,000,000
			TOTAL	159,046,000	59,796,000

Source: J.M. Keynes, Indian Currency and Finance (1931), p.76.

1. See D.W. Gilbert, 'Economic Effect of the Gold Discoveries upon South Africa 1886-1910', Quarterly Journal of Economics, XLVII (1933), pp.557-8.

2. cf. n.1 on p.246.

The increased demand for gold was reinforced by Indian hoarding. It is evident from Table 54 that £59.8 millions of gold, or 37.6 per cent of the total addition in the period 1901-13 went in to the hands of the Indian public. There is evidence that about £1 million 'shield sovereigns'[1] were imported to be turned into ornaments after melting.[2] Furthermore, in some places of India, sovereigns were taking the place of rupees as a means of exchange,[3] which shows a strong desire to hold gold among the Indians. Therefore, in the Reports of the Comptroller-General of Paper Currency for 1910-11 of India, R.W. Gillan stated that it was quite conceivable that the acceptance by the cultivator of gold in payment for his crops was of the nature of barter; that was to say, he took the gold not as coins merely but for some other purpose, like hoarding.[4]

The price of silver fell to its lowest point in January 1903. It then rose until 1906, due to a number of factors namely, an increase in the industrial use of silver, a demand for silver for the purpose of subsidiary coinage in Europe, the U.S.A. and India, an increase in the importation of silver into India, and a rise in commodity prices.[5] After 1906 its downward trend resumed until the outbreak of the Great War. The gold-silver ratio from 1854 to 1914 is graphed in Figure 8 .

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1. Shield sovereigns are so called because they bear a shield on the reverse. They were always shipped to India to be used as means of payment.
2. J.M. Keynes, Indian Currency and Finance (1931), p.37.
3. Ibid., p.78.
4. Ibid., p.78.
5. For detail, see E.W. Kemmerer, 'The Recent Rise in the Price of Silver and Some of Its Monetary Consequences', Quarterly Journal of Economics, XXVI (1912), pp.224-240.

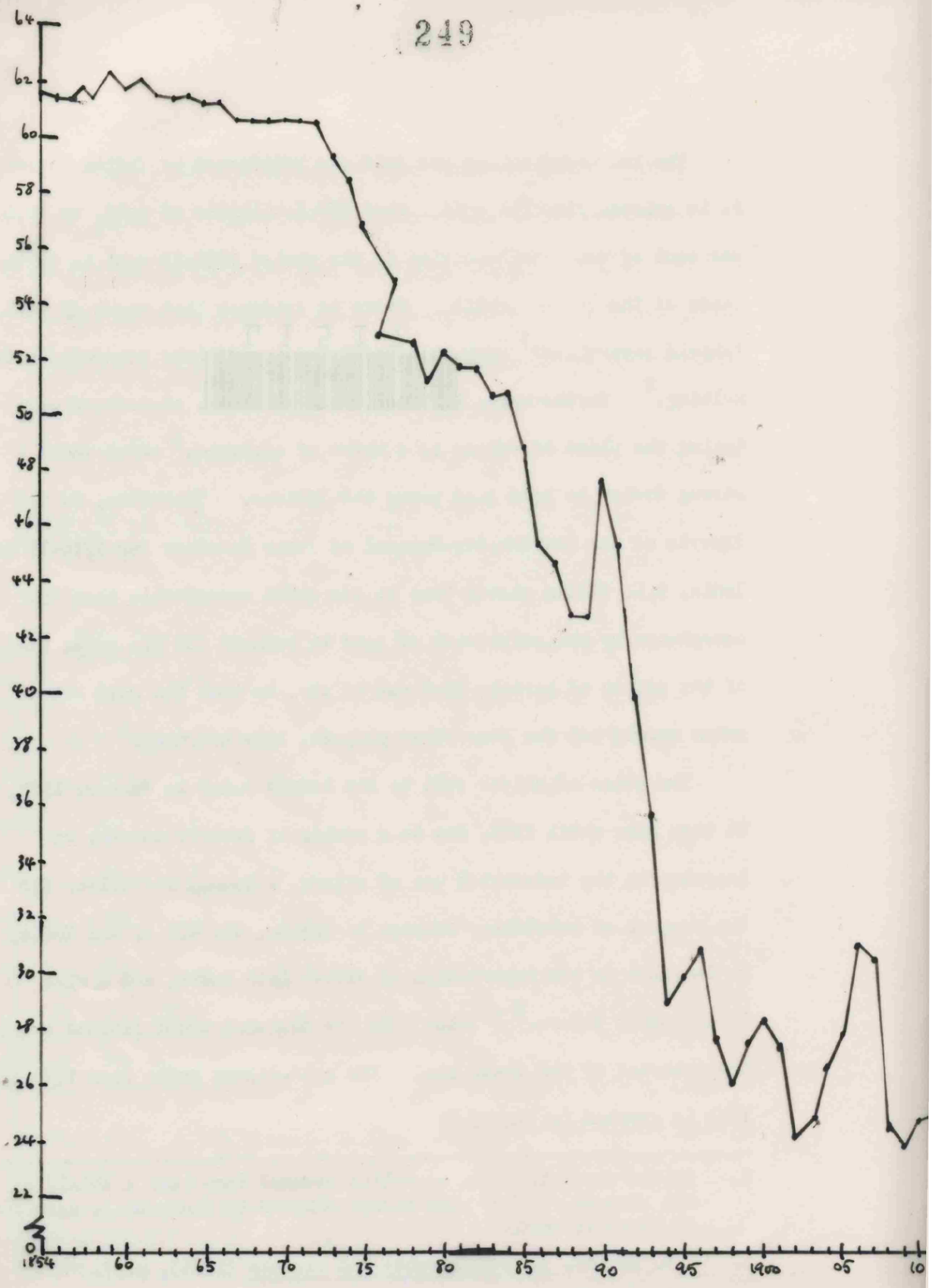

Fig. 8: The Value of Silver Per Standard Ounce in the London Market 1854-1914 (in pence).

II. The Depreciation of the Gold Price of Silver and Its Effect on Anglo-Chinese Trade

One of the principal threats that the silver depreciation posed for the British economy was the possible loss of its overseas trade. Directly, a devaluation of silver meant that British exports became less competitive in silver-using markets which would have to pay more for British goods in terms of their legal tender. Indirectly, the international trade among silver-using countries would expand at the cost of Britain because, other things being equal, the prices of their goods would remain constant while those of Britain appreciated.[1] But it has been shown in Chapter three that British exports to China, quite contrary to contemporary pessimism, had a remarakble performance after 1894 while the Chinese exports to Britain declined secularly after 1876. Therefore, the bounty gained by China as a result of the depreciation of silver in her trade with Britain, as claimed by many people, is totally unfounded. The misunderstanding of the Chinese currency system and the improved methods of handling daily mercantile operations of British merchants in a circumstance of fluctuating exchanges were causes of their misleading judgements.

As opposed to the simple British gold standard, the monetary system of China was more complicated. During the Ch'ing period (1644-1911), the currency system was divided into two sectors -- the copper (cash) and the silver (tael) better known as the sycee sector. The Chinese government intended to make copper the currency of the country, but silver was employed for payment of taxes and of large

1. See for instance, the evidence given by Mr. Robert Barclay in the First Report of the Gold and Silver Commission, cit., esp. Q.2236, 2369, 2306-19 and 2257-2368; also 'The Depreciation of Silver and Our Eastern Trade', The Economist, Supplement of 13.1.1883, p.7.

transactions, such as foreign trade. In striving for monetary stability, the government set up a theoretical silver-copper ratio at 1:1000, but in reality, the ratio varied from place to place and from time to time. The Ch'ing government established mints in charge of the issue of copper, but it did not control the coinage of silver until 1890, when the first modern silver mint was founded in the Kwang-tung Province. Apart from the traditional type of copper cash (chih-chien), the Ch'ing government minted copper coin (t'ung yüan) at the beginning of the twentieth century. The new coins were less in intrinsic value and therefore were exchanged for less silver than the old ones. On the other hand, the value of silver was relative to its fineness and weight. Numerous kinds of silver, dissimilar in fineness and size, such as Carolus dollars, Mexican dollars, Hong Kong dollars as well as Chinese dollars and sycee, circulated in the country.[1] As has been discussed, foreign trade was accounted in local taels and after 1875 in the Haikwan tael, the value of which based on the Shanghai tael. As the Shanghai tael depended upon the price of silver, then so did the value of Haikwan taels. Shortly after the outbreak of the Chinese Revolution of 1911, many provincial governments increased greatly the issue of their own notes, and, often unbacked by silver, they did not retain their nominal value. After the new nationalist government, which succeeded the Ch'ing dynasty, had control of the whole country in 1912, it took over the responsibility for minting silver dollars and the provincial mints were closed.

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1. The foreign silver coins were brought in after the increase of trade between China and the world from the eighteenth century.

It has been taken that silver and copper played a similar role in the monetary affairs in China. In fact, they did not. Silver was only used in large trading while daily transactions were all settled in copper cash. Therefore, "the copper coinage" was "the currency of the (Chinese) people, in which the daily transactions of four hundred millions" were carried on.[1] "It should be borne in mind that China" was "not strictly speaking a silver using country, and that though all considerable sums" were "reckoned in taels and paid in silver, the true unit of currency" was the cash in which "the price of labour and of raw materials must be paid."[2] When the ratio between gold and silver changed after 1872, an interesting relationship among these two metals and copper developed.

First consider the British export merchant in China. Supposing that the Haikwan Tael was devalued by fifteen per cent, he could have fifteen per cent more at his disposal to pay for the same amount of goods that he purchased last year. The export price of China in silver would, ceteris paribus, go up by fifteen per cent. As for the British import merchant, he had to raise the prices of his goods in silver in order to cover the part lost by its depreciation. In this case, the price of the foreign imports in China would rise as well. The study of the price level of China in the nineteenth and early twentieth century is very limited. The Nankai Institute of Economics, one of the principal research institutes interested in Chinese commercial and economic affairs in the pre-1949 China, published indices of the import

1. H.B. Morse, The Trade and Administration of China (Shanghai, 1921), p.15
2. Irish University Press, B.P.P., Area Studies, China XXI (Shannon, 1971), Commercial Reports from H.M. Consuls in China, hereafter I.U.P., B.P.P., China, Commercial Reports, China for 1896, p.45.

and export prices for the period after 1867.[1] It can be seen from these indices put in Table 55 (and Figure 9) that not only had the prices of both Chinese imports and exports in the mid-nineties, i.e. twenty years after the devaluation of silver, not risen much when compared with those of 1870, but that import prices had had a downward trend until 1876 while export prices had continued to fall until 1884. After 1894, both indices started to move up strongly.

The strange reaction of the prices of Chinese imports and exports in a period of continuously depreciating Chinese currency surprised some contemporary observers. In 1893 the Acting British Consul General, G. Jamieson, conducted a survey of the effect of the silver depreciation upon the prices of commodities at the coastal ports of China.[2] Using Chinese Customs Reports and market intelligence provided by the commercial communities in China, he divided commodities into three groups, namely, those locally produced and consumed, those produced abroad but locally consumed and lastly the native produce for exportation. After analysing the information at hand, he discovered that -- despite a fall in the value of silver -- the prices of these three groups of commodities had not advanced much until 1892; prices were, on the whole, almost exactly at the level of the years 1870 to 1874.[3] He therefore concluded that it was silver instead of the generally-believed gold that ruled the world.[4] Thirty-three years later, Remer, using similar sources to the Nankai Institute, revealed that the prices of Chinese exports and imports started to increase in 1894 and 1892 respectively. The most remarkable rise

1. Reprinted in L.L. Hsiao, China's Foreign Trade Statistics 1864-1949 (Cambridge, Mass., 1974), pp.274-5.
2. The study first appeared in the Foreign Office Report No.305, 1893. It was reprinted as G. Jamieson, 'Effects on the Fall in Value of Silver on Prices of Commodities in China', J.R.S.S., LVI (1893), pp.640-669.
3. Ibid., p.657.
4. Ibid., p.660.

Table 55

Nankai's Index of the Prices of Chinese Imports and Exports, 1870-1914

1913 = 100

Year	Import	Export	Year	Import	Export
1870	46.7	46.1	1893	44.7	50.8
1871	47.4	47.2	1894	62.8	52.8
1872	45.8	48.7	1895	66.1	53.5
1873	46.3	49.6	1896	67.1	57.7
1874	38.5	45.9	1897	71.8	66.1
1875	35.3	40.6	1898	71.9	62.3
1876	33.8	47.1	1899	67.2	78.0
1877	35.5	40.8	1900	74.8	72.1
1878	35.7	40.2	1901	75.3	70.6
1879	35.2	41.3	1902	78.0	81.7
1880	38.3	41.1	1903	88.3	89.0
1881	39.6	40.5	1904	87.2	92.7
1882	37.6	36.2	1905	81.2	90.4
1883	37.1	36.8	1906	75.4	90.6
1884	37.1	32.9	1907	82.3	97.6
1885	38.1	33.9	1908	95.4	94.1
1886	43.3	35.3	1909	95.1	90.5
1887	43.0	51.8	1910	102.5	91.8
1888	43.6	52.4	1911	102.2	91.5
1889	44.3	53.3	1912	100.0	88.6
1890	40.7	51.5	1913	100.0	100.0
1891	38.7	52.3	1914	108.9	105.4
1892	39.6	51.4			

Source: Reprinted in L.L. Hsiao, China's Foreign Trade Statistics 1864-1949 (Cambridge, Mass., 1974), p.274.

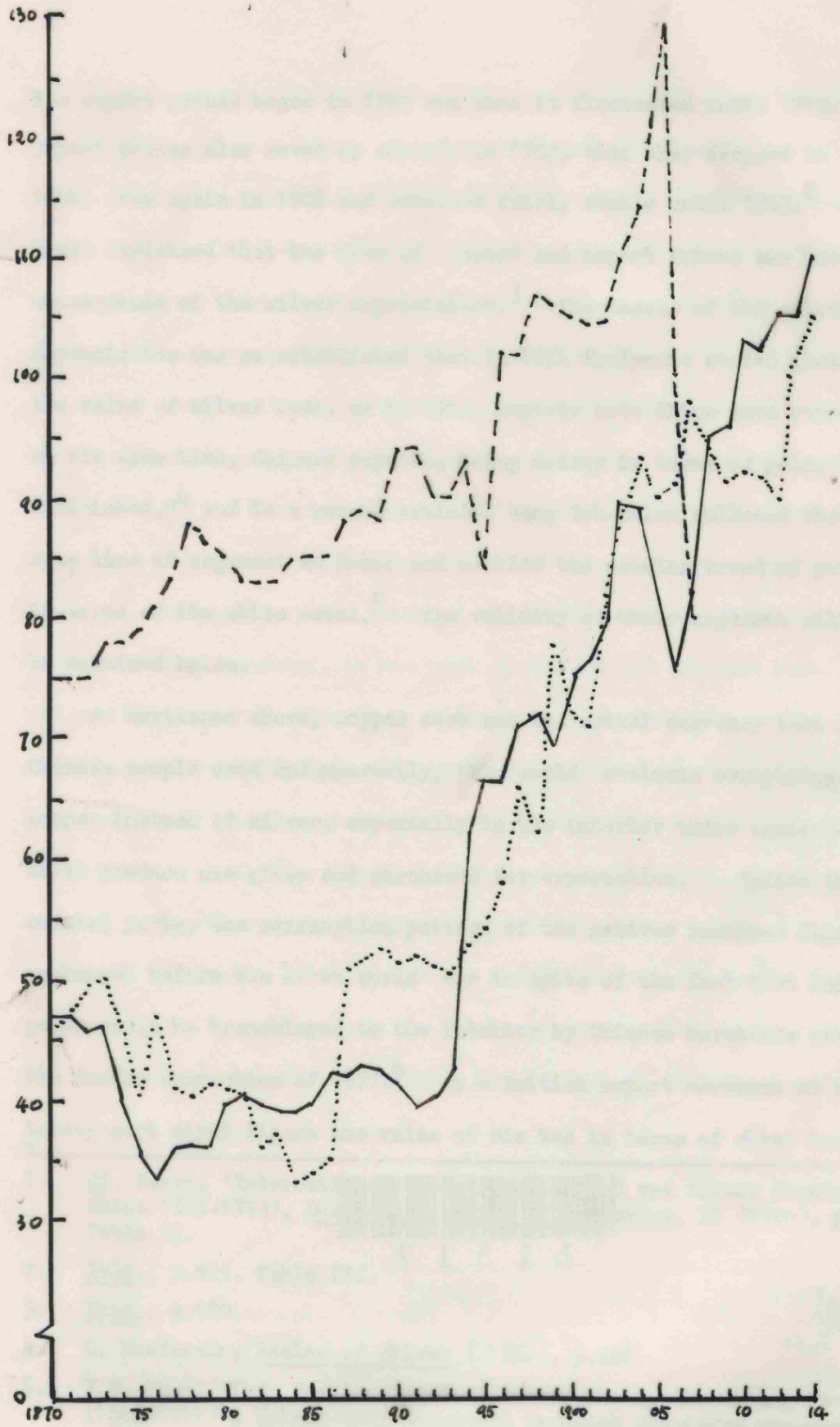

Fig. 9: Export Price Index, Import Price Index and Copper-Silver Ratio Index of China 1870-1914.

..... Export Price Index; ——— Import Price Index;
— — — — Copper-Silver Ratio Index.

for export prices began in 1902 and then it fluctuated until 1912.[1] Import prices also moved up sharply in 1903, then they dropped in 1906, rose again in 1908 and remained fairly stable until 1913.[2] Remer explained that the rise of export and import prices was the consequence of the silver depreciation.[3] The thesis of the silver depreciation was so established that in 1954 MacKenzie stated that "when the value of silver rose, as in 1912, imports into China were stimulated, at the same time, Chinese exports, being dearer in terms of gold, diminished,"[4] and in a recent article, Wang Yeh-chien followed the same line of argument as Remer and tackled the secular trend of prices in terms of the white metal.[5] The validity of their argument will be examined below.

As mentioned above, copper cash was the actual currency that the Chinese people used and apparently, they would evaluate everything in copper instead of silver, especially in the interior where agricultural produce was grown and purchased for exportation. Unlike the coastal ports, the consumption pattern of the natives remained fairly unchanged before the First World War in spite of the fact that foreign goods could be transhipped to the interior by Chinese merchants after the Chefoo Convention of 1877.[6] So a British export merchant at a treaty port might figure the value of his tea in terms of silver taels,

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1. Cf. Remer, 'International Trade Between Gold and Silver Countries : China 1885-1913', Quarterly Journal of Economics, XL (1926), p.614, Table II.
2. Ibid., p.615, Table III.
3. Ibid., p.620.
4. C. MacKenzie, Realms of Silver (1954), p.201.
5. Y.C. Wang, 'The Secular Trend of Prices During the Ch'ing Period (1644-1911)', Hsiang-kang chung-wen ta-hsueh chung-kuo wen-hua yen-chiu-so hsueh-pao 香港中文大學中國文化研究所學報 (Journal of the Institute of Chinese Studies of the Chinese University of Hong Kong), X (1973).
6. Cf. p.113.

but the Chinese tea planter in the interior would certainly base his calculation on copper cash. If everything was relative to cash, the value of silver in the world market would have very little influence on the daily life in the Chinese interior. No matter how low the value of silver dropped in the world market, the copper value of native goods would not go up, provided that no alteration of copper-silver ratio took place. What the Chinese were really interested in was the amount of cash they received. Supposing that they secured the same amount of cash as they had done for the same amount of goods last year, their real incomes did not fall, unless the silver-copper ratio had gone up. Furthermore, the price of the small quantity of foreign goods that they consumed, as has been shown, did not advance much before 1895 anyway. Therefore, the price of the Chinese exports might have been maintained even though silver was under constant devaluation because it was copper that determined the price level of China. In 1903, thirty years after the landslide in the value of silver, it was reported that "up country in the interior, the dollar to the Chinaman" was still the dollar and went "as far as [that] formerly in the open market."[1] In consequence, it is not surprising to find that although a few consuls did recognise the effect of the fall of silver value on the

1. B.P.P.. 1905, LXXXVIII. Consular Commercial Reports, Canton for 1904, p.5; also J.K. Fairbank, K.F. Bruner, E.M. Matheson (eds.), The I.G. in Peking (1975), Sir R. Hart to J.D. Campbell, 22.8.1887, p.664 and 11.9.1891, pp.859-979.

price level and Chinese trade,[1] a copper appreciation, which led to a higher price of Chinese exports, caught much more attention.[2] In writing the report at Wenchow in 1895, the consul listed a number of causes that had impeded the China trade, surprisingly, he did not

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1. The Consul at Swatow reported that the steady depreciation of silver led to a rise of price level. I.U.P., B.P.P., China XVI, Consular Commercial Reports, Swatow for 1887, p.39. Swatow is a coastal town where silver was more frequently used. In reporting the trade at Kankow in 1902, the Consul pointed out the sharp fall of silver value stimulated the Chinese exports and discouraged Chinese imports. B.P.P., 1903, Consular Commercial Reports, Hankow for 1902, p.3; also B.P.P, 1897, LXXXIX. Consular Commerical Reports, China for 1896, p.14.

2. See for example, I.U.P., B.P.P., China, XXI, Consular Commercial Reports, China for 1896, p.45; B.P.P., 1897, XC Wuhu for 1896, p.6; ibid., Chungking for 1896, pp.10-11; ibid., 1898 XCIV. Shashi for 1897, p.27; ibid., Kiukiang for 1897, p.5; ibid., 1899 XCVIII, Wuhu for 1897, p.8; ibid., 1904, XCVII. China for 1902, p.14; ibid., 1906, CXXIII. Nanking for 1905, p.4; ibid., China for 1904-5, p.59; ibid., 1907, LXXXVIII. Canton for 1906, p.4; ibid., 1909, XCIII, Chinkiang for 1908, p.3; ibid., 1910, XCVII. Chinkiang for 1909, p.3; ibid., Tientsin for 1909, p.3; ibid., Swatow for 1909, p.5; ibid., China for 1909, p.8; ibid., 1911, XCI. China for 1910, p.8; ibid., 1913, LXIX. Harbin for 1912, p.7; ibid., 1914, XC. China for 1912, p.6; ibid., Changsha for 1913, p.3 and ibid., Chungking for 1913, pp.6-7.

Table 56

The Copper-Silver Ratio of China, 1870-1907

1906 = 100

Year	Cash in terms of Ku-ping Tael.[a]	Index	Year	Cash in terms of Ku-ping Tael.[a]	Index
1870	0.000539	75	1889	0.000637	88
1871	539	75	1890	679	94
1872	539	75	1891	675	94
1873	561	78	1892	651	90
1874	560	78	1893	651	90
1875	568	79	1894	670	93
1876	587	81	1895	607	84
1877	602	83	1896	733	102
1878	632	88	1897	733	102
1879	623	86	1898	774	107
1880	611	85	1899	762	106
1881	598	83	1900	760	105
1882	600	83	1901	749	104
1883	600	83	1902	751	104
1884	612	85	1903	791	110
1885	612	85	1904	824	114
1886	613	85	1905	918	127
1887	634	88	1906	721	100
1888	639	89	1907[b]	631	75

Note:

a. Ku-ping Tael was the tael used by the Chinese government in bookkeeping. The original Table is for silver-copper ratio.

b. Averaging the highest and lowest value in the year.

Source: P'eng Hsin-wei 彭信威 Chung-kuo Huo-pi Shih 中国货幣史 History of the Chinese Currency, part II (Shanghai, 1954), p.548.

mention the depreciation of silver.[1] Nor did the Consul of Amoy when reporting the complaints of the local merchants.[2] And it was not unreasonable for the Chinese Government to turn down the advice of the United States Commission on International Exchange to take up the gold exchange standard on the grounds that the change would result in a rise of the price of Chinese exports.[3]

Unfortunately, there is very little information about the silver-copper ratio in China;[4] and it is of little value in precise economic analysis because, apart from its not being collected professionally, it did not apply to all localities in China. What can be derived from the available data is a knowledge of a very general trend in certain areas. The following Table is of the copper value of silver that represents the case of the Chinese coastal ports.

According to the Table and Fig. 9 the silver value of copper was increasing slowly in the period 1870 to 1895, then rose up strongly until 1905 when the great depreciation of copper began. To supplement the tentative figures, contemporary reports should be used.[5] British Consuls at various ports in China also confirmed that there was a continuous copper appreciation from 1896 to 1913,[6] but they seldom mentioned this item before 1895. Therefore, it can be safely assumed that the conclusion drawn from Table 56 is tolerably accurate for China as a whole.

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1. I.U.P., B.P.P., China, XVIII. Consular Commercial Reports, Wenchow for 1895, p.340.
2. Ibid. Consular Commercial Reports, China, XX, p.270.
3. See, for instance, Gold Standard Report for China, cit.
4. See, for example, Chinese Customs Decennial Reports, 1892-1902 (Shanghai, 1906).
5. For instance, the Consular Commercial Reports.
6. Cf. note 2 on p.258.

What is more interesting is that while the silver value of copper did not advance much before 1895, the prices of Chinese exports in silver, as revealed by Jamieson and the Nankai index, did not advance.

On the other hand, when copper appreciated, the export and import prices of China in silver, according to Remer's study and the Nankai index, went up as well. If foreign merchants had paid more for the same amount of goods in silver after the silver depreciation, Chinese export prices would have gone up from 1873.[1] In fact, Chinese export prices did not rise until 1894 when silver value of copper was about to revalue greatly, and this would show that Chinese farmers did not raise the price of their produce in terms of silver. When copper appreciated after 1895, the foreign merchants had to pay more silver for the same amount of cash. Therefore, the price of Chinese exports in terms of silver went up.

As regards import merchants in China, their imports, say from the United Kingdom, were in terms of gold, but they could only sell them to the Chinese in silver. Under a situation of a depreciated Chinese tael, they were forced to raise the silver price of their goods in order to cover the losses due to the cheaper Chinese currency. The Jamieson study and the Nankai index also reveal that the prices of foreign imports did not rise till 1895. This seems to cause a puzzle. However, if one considers the relationship between silver and copper in the Chinese monetary system, the stability of import prices is nothing unusual. For instance, a British merchant imported certain amounts of British goods for sale in China. The proceeds of sale would in turn be used to buy Chinese tea, silk or other produce to be shipped to

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1. That is what Professor Remer assumes. See Remer, loc.cit., p.602.

Britain and in this case, be paid in sterling, i.e. in gold. Supposing that the silver-copper ratio in China did not change much - the case before 1895 - the same amount of silver a merchant realised from his sale of British goods - ceteris paribus - would have enabled him to buy the same quantity of Chinese produce as in the period before the depreciation of silver began. Therefore, he did not have to raise the price of his goods in order to make a profit and he would not lose anything unless he had to send his money, rather than Chinese goods, back to London. Furthermore, it should be noticed that, side by side with the devaluation of silver, the unit price of British exports to China fell. The prices indicated in Table 57 , of course, were not

Table 57

Unit Prices of Selected British Exports to China 1869-1914 (Annual Averages at Current Prices)

Period	Cotton Yarn	Cotton Piece Goods
1869-1873	100	100
1874-1878	76	73
1879-1883	68	73
1884-1888	60	66
1889-1893	55	60
1894-1898	46	53
1899-1903	56	66
1904-1908	70	86
1909-1914	98	113

Source: Calculated by dividing the value by respective quantity of commodities in the Annual Statement of Trade.

the actual prices of the commodities in China for they excluded freight rates, import charges in China and import duties. The last two items were more or less constant until 1914 while the first constituted a

very small percentage in making up their prices. Assuming that the profit margin of merchants was constant and, in consideration of the importance of cotton goods in British exports to China,[1] the series can be taken as indicators of the general prices of British exports to China. It is evident from the Table that prices of cotton fell after the early seventies down to 1894-98 and rose steadily afterwards. The prices of similar products of other countries had to follow suit if they were to compete with their British counterparts. In addition, the increase in the number of merchants, both British and non-British in China brought about more competition which - even though the profit margins of merchants might have been depressed - prevented them from pushing up prices unduly.

But after 1895 the copper cash in terms of silver appreciated. British merchants had to ask for more silver to exchange for copper in order to compensate for the loss of purchasing power of taels. Therefore, the export price in terms of silver rose despite the fact that British export prices of cottons to China in terms of sterling was, except for cotton piece goods in 1909-14, still low compared with the 1869-73 level. As both import and export prices in China began to rise after the mid-nineties, the condition of trade was not so favourable as before. Judging from the frequency of the interruption of trade reported by British consuls, British trade with China must have been disturbed.[2] But taking into account that British exports to China, as discussed in chapter three, had an increasing trend after 1894, the fall of silver did not pose such a problem for

1. Cf., p.108.

2. Cf. note 2 on p.258.

Anglo-Chinese trade as has been suggested.

The above argument is more theoretical than empirical. In fact, the absence of data makes any detailed examination impossible. After all, the price of commodities is not solely determined by monetary factors. The advancement of productivity, less risky trading after the coming of international telegraph, and supply and demand conditions, have to be taken into consideration. If the change in the price of copper cash was solely responsible for the change of import and export prices of China, a rise in the silver price of copper would have led to an increase in both the import and export prices and vice versa. Out of the changes of the 37 years from 1870 to 1907, the above reaction - for both import and export prices - only occurred 16 times. But analysing from a monetarist's view, silver was by no means a governing factor.

To overcome the difficulties caused by the fluctuating Chinese currency, new methods of handling daily operations of trade were invented. Before 1872 the way of settling trade debts was along the following lines. After shipping their goods to China, Manchester exporting houses would usually draw for the value of their shipment on London banks or acceptance houses at a usuance ranging from two to six months or even longer. These bills were then discounted in the open market and could be renewed upon maturity. After the consignees in China had sold the goods, they would remit the proceeds back by bank drafts to London and with them, the Manchester houses would retire their original bills.[1] The system, however, changed when the silver price fluctuated. To safeguard their sales, as soon as Manchester

1. MacKenzie, op.cit., p.45.

exporters shipped their goods, most of them would buy a draft on London banks which drew against their consignees at Shanghai in sterling.[1] Apart from this, some covered themselves by telegraphing their agents at Shanghai to buy as much sterling as they could with their anticipated proceeds immediately after the shipment of their goods,[2] and thus a fixed return was assured. Some still ran the risks of the depreciating exchange.[3] On the other hand, David McLean, the manager of the Hongkong and Shanghai Bank, explained to the Gold and Silver Commission the relationship between the bank and China merchants when the currency trouble started. The exporters in Britain first applied for an exchange rate in a bank. They would then telegraph their agents in China and found out whether they could make a satisfactory profit at the present exchange rate. If they could, they would sell their bills to their banker after they had consigned their goods. Again, they did not have to incur risk over the exchange problem themselves.[4]

As for the British export merchants in China, they would first try to make contact with their potential buyers in Britain. If they had orders, they would proceed to their bank and asked for an offer of an exchange rate on their bills for the time being, and upon an anticipation of a reasonable profit, they would send their goods to Britain and sell their bills to their bank.[5] Generally speaking, they could secure firm orders

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1. First Report of the Royal Commission on Gold and Silver, Minutes of Evidence, cit., p.160, Q.3260-5. Nineteen out of twenty merchants took up this method.
2. Ibid., p.540; also evidence of D. McLean, manager of the Hongkong and Shanghai Bank, esp. Q.4990, p.257.
3. Ibid., p.160.
4. Ibid., p.257, Q.4990.
5. Ibid., p.258, Q.5015.

in Britain for silk whereas with tea it was more difficult.[1] In the former case, they did not run any risk of their own over the exchange, while imports of the latter were more speculative;[2] but McLean concluded that the impossibility of securing firm orders before shipment of tea did not hamper the trade.[3] Furthermore, the exporters in China avoided their losses over the depreciating Chinese taels by 'forward business'. For instance, if they expected that they could sell bills against produce shipped to the United Kingdom, they would probably settle the exchange rates with their banker, often three months ahead, sometimes as far forward as four or five months.[4]

Apparently, the banks took up all the risk over the exchange problem. They, like the merchants, covered their losses by simultaneous trading. After they had concluded operations with the export merchants, banks in Britain would wire out to China and asked their agents to buy 'forward currency bills' to cover their transactions;[5] and of course, vice versa for the banks in China. If the amount of bills a bank bought in Britain equalled that it sold in China, the bank did not have any trouble.[6] McLean claimed that the Hongkong and Shanghai Bank had managed their business smoothly most of the time.[7] Therefore, all

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1. Ibid., p.258, Q.5016.
2. Ibid., p.258, Q.5017-23.
3. Ibid., p.258, Q.5024.
4. W.F. Spalding, Eastern Exchange, Currency and Finance (1917), p.333.
5. First Report of the Gold and Silver Commission, cit., p.257, Q.4998. But Proband told the same Commission that forward exchange was more difficult with China for its principal exports, tea and silk, could not be sold before they arrived and were sampled in London. Ibid., p.541, and MacKenzie followed the same line of argument. See MacKenzie, op.cit., p.46.
6. Ibid., p.257, Q.4999-5001.
7. Ibid., p.257, Q.5002-3.

main parties - the exporters in Britain, the exporters in China and the banks - were all satisfied by the new arrangement.

With respect to British import merchants in China, they introduced a new system of trading -- known as the 'indent system'. Instead of carrying on the old system of looking for buyers for their goods on arrival, they would first secure firm tenders from the Chinese dealers before ordering from England, with the exchange rate settled at the time of fixing the transactions. Then, they would sell their bills to their banks for sterling, and transmit their orders to Manchester by telegraph. The new method evolved from the difficulties of exchange fluctuations that the merchants had come across because if the merchants consigned goods before they secured contracts, as they had previously, they would realise little profit, or even losses because they might, after the rise of copper-silver ratio, not be able to exchange for the same amount of Chinese produce as before. But after the change, the importers became commission agents who charged their clients when they handed over their goods.

In the northern part of China, agency commissions varied with the volume of business; but they were usually 2½ per cent for sundries and 5 to 10 per cent for machinery.[1] In the southern part of China, the commissions ranged from 4 per cent for anti-corrosion paints for ships' bottoms, etc. to 20 per cent for bituminous paints and enamels for the protection of iron and steel work.[2] Probably due to the small commissions, the 'indent system' did not develop too well, at least in

1. U.K., Memorandum on Business Methods and Trading Regulations in China (1917), p.7.

2. Ibid., p.8.

the north of China where by 1914, the principal method of selling piece goods was still public auction at Shanghai; orders of commodities other than piece goods in the north of China, like the general practice in the south, usually passed through foreign houses which acted either as agents or principals.[1] Again, the exchange banks in China, which had close co-operation from their agents, and branches in England took up all the responsibilities.

In short, Chinese export and import prices did not advance much before 1895 and, with the innovations that British merchants developed in settling their finance after the fall in gold-silver ratio, most difficulties in British trade with China were removed. The British import and export trading firms, contrary to the high mortality rate of similar non-Chinese business, survived largely until the 1930s and it suggests strongly that they could manage the situation well.[2] So it was reported that by making a good profit, the capital put in manufacturing, land, houses and go-downs in China used in an active trade with gold standard countries would keep up its gold value.[3] And in fact, many welcomed the devaluation of silver.

> "The process (of silver depreciation) has indeed been going on for the last eighteen years, and no serious inconvenience was felt. Merchants had readjusted their capital accounts to the new state of things, from many points of view cheap silver has positive advantages for the Eastern trade. Few, if any, now expect to see silver resume its old value in relation of gold and from the traders' point of view it is immaterial."[4]

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1. Ibid., pp.6-7 and p.10.
2. C.M. Hou, Foreign Investment and Economic Development in China 1840-1937 (Cambridge, Mass., 1965), p.50.
3. Report of the Mission to China of the Blackburn Chamber of Commerce, 1896-7, (Blackburn, 1898), p.150.
4. I.U.P., B.P.P., China, XVII. Consular Commercial Reports, Shanghai, 1891, p.520.

But after the mid-nineties, the prices of Chinese exports as well as imports began to go up drastically as a result of a rise of the copper-silver ratio. British trade with China must have faced difficulties which had not been experienced before. Although British merchants took to the 'indent system' to avoid the loss caused by exchange fluctuations, they could at best no more than earn a narrow margin of commission in a troubled scene because the new arrangement, first of all, tended "to throw the control of the trade into the hands of Chinese",[1] and secondly, encouraged the business of merchants with small capitals -- whose number had increased since the seventies -- by its natural saving of capital involved and thus "reducing the average profits and status" of large British trading firms,[2] such as Jardine, Matheson and Company, Butterfield and Swire Company, Boyd and Company, Mackenzie Company, etc. So some of the contemporary observers began to worry. In a letter to J.D. Campbell, the London representative of the Chinese Customs, Sir Robert Hart remarked that the drop in silver had "dislocated everything and the future" looked "bad for foreign trade."[3] Naturally, the advocation of the Chinese currency reform was increasingly gaining force.[4] As will be seen later, it was exactly this instability of the future prospect of Chinese foreign trade that made the British 'prince firms' in China so determined to get Chinese financial and railway contracts.

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1. I.U.P., B.P.P., China, XVIII. Consular Commercial Reports, Shanghai for 1892, p.4.
2. Ibid., p.4.
3. Fairbank, Bruner and Matheson, op.cit., Hart to Campbell, 16.7.1893, p.938.
4. For example, see the evidence given by the bimetallasts to the Gold and Silver Commission. For the view of some of the British mercantile communities in China, see Gold Standard Report for China, cit., App.E.

III. The Depreciation of the Gold Price of Silver and Its Effect on British Investment in China.

Another major contemporary worry over the devaluation of silver was the disastrous effect that it might have on British investment in silver-using countries. The reasons leading to this pessimistic view were two-fold. Thomas Comber, an East Indian merchant, who spoke before the Gold and Silver Commission on the subject of British overseas investment in silver countries as a whole but particularly for India, thought that capitalists in Britain would not lend money to incur the risk of interest and principal in silver government loans which might further depreciate.[1] Even though the Chinese government decided to have railways then, "the English enterpriser" would not "put his money into China to be paid in silver."[2] Another person giving evidence to the same commission claimed that if a potential depreciation of silver had "turned to an actual fall for a series of years", an investor felt "less disposed to go on in that country."[3] Secondly, the gold appreciation had caused worldwide economic depression so that the gold countries could no longer have savings to lend while the silver countries could not afford to pay the interests of their loans. "By impairing the solvency of debtors, the gold standard" had "either induced bankruptcy and fostered a spirit of recklessness and repudiation", or it had "diminished the inducement to borrow."[4] Thus interest had "become harder to collect" while

1. Gold and Silver Commission, 2nd Report, cit., p.34, Q.6498-6500. See also Q.9047-50; and 1st Report, cit., Q.1649-57, 2019-25; Final Report, cit., Q.10490.
2. Gold and Silver Commission, 1st Report, cit., p.156, Q.3170.
3. Gold and Silver Commission, 1st Report, cit., p.158, Q.3219.
4. The Stock Exchange and the Monetary Question (c.1890), p.3.

money had "become harder to lend and the field of investment" had "contracted while the return of capital" had faded away.[1] At the other extreme, some members of the London as well as of the provincial stock exchanges, including Birmingham, Manchester, Leeds, Liverpool, Edinburgh, Glasgow and Dublin, wrote to Sir M. Hicks-Beach, the Chancellor of the Excehequer, in the late 1880s to support the monometallists' view, on the grounds that overseas borrowers also favoured gold.[2]

It has been shown already in chapter four that, despite the continuous depreciation of the Chinese currency, the Chinese share of total British investment increased. During the period 1864 to 1874 it was 0.3 per cent, 1875 to 1884, 0.6 per cent, 1885 to 1894, 0.8 per cent, 1895 to 1904, 4 per cent and 1905 to 1914, 2.4 per cent. Though the last period was a fall from 1895 to 1904, it was still substantially higher than the first period. The reason for the increase of British investment, as has been discussed, was the spectacular rise in Chinese government and to a lesser degree, private enterprise borrowing. Both types of investment were very remunerative. It should be noted that all Chinese government and railway loans after 1895 were in gold so that the depreciation of silver did not affect the investors at all.[3] There are few studies of the dividends of British overseas investment and the following are the best comparisons that can be made.[4] The generous dividends on Chinese borrowings are shown

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1. Ibid., p.3.
2. Ibid., pp.1-2.
3. The Peking-Hankow Redemption loan issued in 1910 was in Chinese dollars, but it was no less a gold loan for the Chinese government guaranteed the payments of dividends and principal at the prevailing exchange rate between Chinese dollars and sterling in 1910.
4. Nash has also calculated the yield on British overseas investments from 1870 to 1880. See R.L. Nash, Short View of the Profitable Nature of Our Investment (1880). But the sample of British investment in China is too small to justify a reasonable comparison.

in Table 58 . The 'high class' securities are defined by Flux

Table 58

The Percentage Yield of Chinese, British Municipal and Indian and Colonial High Class Securities, 1895-1910.[a] (%)

Period	(1) Chinese	(2) British Municipal	(3) Indian & Colonial	1-2 / 2	1-3 / 3
1895-1900	5.3	3.0	3.7	76.7	43.2
1901-1905	5.0	3.3	3.9	51.5	28.2
1906-1910	5.3	3.5	4.0	51.4	32.5
Average				59.9	34.6

Note:

a. No allowance had been made for the accrued interest included in the issue prices; but the effect of bringing this into account is slight.

Source: For Chinese issues, Stock Exchange Year Books. British Municipal and Indian and Colonial are calculated from Table 1 and 3 of A.W. Flux , 'The Yield of High Class Investments, 1896 to 1910', Transactions of the Manchester Statistical Society, (1910), p.125 and 127.

as those being traded in the London Stock Exchange and which distributed dividends every year during the period 1896 and 1910. It is beyond doubt that the Chinese government and railway loans in this period belong to this class because they never defaulted on interest payments. It can be seen that the yield on Chinese securities was uniformly much higher than on British municipal, Indian and Colonial securities -- an average of 60 per cent higher than the former and 34.6 per cent of the

latter. In addition, the subscribers of the Shanghai-Nanking Railway, and Peking-Hankow Railway Redemption Loans were entitled to share part of the net profit of the lines.[1]

Similarly, British China firms were also much more generous in dividends than other types of British investments, whether British Domestic, Colonial or foreign. A comparison of their dividends is laid out in Table 59 , but a few points must be borne in mind in analysing the data. Firstly, Lehfeldt admitted that his findings were by no means definite as the number of instances was too small for statistical treatment. Secondly, the Chinese yields are not strictly comparable with the other items; Lehfeldt's samples were 'large' borrowings, i.e. over £900,000, issued wholly or partly in the United Kingdom while the Chinese series had no restriction on size and they included five firms registered at Hong Kong but whose shares were also traded in London. These five firms, namely, the Hongkong and Shanghai Bank, the Canton Insurance Office, the China Traders Insurance Company, the Union Insurance Society of Canton, and the Yangtze Insurance Association, had exceptionally high dividend rates. From 1898 to 1902 their yield averaged 23 per cent; in the next five years it rose to average 27 per cent. Furthermore, Lehfeldt's calculations were yields on actual capital subscribed while the Chinese yields were on nominal capital. If Chinese securities were placed on the same footing as Lehfeldt's data, then the Chinese percentage yield would be even higher. In spite of all these limitations, it is unquestionable that the Chinese securities gave extremely generous dividends. Between 1898 and 1907, they were 174 per cent higher than British domestic

1. Stock Exchange Year Book 1915, pp.41, 42-3. During the period 1910 to 1913, the average yield of this right on Peking-Hankow Railway Redemption loan was 1.1 per cent.

issues, 156 per cent higher than Colonial issues and 82.3 per cent above other Foreign issues. Since Chinese securities, both

Table 59

Comparison of the Non-fixed Dividend Rate of the British Investment in China with British Domestic, Colonial and Foreign Issues, 1898-1907. (%)

Period	(1) Chinese[a]	(2) British Domestic	(3) Colonial	(4) Foreign	1-2 / 2	1-3 / 3	1-4 / 4
1898-1902	9.4	3.5	2.6	4.5	168.6	261.5	108.9
1903-1907	9.5	3.4	6.3	6.1	179.4	50.8	55.7
Average					174.0	156.2	82.3

Note:

a. A period of five years is allowed for a new company to declare regular dividends, i.e. the dividend in the sixth year after its incorporation begins to be taken into calculation.

Source: For Chinese securities, Stock Exchange Year Books; others are taken from R.A. Lehfeldt, 'The Rate of Interest on British and Foreign Investments', Journal of the Royal Statistical Society, LXXVII (1902-3), p.206.

Government and private, offered more handsome profits, they attracted more investors, even though they meant extra risk.[1]

Furthermore, interest rates were very high in China, as high as one per cent per month. Were the Chinese borrowers to raise money, they would still find London cheaper, even though the Chinese government and railway loans issued after 1894 guaranteed their interest and redemption in gold. Thus, the depreciation of silver had scarcely affected the course of Chinese borrowing which had to come from one of the gold-using financial centres anyway.

In summary, the continuous depreciation of silver did not discourage British investment in China. The normal Anglo-Chinese trade was not greatly affected by the exchange problem before the mid-nineties. But thereafter, a rise in the price of both British exports to and from China must have caused serious trouble. This is the reason why some powerful British trading firms, like Jardine, Matheson and Company, the Hongkong and Shanghai Bank and the Chartered Bank became so determined in financial and industrial businesses in China. Faced with acute competition from other countries, they asked for strong British political support and collaboration between the British government and the commercial community began.

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1. The credit of China in Britain worsened after 1895. In the issue of the Chinese war loan of 1895, while the part floated in Germany was much oversubscribed, that in London had to be largely retained by the underwriters. Statist, 26.3.1898. Thereafter, The Economist took a very sceptical view on Chinese government loans, see, for example, 26.6.1897, p.915; 9.6.1900, p.815; 22.7.1911, p.171; 29.6.1911, p.1450; 16.11.1912, pp.1004-5; 21.9.1912, pp.518-9; 28.9.1912, p.563; 10.5.1913, p.1084; 8.11.1913, p.1006, and 13.9.1913, p.490. Also Investor's Monthly Manual, 31.5.1897, p.226.

Chapter Seven: British Financiers in China and the British Foreign Office, 1854-1914

The question whether British trade and finance followed the national flag in imperial expansions or conversely if they were the prime movers which dictated the actions of the British government has received the attention of scholars since the early 1900s. Writing in 1902 and generalising not only for Britain, but also for the other major imperial powers, Hobson observed that

> "overproduction in the sense of an excessive manufacturing plant, and surplus capital which could not find sound investments within the country, forced Great Britain, Germany, Holland, France to place larger and larger portions of their economic resources outside the area of their present political domain, and then stimulate a policy of political expansion so as to take in the new areas."[1]

In his opinion, "finance manipulates the patriotic forces which politicians, soliders, philanthropists, and traders generate" and therefore, it was the financial power of a country upon which "the final determination (of overseas expansion) rests."[2] His theory was further developed and expounded by subsequent writers, among whom were Lenin, Woolf, and Moore.[3] Apart from the causes leading to European imperialism, they also agreed with Hobson that real British expansion did not start until the middle of the nineteenth century.[4]

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[1] J.A. Hobson, Imperialism, A Study (1902), p. 80

[2] Ibid., p.59

[3] D.K. Fieldhouse, 'Imperialism: An Historiographical Revision', Economic History Review, hereafter E.H.R., 2nd ser., XIV (1961), pp.187-95

[4] J. Gallagher and R. Robinson, 'The Imperialism of Free Trade', E.H.R., 2nd ser., VI (1953), p.2

The marxist school of imperialism has been severely criticised. Firstly, some imperial historians have argued that economic factors were unimportant in the history of European imperial expansion in the nineteenth century; rather it was mainly for political and strategic reasons that they extended their territories and influences abroad.[1] Secondly, Gallagher and Robinson have pointed out that there was no qualitative change in British imperial policy down to the end of the nineteenth century, and if there was a difference between the early and the late Victorians, it was in the way of control of the Empire - "trade with informal control if possible and trade with rule if necessary".[2] Meanwhile, the concept of an empire based on British financial and trading interests, as seen by both the marxist school as well as the school of 'imperialism of free trade', have been attacked by those who have demonstrated that the British Foreign Office in the nineteenth century had its own laissez-faire tradition so that it remained aloof from private enterprises, unless where there were questions beyond the scope of strict financial matters such as political prestige. The leading figures of this school of thought are Platt who has looked at in general British foreign policy in relationship to overseas financial interests and McLean who

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[1] Fieldhouse, loc.cit., pp.195-9. In his new book, he has somewhat modified his view on the role of economic factors in influencing imperial expansions although he has still argued that political and strategic factors were more important. See his Economics and Empire, 1830-1914 (1973), esp. ch. 13.

[2] Gallagher and Robinson, loc.cit., pp.3-15. The concept of the 'Imperialism of Free Trade' was further developed in their book, Africa and the Victorians (1967).

has concentrated on Anglo-Chinese experience.[1]

To use the terminology of Gallagher and Robinson, China became part of the British 'informal empire' from the Treaty of Nanking and in many respects, a study of British foreign policy towards British traders in China throws light on the general debate on the relations between the British government and the commercial community who were engaged in overseas trade. During the period 1854 to 1914, there is a clear discontinuity in the Foreign Office's attitude towards the demand for diplomatic support from British merchants in China which occurred during the mid-1880s. In China reasonably favourable trading conditions for British subjects were obtained after 1842; the number of treaty ports increased, the trade tariff was fixed, the right of inland river navigation was gained and diplomatic as well as consular services were set up. British traders in China, like any other traders, were never satisfied with the existing conditions and the British Foreign Office's response to their pressure has been examined by Pelcovits.[2] The change of the British government's policy towards private interests in China after the mid-1890s was most apparent in the case of British financiers and therefore, this chapter aims at a study of this particular group of merchants. Financial and trading business, nonetheless, were

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[1] D.C.M. Platt's major works in this respect are Finance, Trade and Politics in British Foreign Policy, 1815-1914 (Oxford, 1968), hereafter, Finance, Trade and Politics; 'The Imperialism of Free Trade - some Reservations', E.H.R., 2nd ser., XXI (1968); 'Economic Factors in British Policy During the "New Imperialism", Past and Present, XXXIX (1968), and 'Further Objections to an "Imperialism of Free Trade", 1830-60', E.H.R., 2nd ser., XXVI (1973). D. McLean, 'British Banking and Government in China, 1895-1914', (Unpublished Ph.D. thesis, University of Cambridge, 1973), hereafter McLean thesis; also idem, 'The Foreign Office and the First Chinese Indemnity Loan, 1895', Historical Journal, XVI (1973) hereafter 'The First Chinese Indemnity Loan'; idem, 'Chinese Railways and the Townley Agreement', Modern Asian Studies, VII(1973), hereafter 'Townley Agreement': idem, 'Finance and "Informal Empire" before the First World War', E.H.R., 2nd ser. XXIX; idem, 'Commerce, Finance and British Diplomatic Support in China, 1885-6', ibid., XXVI (1973) hereafter 'Commerce, Finance and British Diplomatic Support'.

[2] N.A. Pelcovits, Old China Hands and the Foreign Office (New York, 1948)

not mutually exclusive, particularly in China where some British merchants, like Jardine Matheson, had strong interests in both fields and, as will be seen, trading interests strongly affected the behaviour of British financiers. The first part of this chapter is devoted to an analysis of the relation between the British government and the China financiers from the much neglected side of the coin in an attempt to tackle the question why the British financiers in China were so determined to enlist assistance from their government. The second and third sections look at their relationship from a more traditional angle, i.e. to approach the question by asking how and why the British government was driven to abandon its policy of laissez-faire.

I. British Financiers in China.

Contrary to all the above-mentioned works on how, and the debate over why, the British Foreign Office gave assistance to the British financiers in China, there has been no systematic study of the part of British financiers, who, as businessmen, were presumed to make profits. Indeed, profits were the prime concern of financiers, but apart from this there were some more fundamental problems with regard to the structure of Anglo-Chinese trade that drove them to seek Chinese financial projects. Since these contracts could not be secured without active diplomatic support, the financiers were determined to get backing from the British Foreign Office.

Up to the mid-1870s British trade with China had been booming. Chapter one has pointed out that no sooner had the trade between Britain and China begun, than 'agency houses', many of which became major 'prince firms' subsequently, such as Jardine Matheson, were very active and after the abolition of the Honourable East India Company's monopoly in China in 1833, they controlled practically the whole Chinese trade.

They were involved heavily in, and prospered by, bringing Indian opium to China in the beginning of the nineteenth century. From 1830 Jardine imported Manchester cotton goods which soon became the most important branch of Chinese imports from Britain. As for the export traders, all of them were engaged in Chinese tea and silk. After the Treaty of Tientsin of 1858, the import of opium into China was legalised, but at the same time, the Chinese began to grow their own poppies and from the sixties, there is evidence that the native products were under-selling Indian imports.[1] Seeing little future in the opium trade, Jardine began to retreat from it and in 1872, it stopped dealing in the drug trade on a large scale.[2] By 1884 one early writer observed that "with the enormous increase in the native product, accompanied by a slow but steady improvement in quality, and by all the advantages arising from the anti-foreign sentiments of officials as expressed in their fiscal policy [of reducing taxation], "the prospect for Indian opium trade could hardly be described as bright."[3] The total value of Indian shipments of opium to China, as Table 60 shows, continued to increase till 1879-80. Then it fell continuously and in 1905-6, its total value was only a little over one-third of that in 1879-80. Therefore, the prosperity of the import

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[1] E. LeFevour, Western Enterprise in Late Ch'ing China (Cambridge, Mass., 1968), p.25.

[2] Ibid., p.29.

[3] A.J. Sargent, Anglo-Chinese Commerce and Diplomacy (Oxford, 1907), p.212.

Table 60

Total Values of Indian Exports of Opium to China, 1876-1906 (000's of tens of Rupees)

1875-76	9,777
1879-80	13,123
1885-86	9,301
1895-96	6,853
1905-06	4,906

Source: See Table 21.

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trade of British firms came to rely increasingly on Chinese imports from Britain, mainly cotton, while the export trade was totally dependent on tea and silk. For three decades after the signing of the Treaty of Nanking both the import and export trades were very encouraging. Since China was then the world's monopolistic supplier of tea and almost the sole supplier of Eastern silk, these merchants must have reaped good profits from the 'monopoly rents' in these products. Imports from Britain were equally prosperous and kept increasing until the mid-1870s.

This golden era of Anglo-Chinese trade, it has been explained in chapter three, was seriously undermined after the mid-1870s when Chinese tea in the British market could not withstand competition from India and Ceylon while Chinese silk was being replaced gradually by the Japanese. Since the production and processing of tea and silk were beyond the control of British merchants, there was nothing that they could do to improve their marketability, no matter how eager they were to do so. As tea and silk were the only two Chinese commodities that were worth exporting to Britain on a large scale, British merchants must have been in despair. On the import side, the total value of

British imports, as well as cotton goods, shipped to China stagnated after the 1870s. Furthermore, competition from America became more pronounced. Although chapter three shows that British cotton piece goods had command of the Chinese market till 1914, and of course, more so before the '90s, it does not imply that British merchants did not feel the threat of competition at all. What they saw from the mid-1870s to the mid-1890s was a stagnating Chinese cotton market, then admittedly controlled by the British, but also with a possibility that the Americans would take over the lead. Furthermore, the opening of the Suez traffic and the availability of telegraphic communication from the early 1870s enabled quicker and less uncertain business and as a result, brought an increase in the number of small merchants,[1] who by and large, pushed up prices of Chinese exports, depressed prices of foreign imports and probably cut profit margins through competition. Added to the advantage of the small merchants was the introduction of the 'indent system' - a way of getting round the fluctuations in the Chinese currency - but which was capital saving as well. Gradually from the 1870s, the trading conditions for the 'prince firms' deteriorated. In 1896 it was reported that

> "where years ago a few large firms with large capital brought Chinese products and sent them to Europe on their own account, there are many small firms who received orders from Europe by telegraph, and who fullfil these for a small commission at no risk to themselves. The telegraph and banking facilities have made it unnecessary to possess capital, and the business of the export merchant in China has in a great measure changed into that of commission agent."[2]

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[1] T.G. Bannister, A History of the External Trade of China 1834-1881 (Shanghai, 1931), p.94; also C.F. Remer, The Foreign Trade of China (Shanghai, 1926), p.78.

[2] B.P.P., 1897 XC, Consular Commercial Reports, China for 1896, p.14.

With the existence of these unfavourable trading conditions, it became clear to the British merchants by the mid-1890s that the future of the whole Anglo-Chinese trade was at stake. The worsening Chinese position was most easily contrasted by the 'prince firms' who had hitherto had a very good business and who had built up very good reputations in China, by either themselves or their forebearers, whose efforts would be futile unless they could move out from their traditional reliance on import-export trade.

The sale of Chinese tea and silk went from bad to worse in the '90s and indeed, few people anticipated any revival then. Although the total value of British exports to China began to pick up in 1895, the rapid inflation - owing to a rise in the copper-silver ratio - in China cast a serious doubt upon any prospect of commercial expansion. Against this background, the Chinese government embarked on large scale political as well as railway borrowings. These financial undertakings - and to a lesser extent, some private industrial projects - were the only hope for the survival of these prominent trading firms and so they were in a desperate position to get them.

Chinese government and railway loan contracts, however, were not easy for British financiers to secure after the mid-1890s. The situation of the 1880s when Britain had an overwhelming dominance in financial business whilst diplomatic intervention of other powers was in its infancy no longer applied. For instance, in 1886 a German government-backed syndicate arrived in China with a proposal to cooperate with the Hongkong and Shanghai Bank in handling Chinese loan business, but it was turned down because the Bank "did not consider it in their interest to join with them, or consider that the official support which they have secured in Berlin was sufficient likely to result in profitable and

safe speculation as to make it desirable for [the British concern] to throw in their lot with them."[1] Parallel to the changed trading conditions in China, other world Powers were extending their interests. Since political standing was indispensable for economic influence, these countries were more than eager to support their national private enterprises in gaining concessions from the Chinese government which was too weak to stand against their strong diplomatic pressures. By the '90s, it was crystal clear to British financiers that without active British political support, they could never beat their rivals and urged by the black, if not desperate, future of the Chinese trade, they were determined to seek diplomatic assistance at all costs. Otherwise, they could not survive.

Profit making, of course, was the motive of financiers and they would not be bothered to fight for Chinese financial contracts unless they were renumerative. Table 61 gives the details of the sources of profits of British financiers engaged in Chinese government guaranteed railway loans. The post-1895 loans were chosen for a special examination because they were - in terms of both value and in frequency - much greater than the pre-1895 ones,[2] and more important, British financiers in China did not ask for strong diplomatic support from the British Foreign Office until the mid-1890s. Out of a total of 17 Chinese government and government railway loans issued in the period 1895 and 1914, it is possible to trace the financiers' profits with regard to 14.[3] It should be noted that a similar calculation has been carried out already

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[1] P.R.O. F.O.17/1015. O'Connor to Rosebury, 16·3·1886

[2] See chapter four, pp.169, 181.

[3] The Currency Adjustment Loan floated in 1905 and the Peking Hankow Railway Redemption Loan of 1910 and the railway loan privately placed by the Peking Syndicate in 1914 are the exceptions.

TABLE 61

The Profits of British Financiers from Chinese Government and Government-Guaranteed Railway Loans, 1895-1914 (% of London Issue)

A. Government Loans

Loan	British Contractor	Nominal amount issued in London £m	Price of issue %	Contract Price %	Gross contract Commission %	Net contract Commission %	Profit sharing %	Purchase agency Commission %	Total %
Gold Loan, 1895	Hongkong Bank	3·0	96·5	90·5	6·5[a]	3·5	-	-	3·5
Cassel Loan, 1895	Chartered Bank	1·0	106·0	95·5	10·5	7·5	-	-	7·5
Gold Loan, 1896 1st issue	Hongkong Bank	5·0	98·8	94·0	4·8	1·8	-	-	1·8
2nd issue	Hongkong Bank	3·0	99·0	94·0	5·0	2·0	-	-	2·0
Gold Loan, 1898	Hongkong Bank	8·0	90·0	83·0	7·0	4·0	-	-	4·0
Gold Loan, 1912 (Crisp Loan)	Crisp & Co.	5·0	95·0	89·0	6·0	3·0	-	-	3·0
Reorganisation Loan, 1912	Hongkong Bank	7·4	90·0	84·0	6·0	3·0	-	-	3·0
Average of total nominal values of loan issued in London									3·2

TABLE 61 (Continued)

B. Railway Loans

Loan	British Contractor	Nominal amount issued in London £m	Price of issue %	Contract price %	Gross contract commission %	Net contract Commission %	Profit sharing %	Purchase agency Commission %	Total %
Imp.North. (Shanhaikuan-Newchwang) Rly., 1899	British & Chinese Corp.	2·3	97·0	90·0	7·0	4·0	-	-	4·0
Shanghai-Nanking Rly., 1904	do								
1st issue		2·3	97·5	90·0	7·5	3·5	2·2	2·3	8·0
2nd issue	do	0·7	100·0	90·0	10·0	7·0	2·2	2·3	11·5
Canton-Kowloon 1907	do	1·5	100·0	94·0	6·0	3·0	-	2·3	5·3
Shanghai-Hangchow-Ningpo, 1908	do	1·5	99·0	93·0	6·0	3·0	4·5	2·3	9·8
Peking-Hankow Redemp. 1908	Hongkong Bank	2·5	98·0	94·0	4·0	1·0	NA	2·3	1·0
Tientsin-Pukow 1st issue 1908	Chinese Central Rly. Ltd.	1·1	98·8	93·0	5·8	2·8	2·0	2·3	7·1
2nd issue 1909	do	0·7	100·0	94·5	5·5	2·5	2·0	2·3	6·8
Tientsin-Pukow Supp. 1910	do	1·1	100·5	95·0	5·5	2·5	-	2·3	4·8
Hukwang Rly. 1911	Hongkong Bank	1·5	100·5	95·0	5·5	2·5	-	2·3	4·8
Average of total nominal values of loan issued in London									5·6

Note: [a] including 4·5 per cent., for issuing expenses

Source: For Cassel Loan and Peking-Hankow Railway Redemption Loan, Ping-lin Liu, 劉秉麟 Chin-tai Chung-kuo Wai-chai Shih-kao 近代中國外債史稿 (Draft History of Foreign Loans of Modern China) (Peking, 1962) pp.15, 64.

For all others, prices of issue were taken from Stock Exchange Year Book 1915 and contract prices from respective agreements compiled by J.V.A. MacMurray, Treaties and Agreements with and concerning China I and II (New York, 1921)

by Dr. C.S. Chen, but with a number of factual errors.[1] For example, he took it that all railway loan contractors shared the profits from the operation of railways,[2] which in fact was not always the situation. The contractors of the Imperial Northern Railway, the Canton-Kowloon Railway and the Hukwan Railway did not have this right.[3] Dr. Chen thought that all railway contractors had a commission for their service as purchasing agent of railway materials,[4] which is again not correct with respect to the contractor of the Imperial Northern Railway.[5] He also considered that the issue price of both the 1896 and the first issue of the Tientsin-Pukow Railway Loan in 1908 was 98 per cent.,[6] while the London Stock Exchange publications stated that it was 98·75 per cent.[7] It can be seen from Table 61 that the largest single source of profits from the Chinese loan business was the 'gross contracting commission'. This commission was in one of two forms: sometimes it was agreed that a fixed percentage of the nominal value of the prospective loan should be given to the contractor, but more commonly, it was stipulated that a fixed percentage of the prospective loan, say 90 per cent., was to be handed over to the Chinese government and in these cases, the 'gross contracting commission' was the

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[1] C.S. Chen, 'Profits of British Bankers From Chinese Loans, 1895-1914', 清華學報 (Tsing-Hua Journal of General Studies), N.S. V(1965).

[2] Ibid., pp.112-3

[3] J.V.A. MacMurray, Treaties With and Concerning China, 1894-1919, I (New York, 1921), pp.173-83, 615-25, 867-99.

[4] Chen, loc.cit., p.117

[5] MacMurray, op.cit., pp.173-83

[6] Chen, loc.cit., p.118, Table 1.

[7] Stock Exchange Year Book 1915, pp.40, 41

difference between the loans' contract price and the issue price in London. Accordingly, it was found that the 'gross contracting commission' of the Chinese government and government-guaranteed railway loans railway loans ranged from 4 to 10·5 per cent. of the nominal value of their London issues.

Issuing expenses, which were paid by the contractors, must be deducted from the 'gross contracting commission' in order to get the 'net contracting commission'. However, the method by which Chinese loans were issued and the expenses involved are not known. The agreement for the 1895 Gold Loan stated that, in addition to the 2 per cent. of the nominal amount of the loan given to its contractor, the Hongkong Bank, the Chinese government had to pay an extra 4·5 per cent. of its nominal amount for issuing expenses.[1] Nonetheless, Table 61 shows that the 'gross contracting commission' of the Peking-Hankow Railway Redemption Loan in 1908, again contracted by the Hongkong and Shanghai Bank when the credit of the Chinese government in London had fallen, was only 4 per cent. of its nominal amount. Presumably, the Bank made a profit out of this 4 per cent., lest it would not have taken up the loan. Therefore, it seems that the Bank overcharged the Chinese government in 1895. According to Dr. Schilling, the expenses for high class issues were seldom more than 2-3 per cent.[2] Since the Chinese government and government-guaranteed railway loans never defaulted on their interest and principal payments, probably they were regarded as high class issues despite some warnings in British press about China's ability

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[1] MacMurray, op.cit., pp.15-6

[2] Cited in A.K. Cairncross, Home and Foreign Investment, 1870-1913 (Cambridge, 1953), p.91. It should be noted that the meaning of 'high class' loans here is probably different from that used by Flux whose study of dividends on British investment was taken for comparison with those of British investment in China in chapter 6.

to finance its massive loans.[1] So a flat rate of 3 per cent. of the London nominal issues of the Chinese government loans was taken as the issuing expenses, including underwriting, brokerage, stamping dtuies, advertisement, etc. Subtracting this percentage from the 'gross contracting commission', the 'net contracting commission' varied from 1 to 7·5 per cent. for the London issues.

In addition to the contracting commission, most of the railway loan contractors were appointed as the agent for the purchase of railway construction materials and in return of this service, were given a 5 per cent. commission of the total value of any goods purchased. Instead of this arrangement, the Canton-Kowloon Railway and the Shanghai-Hangcho-Ningpo Railway Loans paid their respective contractors a lump sum of £35,000, which was equivalent to 2·3 per cent., of the nominal value - and also of the nominal London issue- of both loans.[2] Taking that they were standard cases, 2·3 per cent., of the London issue were given to those contractors who were entitled to purchasing agency commission.

Sharing 20 per cent. of the net operating revenue was another source of commission for the contractors of the Shanghai-Nanking Railway, the Shanghai-Hangchow-Ningpo Railway and the Tientsin-Pukow Railway. In the cases of the Shanghai-Hangchow-Ningpo Railway, the contractors were paid a lump sum of £67,500 instead, which is equivalent to 4·5 per cent. of the total nominal value of the loan.[3] For the Tientsin-Pukow Railway Loan they were paid a lump sum of £200,000 - 4 per cent., of the nominal amount. Applying these cases and taking a simple average, the financiers

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[1]See chapter six, p275 n.1.

[2]MacMurray, op.cit., pp.621, 707

[3]Ibid., pp.708-9

of the Shanghai-Nanking Railway Loan may have received 4·3 per cent., of the nominal value of the loan for this right.[1]

Adding all sources of commissions together and weighing them by the nominal value of the loans issued in London, the average 'net contracting commission' of Chinese government loans on the above assumptions, was 3·2 per cent., and 5·6 per cent., for railway loans. The level of the commission might appear to be rather low at first sight, but in monetary terms, the Hongkong Bank earned a total of £0·89m., the British and Chinese Corporation, £0·58m., the Chinese Central Railway Ltd., £0·18m., the Chartered Bank of India, Australia and China, £0·07 m., and the Crisp Company, £0·02m. In view of the fact that the contractors did not put practically any capital in to earn these profits, their reward, especially in railway loans, was very substantial indeed.

In common with the contractors, issuers of the loans also made profits. Chapter three has already revealed that except for the Cassel Loan in 1895 and the Crisp Loan in 1912, all other loans listed in Table 61 were issued by the Hongkong and Shanghai Bank and in the case of the Reorganisation Loan of 1913, by the Bank and its associates. There is very little information of how much an issuing bank earnt for its services. Dr. Schilling observed that it was 0·25 to 1 per cent., out of the total expenses of 2-3 per cent. of the value of high class issues.[2] In the above, 3 per cent., was allowed for the issuing expenses of the Chinese loans and it was reckoned that the issuer made 1 per cent. out of it and of course, if it underwrote the loan itself, it had an extra 1 per cent., which was the customary underwriting commission for

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[1]Part of this 20 per cent., was ceded to the subscribers of the loan. Stock Exchange Year Book 1915, p.41.

[2]Cairncross, op.cit., p.91

high class loans.[1] Therefore, at least an additional 1 per cent. commission of the total value of loans should be given to British bankers who were engaged in the Chinese trade, i.e. the Hongkong Bank and for the Cassel Loan, the Chartered Bank of India, Australia and China. Issuers were also appointed the agent for annual repayments of the principal and interest of the loans and for this service, they were paid 0·25 per cent. of the total annual payment.[2] Apart from these two main sources of commission, they had a host of minor fringe benefits. Until 1907 they had free use of loan subscriptions before turning them over to the Chinese government. Furthermore, the loan agreement stipulated usually that the Chinese government had to deposit with the issuing banks the sum required for payments of its principal and interest and the bank's service commission, some time, normally 14 days, before due dates and no interest was paid on these funds for the Shanghai-Hangchow-Ningpo Railway Loan, the Canton-Kowloon Railway Loan, the Shanghai-Nanking Railway Loan and probably all the loans floated in London before 1900.[3]

Table 61 demonstrates clearly that the Hongkong and Shanghai Bank was the most important British contractor of Chinese loans and being the issuers of its loans, it earned 'issuing commissions' besides 'contracting commissions'. The other major contractors were the British and Chinese Corporation and the Chinese Central Railway Ltd., both of which always appointed the Bank to be their loan issuer because of their close business links. William Keswick, one time the Chairman of the Bank's Court of Directors and Ewen Cameron, the London Manager of the Bank, served as two of the first directors in both of the Corporation

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[1] Ibid., p.91

[2] MacMurray, op.cit., I, pp.108, 175, 398, 623, 686, 704, 816, 869, 970; and II, 1011.

[3] Ibid., I, p.398, 621, 705.

and the Chinese Central Railway Ltd.[1] Therefore, although the Hongkong Bank was mainly engaged in Chinese government loans, it benefited from railway loans as well. By the efforts of these financiers, total new British portfolio investment in China in the period 1895 to 1914 increased more than six-fold over that in the period 1865 to 1894. The pattern of investment changed as well. The trading service investment i.e. banks, steamship and telegraph companies decreased from just under half of the total new British portfolio investment in China during the thirty years 1865 to 1894 to 5·2 per cent. of the total in the twenty years 1895 to 1914. In contrast, Chinese government and railway loans rose from less than half to 89 per cent. in the corresponding periods.[2] As a result, Anglo-Chinese trade and finance underwent structural changes.

II. British Diplomatic Support for China Financiers before the Mid-1880s

It has been explained in chapter one that the British government, influenced by free trade ideas and urged by British China merchants' claims that China's suppression of the opium trade was an excuse to stop international trade all together, sent warships to China to force it to accept the mercantile demands. After the Treaty of Nanking, many treaties between Britain and China were signed. These treaties -- such as the Treaty of Tientsin of 1858, the Treaty of Peking of 1860 and the Treaty of Chefoo of 1877 - and including the Treaty of Nanking of 1842, were, to a certain extent, committed to the principal of

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[1] For British and Chinese Corporation, see Company Registration Office, Company no. 57491/3, for Chinese Central Railway Ltd., see PR.O. B.T.31/36256/79679/7.

[2] Of 89 per cent. of total new British portfolio investment in China between 1895 and 1914, 12·7 per cent., was attributable to the Japanese South Manchuria Railway Bonds floated in China.

liberalising Sino-British trade. Not only were British merchants never satisfied with the terms of these treaties, but also they complained that they were too late. Nevertheless, the British government did not always accept their arguments. For example, during the Taiping Rebellion, merchants would have liked the British government to support the de facto control gained by the rebels while it backed the Ch'ing government.[1] In the 1860s British merchants complained that the Chinese trade did not expand as rapidly as expected and asked the British government to put pressure on China for more concessions. But Lord Stanley, the Foreign Secretary, instructed Sir Rutherford Alcock (British Minister at Peking) that "we must not expect the Chinese, either the government or the people, at once to see things in the same light that we see them. We must bear in mind that we have obtained our knowledge by experience extending over many years, and we must lead and not force the Chinese to the adoption of a better system."[2] Nor did the merchants' demand for total abolition of likin, an extra tax on commodities, since the 1860s, get much support from the British government;[3] likin in foreign settlements was only abolished in the Chefoo Convention of 1877.

To say that the British government did not always accept the merchants' claims does not mean that it was against them, but the aids given to the merchants and financiers before the mid-1880s had to be strictly 'unofficial'. Even after the Treaty of Nanking, the Chinese government still considered it a disgrace to communicate directly with private companies and therefore, their communications had to be made through the diplomatic representatives of the firms. In 1875, upon the

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[1] Pelcovits, op.cit., pp.21-2.

[2] Ibid., pp.37-8

[3] Ibid., pp.122-3.

request of a British firm which was negotiating to undertake a loan for the Shanghai provincial government, Medhurst, the consul at Shanghai, wrote to Thomas Wade, the British Minister at Peking, asking him to confirm the imperial authorisation. The British legation had long considered it to be its responsibility to help British financiers in this respect, as Wade replied to the consul that

> "I think it right to add that in all similar operations, the Bank interested will do well to ascertain through the Legation whether the responsibility of the Imperial (Chinese) government is duly engaged or not. This was the course persued in 1867 by the Oriental Bank Corporation....."[1]

At the same time, British diplomatic representatives knew that they were not supposed to be involved with private enterprises. In 1877, during the course of the negotiations for a loan contract between the Chinese government and the Hongkong and Shanghai Bank, Prince Kung, who was in charge of the Chinese foreign affairs, sent Fraser, the Chargé d'Affairs of the British Legation, notes which enclosed an Imperial Edict endorsing the loan and asked that these documents be transmitted to the Bank's office in Shanghai. In reply Fraser stated:

> "I do not object to transmit these documents to Shanghai since the Bank appears to have wished the Imperial Decree to be communicated to it in that manner, but my action must cease there."[2]

In requesting the British consul in Shanghai to forward those papers, he made it clear that neither he nor the consul should get entangled in the loan negotiations.

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[1] P.R.O. F.O. 17/696. Wade to Medhurst, 23·2·1875

[2] P.R.O. F.O. 17/825. Fraser to Prince Kung, 13·10·1877

"I do not wish to take any part in the negotiations that lead to this loan. It is not a matter in which a diplomatic agent ought to be concerned, as I have informed the Chinese ministers, and I have only consented to allow my official correspondence with yourself to be the channel through which the Imperial rescripts reach the Bank because the Bank desires it..."

"The paper being thus sent through my hands, I think it my duty not to hide from Mr. Cameron [the manager of the Hongkong and Shanghai Bank] the impression which the Bank's contract makes upon those who are competent to judge it, but I must ask you to be so good as to explain to the manager that he must not look to me for any action in the matter...The diplomatic agent has no business to be concerned in negotiations for any loan, however regular."[1]

In 1885 Dunn, who was acting on behalf of the Eastern Extention Telegraph Company, contracted a loan with the Chinese government, but for the sake of safety, he wrote to Sir Harry Parkes, who was then the British Minister at Peking, to call on the Tsungli Yamen (Chinese Foreign Office) to verify the terms of the loan and "as Her Majesty's minister" to give the Chinese "an understanding of [Britain's] responsibility in case of any reason the revenues of the Imperial Chinese foreign customs should fail or cease to become available for repayment of the loan interest and sinking fund."[2] In addition, he hoped that the minister would get some improvements in the loan's terms for him.[3] Sir Harry Parkes was taken by surprise and replied bluntly that he could not do what was required of him.

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[1] Ibid., Fraser to Derby, 15·10·1877

[2] P.R.O., F.O. 17/978. Parkes to Granville, 7·2·1885

[3] Ibid.

"I am unable to aid you in the manner you desire. As Her Majesty's minister, I can take no part or responsibility in any negotiations for loans between British subjects and the Chinese government."[1]

As regards the British government in London, the general attitude towards official support for British private business was as hostile as its representatives in China. In 1885 Sir Harry Parkes reported that he had - as usual - obtained official copies of the Chinese Imperial Decrees concerning three loans that were being negotiated with British bankers, and upon hearing this, Childers, the Chancellor of the Exchequer, became infuriated. He told the Foreign Office that

"these usurious loans and the persons by whom some of them have been affected reminded me forcibly of the loans to Egypt and the Porte, especially the latter. It appeared to be a very innocent matter that H.M. Government should either speak favourably of them, or in some way or other, allow their agents to be connected with them. But the result was not only that the lenders were cheated and robbed, but that no credit came to the government.

I shall strongly advise Lord Granville (the Prime Minister) to forbid our representatives to be in any way, however innocent apparently mixed up with them; not only on abstract principle of what is officially right, but because [loans of] 10 per cent., rate of interest which must be in the end ruinous."[2]

Undoubtedly, Childers did not understand the situation in China, as explained above, that the British Legation had to act as a bridge in the communication between British bankers and the Tsungli Yamen. After an explanation by a Foreign Office Official, he was satisfied that Sir Harry Parkes had not acted beyond his capacity. But Childers' view prevailed and one day after he had expressed his absolute dissatisfaction, a renewed instruction to advise British diplomatic representatives in China to abstain from private enterprises was sent to O'Connor, the Secretary to the Legation.

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[1] Ibid., Parkes to Dunn, 22·2·1885

[2] Ibid., Minute by Childers, 21·5·1885

"Her Majesty's government are strongly of the opinion that it is very undesirable that H.M.R./epresentatives/ should in any way, however remotely, be connected with these (British capitalists') transactions, and I have accordingly to instruct you, should your assistance of cooperation be at any future time involved, to state that instructions which you have received preclude you from intervening in such matters."[1]

III. British Diplomatic Support for China Financiers After the Mid-1880s

The situation had changed by the mid-1880s. While competition in the Chinese market from other countries was almost totally non-existent before, its threat to British superiority in trade and finance now began to be felt. The diplomatic support that other governments, especially the German, gave to their national merchants and financiers worried the British Foreign Office. Although there is no sign of any major relaxation in the restrictive rule concerning diplomatic assistance to British traders in China until 1886, evidence does suggest that prior to this year, the Foreign Office had been actively engaged elsewhere in the struggle for concessions by British promoters in Turkey and Persia against German rivalry and in Western Africa, against the French.[2]

Public anxiety for the future position of British trade and commerce in China was aroused first by an article in The Times on January 2, 1886 which reported that a powerful German financial syndicate had been formed and was about to send its agents to China to look for

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[1] P.R.O. F.O. 17/975. F.O. to O'Conor, 22·5·1885

[2] D. McLean, 'Commerce, Finance and British Diplomatic Support', cit., pp.465-6.

contracts.[1] Amid the Great Depression in Britain, this article drove both private citizens and manufacturers to press for more direct diplomatic support for British commerical interests. Lord Salisbury, the Foreign Secretary, yielded to the mounting pressure and instructed O'Connor by wire that "in cases where foreign representatives interfere to the detriment of British interests, you are at liberty to give the latter your support".[2] Although his decision has since been described as "a crucial decision" in the Foreign Office's view towards assisting British private traders,[3] the support that the British government was ready to give was still 'unofficial'. The first evidence is that in 1886, the Foreign Office took over the responsibility of the India Office so as to speed up an opium agreement with the Chinese government in order to prevent any German attempts to demand Chinese concessions as a prerequisite for German consent to the agreement.[4] In the same year, unofficial aid to private financiers was also made easier. Although Sir Charles Waring, an important British railway contractor who had become interested in extending his business to China was refused an official letter of introduction to the Chinese Minister in London, he was given a private note.[5] The Foreign Office also arranged with the Treasury to lend staff from the British consular service in China to Jardine Matheson in their efforts to negotiate with the Chinese authorities for railway and ammunition contracts.[6] Other forms of assistance included firstly O'Conor's encouragement of Jardine to make a counter offer for some Chinese projects

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[1] Ibid., p.466

[2] P.R.O. F.O. 17/1005. Memorandum by Currie, 31·12·1885

[3] Platt, Trade, Finance, Politics, cit., pp.304-5

[4] McLean, 'Commerce, Finance and British Diplomatic Support', cit., pp.469-70

[5] Ibid., p.470

[6] Ibid., p.472

which were contested by the Germans; secondly, after the Chinese Minister at London had visited German manufacturers in Germany, the British government insisted that he conducted a similar tour in England; thirdly, the Foreign Office approached Lord Rothschild to find a respectable firm to seek for Chinese concessions and at the same time, check similar German and French plans and finally, in 1891 the British Minister in China was instructed to protect a British railway order against French diplomatic pressure upon the Chinese government.[1]

It is true that the rule of no diplomatic assistance being rendered to British traders was relaxed after 1885-6, but there is no evidence that the British Foreign Office was prepared to throw the full weight of British diplomacy behind private enterprise in China until after the mid-1890s. After China's defeat in the Sino-Japanese War of 1894-5, all major world powers accelerated their efforts to extend their influences, by acquiring railway, mining and industrial concessions from, and the provision of loans to, the Chinese government.[2] France was very active in the south-west of China, Germany in Shangtung in the north-east and Belgium in the heart of China. Britain found that the advancement of Russia, who had built up a very strong position in Manchuria, caused the greatest alarm. Under these circumstances, the British government knew that British traders in China were no longer superior, or might even be at a disadvantage, in the contest for Chinese concessions unless they could get direct political backing. In view of this, the British Foreign Office abandoned finally its traditional laissez-faire policy and in order to achieve better results, it gave

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[1] For detail, see ibid., pp.470-3

[2] See, for example, W.L. Langer, The Diplomacy of Imperialism, 1890-1902 (New York, 1951)

the Hongkong and Shanghai Bank, the most powerful financial concern in the East, its exclusive support, a policy which became evident at least from 1905.[1] The history of diplomatic support for British financiers in China between 1895 and 1914 has been examined recently in a lengthy study by McLean and the evidence for the rest of this section has been taken mainly from his work.[2]

The first event that drew the British Foreign Office and British financiers in China closer together was the issue of the first part of China's indemnity loan after its defeat by Japan in 1895. From when it was apparent that China was about to raise a loan from foreign countries, there were rumours that it favoured the Russians as opposed to the Hongkong and Shanghai Bank. Being aware that the loan negotiations were bound to be in vain without political support, Cameron, the London manager of the Bank, approached the British Foreign Office for help. In anticipation that China needed a total of £50m., Cameron's plan was to float the entire amount in London and the Bank alone would be responsible for £15m.[3] Lord Rosebury, the Prime Minister, took an active interest in the matter and he called on Lord Rothschild who suggested that the loan should be equally divided between France, Germany and Britain with himself joining the Hongkong Bank to handle the British portion, and this proposal was made known to Cameron.[4] When rumours of a Russian offer came, the Foreign Office became worried and telegraphed the following message to O'Conor, the British Minister at Peking:

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[1]For detail, see McLean, thesis, cit.

[2]See the work of McLean in p. 278, n.1.

[3]McLean, 'The First Chinese Indemnity Loan', cit., p.306

[4]Ibid., p.307

> "from what I hear today concerning loan negotiations, the matter appears to be very urgent. Press the Chinese government to come to no definite arrangement of any kind without first consulting us. They should understand that on account of our trade with China far exceeding that of any other power, we are interested in obtaining for them the most favourable terms, and that the attitude of those who control the English money market is of paramount importance in the matter".[1]

In addition, Kimberley, the Foreign Secretary, asked O'Conor to find out the exact amount that the Chinese government required and whether it would authorise Rothschild to provide the money through an international syndicate.[2] Instructions, too, were sent to British Legations in St. Petersburg, Berlin and Paris to sound out the attitudes of the various Powers.[3] Despite all British diplomatic manoeuvres, the Chinese indemnity loan of 1895 went into the hands of the Russian bankers. Nevertheless, the whole affair shows the extent of cooperation between the Foreign Office and private financiers during the negotiations for the first major political loan of China in the '90s.

After their defeat over the 1895 loan, both the Hongkong and Shanghai Bank and the British Foreign Office realised that the battle in China was not an easy one and that more vigorous efforts were necessary before any major projects could be gained. As far as the Bank was concerned, within weeks of the loss of the Chinese indemnity loan to the Russians, it concluded an agreement with the German Deutsche Asiatische Bank for financial cooperation in China.[4] When the preliminary discussions for the issue of the second indemnity loan proceeded in November 1895, Beauclerk, the British Chargé d'Affaire in Peking, who acted

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[1] P.R.O. F.O. 17/1242, Kimberley to O'Conor, 19·5·1895

[2] McLean, 'The First Chinese Indemnity Loan', cit., p.312

[3] Ibid., pp.313-4

[4] McLean, thesis, cit., p.30

under the instruction from the Foreign Office, told the Tsungli Yamen that the British government would support no other firm than the Hongkong Bank.[1] In March 1896 the Bank, jointly with the Deutsche-Asiatische Bank successfully concluded a contract for a loan of £16m. with the Chinese government. Cameron then wrote to the British Foreign Office to ask for support in the floatation of the Chinese loan from the Bank of England, which, in spite of its initial refusal, was persuaded by the Foreign Office to inscribe the stock.[2] "The inscription at the Bank of England" wrote Sir Charles Addis, who later succeeded Cameron as the London Manager of the Hongkong Bank, "is a strong point. Technically they (investors) may well call it what they like, but politically it is one of the best guarantees."[3] In the same year, the Hongkong Bank contracted the third Chinese indemnity loan of £16., but upon the German occupation of Kiachow in December 1897 and with Russian designs on Talienwan, China's credit on the European money markets weakened. The Bank told the British Foreign Office that the loan was not going to be successful without a guarantee from the British government. As this was incompatible with British official policy, the Foreign Office refused, but it suggested to the Treasury that the Bank of England should authorise it. The Bank of England modified the idea by agreeing to underwrite half the loan, i.e. £8m., that was issued in London.[4]

While the British Foreign Office was ready from 1895 to give its open support to British financiers in China in getting political loans, it showed the same, if not greater, enthusiasm towards railway construction

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[1] Ibid., p.30

[2] Ibid., pp.34-5

[3] quoted in ibid., p.36.

[4] Ibid., p.44

projects, In 1898 the Hongkong and Shanghai Bank and Jardine Matheson established jointly the British and Chinese Corporation for the purpose of contracting for Chinese railways loans. In that year, a German group was formed to fight for the Shanghai-Nanking Line which ran across the Yangtze Basin - a British sphere of influence, but it came to an alliance with the British financiers in September 1898. As before, Cameron demanded backing from the Bank of England and the Treasury, which no matter how indifferent they had been initially, again yielded to the intervention of Lord Salisbury, the Foreign Secretary, and a loan for the railway was floated in London in 1904 with their support.[1]

While the competition for the Shanghai-Nanking Line was going on in the south of China, another battle between the British and the Russians was being fought in the north, where the Chinese government had expressed its interest in extending its Imperial Northern Railway northwards to Manchuria. In spite of Russian diplomatic manoeuvres, the Hongkong Bank managed to gain the contract. But under heavy Russian pressure, the British and the Russian governments reached an agreement by which the latter agreed to allow the British and Chinese Corporation to finance the line, but the part of the railway to the north of the Great Wall was never to be mortgaged or to pass out of Chinese control.[2] Cameron called on the British Foreign Office for an assurance for the loan, but was refused after an objection from the Treasury. Later, renewed Russian opposition to the loan created more uncertainties and at this stage, the Foreign Office favoured a firm stand against its rival.[3]

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[1] Ibid., p.55

[2] Ibid., p.61

[3] The details of British policy towards the Russians over the Railway have been surveyed by A.L. Rosenbaum, 'The Manchurian Bridgehead: Anglo-Russian Rivalry and the Imperial Railways of North China, 1897-1902', Modern Asian Studies, X (1976)

However, Hicks-Beach, the Chancellor of the Exchequer, insisted on his non-intervention policy and so the matter was put off temporarily. In 1897 the Hongkong Bank ran into further difficulties caused by the proposed replacement of Hu Yu-gen, a pro-British official in the Chinese Railway Administration, and the question of British official support was raised once again. After the expected replacement had taken place, the British Government could not remain indifferent and agreed that the loan was to be floated in 1899 with its 'knowledge'.[1]

However, the Imperial Northern Railway did not operate well under the management of the corrupt Chang-yi, the new director of the Chinese Railway Administration. In 1899 interest payments on the loan were in arrears and the Hongkong Bank did not receive its earnings even from the existing stretch of the line which ran to the Great Wall. Upon the representation of the Bank, Salisbury sent stern warnings to China and - even though risking the Foreign Office's name as a dividend collector - asked the Chinese government to pay its monthly installation of loan interest due to the investors.[2]

The final, but the most testing, case for the British government in the affairs of the Chinese Imperial Northern Railway came when the Russians proposed to buy the British and Chinese Corporation's share in the railway. With the strong influence that the Russians had built up in Manchuria, the Corporation showed interest in so doing.[3] Before making a final decision, William Keswick, its director, consulted the British Foreign Office which, though objecting to the sale, would not give an assurance to keeping the line under British Control.[4] So the negotiations

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[1] McLean thesis, cit., p.66
[2] Ibid., p.73
[3] Rosenbaum, loc.cit., pp.56-7
[4] McLean thesis, cit. p.78.

for the sale went on but the Foreign Office became anxious and wrote to Keswick that

> "...the feeling of the Foreign Office is that considerable support has been given by the government to the project on public grounds, and that nothing has occurred which so far as the government are concerned would cause them to desire a change in the existing control of the line."[1]

At last, Keswick took the implications of the replies that he had received and rejected the Russian offer.

During the Boxer Uprising, Russian troops seized the Imperial Northern Railway, but due to British pressure, they evacuated from the section to the Great Wall and returned it to the Corporation. At the same time, the Russian government again announced in January 1901 its willingness to purchase the line. While the Corporation was hesitating, the British Foreign Office stood firm and informed it that the underlying principle of the British policy was the "belief that under British management the line could not fail to be of great advantage to this country, a condition which is not likely to be secured if the line should pass into other hands."[2] Realising that the British Foreign Office had moved fully behind the Chinese Imperial Northern Railway, the Corporation made up its mind to run it and an agreement was signed between the British and Chinese governments to allow the railway to be managed by the latter after the evacuation of British troops.

The height of British diplomatic backing for British financiers came when Walter Townley, the British Chargé d'Affaires, was authorised to take part in the actual negotiations for a Chinese railway contract for two British financial companies. In 1898 the Peking Syndicate gained

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[1] Quoted in ibid., p.80

[2] Quoted in Rosenbaum, loc.cit., p.60

exclusive mining rights in the Provinces of Honan and Shansi together with some as yet unsettled railway projects needed to transport its extracted minerals. The railways in question were two, namely a line from the Honan mines south-eastwards to Pukow in the Yantze Basin and a line from Taiyuan to Chengting to connect with the Peking-Hankow trunk railway. In March 1899 when the British Legation presented formally the plan on behalf of the Peking Syndicate to build the Pukow line, the Chinese government rejected it, and instead proposed that the Taiyuan-Chengting Line be built by the Russians. The Peking Syndicate, of course, protested and Townley informed the Wai-Wu-Pu (formerly Tsungli-Yamen) that not only had the Chinese government offended the most-favoured nation principle but that it had undermined Britain's dignity and prestige.[1] Under pressure, Sheng Hsuan-huai, the Director of Chinese Railway Administration, offered the Syndicate a compromise - a line from Sinyang on the Luhan (Peking-Hankow) line, to about 140 miles north of Hankow and then turning eastwards to Pukow. In order to do this, Sheng had to cancel the Pukow-Sinyang Line agreement concluded in 1898 with the British and Chinese Corporation and this, he argued was due to the Corporation's failure to build the line five years after the agreement had been signed. The Corporation was disappointed and asked the British Foreign Office to intervene. The Syndicate, on the other hand, did not show much enthusiasm about the Chinese offer. But Townley suggested to the British Foreign Office that the Corporation "must be urged to waive their rights as it seems hopeless to secure a line for the Peking Syndicate without some compromise".[2]

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[1] McLean, 'Townley Agreement', cit., p.151

[2] Ibid., pp.152-3

Meanwhile, British officials thought that any railway concessions should include an extension of the Yangtze lines eastwards to Szechuan and the Corporation as well as the Syndicate, which had come to an agreement to cooperate in future in April 1903, expressed their interest in such a project. Townley was instructed to support the British group but when he called on Sheng in May, the Chinese Railway Director rejected the British plan of having the Pukow-Sinyang Line and the Suchow-Luhan Line at the same time. The British Foreign Office, on the other hand, did not give in and wired Townley to negotiate. "You should state that the treatment by China of British railway interests as compared with that accorded to others is giving rise to much criticism in Parliament and if persisted it may compel His Majesty's government to reconsider their attitude towards China in other matters".[1] After lengthy direct negotiations conducted by Townley, he obtained concessions in such terms from the Chinese government that the Syndicate admitted that the best possible outcome had been achieved: its mineral transport line from Tsechow to Taokow was guaranteed by the Chinese government; its right to construct a line from the Luhan to the Tientsin-Yangtze railway was confirmed and furthermore, the westward extension from Yangtze railways to Sinyang was maintained.[2]

In 1905 another railway, namely the Hankow-Canton Railway, attracted international interest. The line was important to Britain for it connected Hong Kong with central China and, by the Hankow-Peking Railway with the north. This time, it was the Germans who were competing with the British. But the Foreign Office pledged full support to the Hongkong

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[1] Ibid., p.157

[2] Ibid., p.159

Bank and by an understanding between the British and German governments, the two rival groups concluded an agreement in October 1905 to carry out the negotiations jointly.[1] On the other hand, the British and Chinese Corporation, partly founded by the Hongkong Bank, favoured a broader alliance with the French, a policy with which the British Foreign Office did not disagree.[2] Finally, the Corporation obtained the contract in 1907.

Since the beginning of the twentieth century, Chinese nationalistic feeling had been growing. In 1904-5, the gentry class from the Provinces of Chekiang and Kiangsi were very active in raising local money to finance the Shanghai-Hangchow-Ningpo Railway even though by a preliminary agreement, its construction had been given to the British and Chinese Corporation.[3] At this stage, the Chinese government seemed not to be able to override local opinion and attempted to cancel the Corporation's rights. In 1906 the British Foreign Office stepped in and the British Legation in Peking was instructed to take up the matter.[4] After some initial disappointment, the Corporation successfully signed an agreement with the Chinese government in March 1908. Although the terms were less favourable than the preliminary one, the Foreign Office thought they were as good as they could be.[5] After the Shanghai-Hangchow-Ningpo Railway incident, the British Foreign Office ended its direct support for financiers, at least for the time being.

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[1] Ibid., pp.116-22

[2] For detail see E.W. Edwards, 'The Origins of British Financial Cooperation with France in China, 1903-6', English Historical Review, LXXXVI (1971)

[3] E.T.Z. Sun, Chinese Railways and British Interests 1895-1911 (New York, 1954), pp.50-1, 61-3. For the details of the activities of the local gentries, see M. Chi, 'Shanghai-Kangchow-Ningpo Railway Loan, A Case Study of the Rights Recovery Movement', Modern Asian Studies VII(1973)

[4] McLean thesis, cit., pp.144-51

[5] For the difference between the agreements, see Sun, op.cit., pp.50-67

In 1910 China was ready to build the Hukwang Railway and the outcome was the formation of a four power banking consortium, representing British, French, German and American interests, to negotiate with the Chinese government. When the Hongkong Bank became interested, the British Foreign Office was determined to stand by its side. Therefore, other British houses, like Paulings and Samuels, which wanted to get the loan and who also asked for diplomatic support, were turned down.[1] Grey, then the Foreign Secretary, defending the British financiers, wrote that "I would rather upset the whole thing than give in, and am prepared if needed be, to tell the other three parties that I will go to all lengths to Peking to block the business until the French and German agree to what is fair."[2]

The last episode of cooperation between the British Foreign Office and British financiers in China before 1914 was the negotiations for the reorganisation loan in 1912. Again, the Foreign Office refused to help the Eastern Bank, the Chartered Bank of India, Australia and China and the Crsip Syndicate[3] in the matter and it continued to give priviledged support to the Hongkong Bank, by putting pressure on the Chinese government and preventing other British bankers from floating successfully a Chinese loan in London.[4]

Drawing from the British experience with China, it can be seen that the British Foreign Office became more ready to support British

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[1] McLean thesis, cit., pp. 184, 189

[2] Ibid., pp.176-7

[3] The syndicate was composed of powerful British bankers which included Lloyds, the London County and Westminster and the Capital and Counties Bank

[4] McLean thesis, cit., pp.191-225. The course of negotiations has been examined by K.C. Chan, 'British Policy in the Reorganisation Loan to China 1912-13', Modern Asian Studies, X (1971)

financiers after the mid-1880s and after 1894, was closely involved in private financial matters. This total abandonment of the traditional laissez-faire principle, which formerly had dominated the thinking of British diplomats, both at home and in legations abroad, must have been decided upon by the officials concerned only after detailed calculations and recalculations of the cost and consequences of each individual case. Until 1914 Britain's primary objectives in China were free and fair trade and therefore, Chinese territorial integrity. The integrity of China was not a problem at all before 1895, but after its humiliation in the Sino-Japanese War in 1894-5 and the Boxer Uprising in 1900, it became clear that China's effective control over the country was weakening. At the same time, other world Powers realised that there was now a very good opportunity for advancing their influences either through their industrialists and concession hunters, or, more directly, by pressing unequal treaties at a government level. In order to sustain China's territorial integrity, the British government had, first of all, to prop up the ailing Ch'ing government, financially by the provision of loans and secondly resisting the advancement that the other Powers were making. To achieve the first objective, it supported the issue of Chinese loans. To achieve the second aim was more difficult. As far as British diplomacy was concerned, sometimes the Foreign Office directly resisted the advancement of other Powers, like Russia in Manchuria and when it doubted the effectiveness of this resistence, it allied or compromised with other Powers or even previous political enemies, such as Germany in the 1896 and 1898 Loans; French, Germany in the Canton-Kowloon Railway Loan; Germany, France and America in the Hukwang Railway Loan; and Germany, France, Russia, Japan and America in the Reorganisation Loan.

Britain, however, did not give blind support to all the activities of British financiers in China even after the mid-1890s. The underlying

factor in determining Britain's intervention was the question of its political prestige, which, as the world's super power, it had to defend. The direct support lent by the British Foreign Office listed above - whether the 1896 and 1898 Loans, the Townley Agreements, the Reorganisation Loan and all the railway loans and negotiations - can be explained by this, and only when Britain's prestige was at stake, was the Foreign Office prepared to act. For instance, the Foreign Office and the Bank of England refused to guarantee the 1898 Loan in spite of Cameron's request; the Foreign Office did not give active support to the Imperial Northern Railway Loan until the situation had turned from bad to worse, and, in the case of the two Russian proposals to buy the British and Chinese Corporation's share in the Imperial Northern Railway, the Foreign Office would not tolerate the taking-over of a British railway by the rival Russians. Similarly, Townley was instructed to act for the sake of British prestige because the Chinese government threatened to cancel concessions which had been gained by British subjects.

Britain's political prestige in China was, of course, inseparable from its commercial and financial strength. At one extreme, classical modelists of economic imperialism have theorised that the British government was acting in accordance with private commercial interests. It may be recalled in chapters three and four that prior to 1914, China was neither a prominent trading partner nor a major borrower of British capitalists; it accounted for less than 1 per cent. of the total value of British imports, and only about 3·5 per cent. of the total value of British exports by decade since 1894; its share of total new British portfolio investment was 4 per cent. in the decade 1895 and 1904 and 2·4 per cent. in the following ten years.[1] It is unlikely that the

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[1] See chapter four, pp. 184-5.

the British government risked itself for the sake of - in strict value terms - nothing but a marginal market in China. China's importance to Britain, however was not proportional to the former's marginal share in total British overseas trade and total overseas investment. It was due to the fact that Britain was the most important foreign investor as well as a prominent trading partner of China before 1914, which brought Britain's political and economic preeminance that had to be defended. For instance so long as Britain remained the biggest trading partner of, and investor in, China, it could justify the customary appointment of a British subject to the post of Inspector General of the Imperial Maritime Customs - the only Chinese government organisation which received some international respect and the revenue of which guaranteed most of China's foreign loans. The best example was railway construction because the area that the individual line served created a de facto special sphere of influence for the country which had financed the railway. Not only did the failure to gain railway contracts result in Britain's inability to extend its superiority, but also the extension of other Power's influence could, of course, give a disastrous blow to British political and economic prestige. Besides, railway contracts, to a certain extent, increased Britain's exports to China, which in turn strengthened the predominance that it had in the Chinese market. Because of British government support, British financiers managed to get the major share of the Chinese financial contracts, which made Britain the largest foreign investor in China until 1914.

It has been examined above how the British government and private financiers were drawn together in pursuit of their respective objectives. The laissez-faire attitudes towards private enterprise, it cannot be

denied, prevailed in the Foreign Office before 1885, but as competition from other Powers for the Chinese business increased, the restrictive rule was relaxed to allow British diplomats to give 'unofficial' assistance to British financiers and traders. In the post-1895 period, the scale of help that Britain's rivals gave to their nationals was so great that traditional British political and economic dominance in China was threatened. In order to save a disastrous loss of Britain's dignity and at the same time, to support the ailing Ch'ing government so as to maintain a stable and integrated empire where a free trade policy could be carried out, the Foreign Office was driven to support British financiers in contesting for Chinese government and railway loans. On the other hand, the British financiers, once the 'princes' in the Chinese trade, realised that the Chinese financial undertakings were the only area that could offer them survival and a good future for since the early 1870s the emergence of small merchants had resulted in fierce competition and probably falling profit margins. A few years later, the British market for Chinese tea and silk kept dwindling while Chinese imports from Britain were stagnating. At the same time, the opium trade became more difficult. Although Chinese consumption of British products increased somewhat after 1894, the mass inflation in China cast a serious uncertainty upon its sustained growth. Therefore, besides the handsome commission that British contractors earned from the Chinese government and railway loans, these projects were also their life-buoys without which they simply could not survive. Since these contracts could only be won with strong government support, they were forced to seek help from the British Foreign Office, which, for its own reasons, gave them direct assistance so that British financiers had the bulk of the Chinese financial projects. Anglo-Chinese experience in the period 1895 to 1914 shows how heavily economic activities were affected by government interventions.

APPENDIX I

OPIUM SHIPMENTS TO CHINA

Season	Bengal (Patna & Benares)	Malwa	Turkey	Total
	Chests	Chests	Chests	
1800-01	3,224	1,346	--	4,570
1801-02	1,744	2,203	--	3,447
1802-03	2,033	1,259	--	3,292
1803-04	2,116	724	--	2,840
1804-05	2,322	837	--	3,159
1805-06	2,131	1,705	102	3,938
1806-07	2,607	1,519	180	4,306
1807-08	3,084	1,124	150	4,358
1808-09	3,233	985	--	4,208
1809-10	3,074	1,487	32	4,593
1810-11	3,592	1,376	--	4,968
1811-12	2,788	2,103	200	5,091
1812-13	3,328	1,638	100	5,066
1813-14	3,213	1,556	--	4,769
1814-15	2,999	674	--	3,673
1815-16	2,723	1,507	80	4,321
1816-17	3,376	1,242	488	5,106
1817-18	2,911	781	448	4,140
1818-19	2,575	977	807	4,359
1819-20	1,741	2,265	180	4,186
1820-21	2,591	1,653	--	4,244
1821-22	3,298	2,278	383	5,459
1822-23	3,181	3,855	--	7,773
1823-24	3,360	5,535	140	9,035
1824-25	5,960	6,663	411	12,434
1825-26	3,810	5,563	--	9,373
1826-27	6,570	5,605	56	12,231
1827-28	6,650	5,504	--	12,434
1828-29	4,903	7,709	1,256	13,868
1829-30	7,443	8,099	715	16,257
1830-31	5,672	12,856	1,428	18,956
1831-32	6,815	9,333	402	16,550
1832-33	7,598	14,007	380	21,985
1833-34	7,808	11,715	963	20,486
1834-35	10,207	11,678	?	21,885
1835-36	14,851	15,351	?	30,202
1836-37	12,606	21,427	243	34,776
1837-38	19,600	14,773	?	34,373
1838-39	18,212	21,988	?	40,200

Source: M. Greenberg, British Trade and the Opening of China 1800-42 (Cambridge, 1951), p.221. It should be noted that due to the illicit nature of the opium trade, the estimates are no more than rough guides.

APPENDIX II

ESTIMATED VALUES OF THE COMPANY AND PRIVATE TRADE AT CANTON* (in $000's)

Season	Imports			Exports		
	Company	Private	Total	Company	Private	Total
1817	5045	8650	13645	6127	3642	9769
1818	4334	8714	13048	5946	4126	10072
1819	4212	4408	8620	8036	3671	11707
1820	4856	10128	14984	8335	5081	13616
1821	4877	9123	14000	7998	5689	13667
1822	3663	13268	16931	8548	4163	12711
1823	5180	10954	16134	8674	4047	12721
1824	5158	10896	16054	7986	4056	12042
1825	5157	15701	21218	8213	5264	13477
1826	5871	15710	21581	9370	4293	13663
1827	4519	15846	20365	8479	3562	12041
1828	4940	15373	21313	7676	6255	13931
1829	4484	18412	22896	7531	6265	13796
1830	4154	17393	21907	7757	5293	13050
1831	3688	16832	20520	7763	5176	12939
1832	4039	18258	2297	8018	4646	12664
1833	4358	19099	23451	7668	5778	13446

*Treasure not included.

Source: H.B. Morse, Chronicles of the East India Company Trading to China, (Oxford, 1926) vol. III and IV

Note: Estimates before 1817 were less precise and those in the Table are subject to errors. For the discussion of their accuracy, see M. Greenberg, British Trade and the Opening of China 1800-42 (Cambridge 1951), p.216.

Appendix III

Missing Chinese Calls in the Investor's Monthly Manual 1875-1914
(£000's)

a. 1875-1884

Name of Company	Year Book	I.M.M.	Difference
China and Japan Telephone Co.	15	-	15
Eastern Extension+	1,060	950	110
Hong Kong and China Gas Co.	65	-	65
North China Insurance Co.*	250	-	250
			440

b. 1885-1894

China and Japan Telephone Co.	5	-	5
Chinese Tientsin Railway Co.	150	-	150
Eastern Extension.+	978	650	328
Hong Kong and China Gas Co.	5	-	5
Hong Kong and China Gas Co.+	8	-	8
Shanghai Waterworks Co.	15	-	15
			511

c. 1895-1904

Anglo-French Quicksilver & Mining	310	-	310
Electric Traction of Hong Kong Co.+	195	-	195
London and China Syndicate	19	-	19
North China Insurance Co.*	75	-	75
Peking Syndicate	1,283	950	333
Yangtze Valley Co.	60	24	36
Syndicat du Yunnan	35	-	35
Chinese Engineering and Mining Co.	1,000	-	1,000
			2,003

Appendix III (Cont'd.)

d. 1905-1914

Name of Company	Year Book	I.M.M.	Difference
Anglo-French Quicksilver & Mining.*	100	-	100
China and Japan Telephone Co.+	13	-	13
Chinese Central Railways Ltd.	51	-	51
Hankow Light and Power Co.	17	-	17
Hong Kong Tramways Co.	81	-	81
Hong Kong Tramways Co.+	195	-	195
Shanghai Electric Construction Co.	320	-	320
Taikoo Dockyard & Engineering Co.	376	-	376
Taikoo Dockyard & Engineering Co.+	408	-	408
Yangtze Valley Co.*	48	-	48
			1,609

Note:

+ debentures.

* reconstructions.

Eastern Extension is the Eastern Extension of Australia and China Telegraph Company, Ltd.,

Anglo-French Quicksilver & Mining is the Anglo-French Quicksilver Concession (Kwei-chau Province) of China, Ltd.

Source: The Stock Exchange Year Books and the Investor's Monthly Manual.

Appendix IV : The Initial Paid-up Capital of Private Chinese Companies, 1856-1914 (£)

Name of Company	£
Anglo-Australian and China Telegraph Co.	-
Anglo-China Development and Trading Co.	252
Anglo-Chinese Eastern Trading Company	4
Anglo-Chinese Exploitation Development and Trading Co.	-
Anglo-Chinese Fibre Co.	1,525
Anglo-Eastern Syndicate	3,695
Anglo-French China Corporation	9,570
Asiatic Petroleum Co. (North China)	20
Asiatic Petroleum Co. (South China)	20
Au Yu (Yangtsze) Concession Co.	-
Banking Corporation of China	-
British and Far East Trading Syndicate	700
British Chinese Railway Syndicate	1,180
China and Japan (Coast and River) Steam Navigation Co.	11,049
China Commercial and Industrial Co.	-
China Concessions Syndicate	111
China Exploration Co.	18,235
China European Filature Co.	2,564
China Ltd.	1,533
China Navigation Co.[a]	120,000
China Railway and Mining Corporation	7
China Railways Co.	-
Chinese Antimony Co.	277
Chinese Corporation	10,963
Chinese Development Syndicate	5,000

Appendix IV (Cont'd.)

Name of Company	£
Chinese Development Syndicate	829
Chinese Salt Co.	1,003
Chung King Transport Co.	4,450
Dakin Brothers of China	6,500
Formosa Sugar and Development Co.	40
Hankow American Syndicate	1,934
Hankow Engineering Development Syndicate	8
Hong Kong Steamship Co.	10,600
Imperial Bank of China	-
India, Australia China Submarine Telegraph Co.	-
Indo-China Smelting Corporation	7
Industrial Development Corporation of China	7
International China Corporation	-
Japanese, Chinese and Orient Investment Corporation	-
Lever Brothers (China) Ltd.	10,000
Manchu Trading Company	1,000
Manchu Syndicate	-
Manchuria Exploitation Co.	100
Manchuria Mining Syndicate	65
Manchurian Steam Ship Co.	20,000
Manchu Steamship Co.	645
North China Concessions and Trading Co.	7
North China Produce Co.	4,010
Peking and North China Electrical Corporation	-
Prices (China) Ltd.	75,000

Appendix IV (Cont'd.)

Name of Company	£
Shanghai Electric Tramways	407
Shanghai Ice and Cold Storage Co.	100
Shanghai Tramway Syndicate	-
South Manchurian Syndicate	2,500
Tibet Corporation	-
Tibet Exploration Co.	-
Tibet Mining and Finance Co.	-
Tibet Mines and Minerals Co.	-
Tientsin Commercial Agency	101
Tientsin Lighter Co.	88,500
Upper Yangtze Steam Navigation Co.	6,400
Upper Yangtze Syndicate	4,992
Woosung Road Company	11,420
Yangtze Corporation	9,957
Yangtze Trading Co.	15,112
Yangtze Valley Syndicate	12,650
Yunnan Company	6,310
	482,788

Note:

Reconstructed companies are not included.

a there was no call in the first Annual Summary of Capital and Share. The £120,000 call is taken from the second summary.

Source : The companies' first annual shareholder return to the Registrar of Joint Stock Companies. P.R.O. BT.31 files.

App. V:1 : Regional Source of Equity Capital of British Investment in Chinese Companies 1854-1914 : Overall Average (%)

North		2.2
10.	Northumberland	1.3
11.	Durham	0.9
12.	Cumberland	0
Yorkshire		0.7
20.	North Riding	0.1
21.	East Riding	0
22.	West Riding	0.6
Westmorland, Lancashire and Cheshire		3.1
30.	Westmorland	0
31.	Lancashire except Liverpool & Manchester	0.1
32.	Liverpool	1.3
33.	Manchester	0.4
34.	Cheshire	1.3
Midlands		0.6
40.	Derbyshire	0.2
41.	Nottinghamshire	0.1
42.	Leicestershire & Rutland	0.1
43.	Northamptonshire	0
44.	Shropshire	0
45.	Herefordshire	0
46.	Worcestershire	0
47.	Staffordshire	0
48.	Warwickshire	0.1
East		0.3
50.	Lincolnshire	0.2
51.	Huntingdonshire	0
52.	Cambridgeshire & Ely	0
53.	Norfolk	0.1
54.	Suffolk	0
55.	Bedfordshire	0
South East		69.8
60.	London	62.9
61.	Essex	2.7
62.	Hertfordshire	0.2
63.	Kent	0.7
64.	Surrey	1.8
65.	Sussex	0.4
66.	Hampshire	0.5
67.	Berkshire	0.5
68.	Oxfordshire	0.1
69.	Buckinghamshire	0
South Wales and West		1.2
70.	Bristol	0
71.	Gloucestershire	0.1
72.	Somerset	0.1
73.	Wiltshire	0
74.	Dorset	0
75.	Devon	0.1
76.	Cornwall	0
77.	Monmouthshire	0
78.	Glamorgan	0.9
Miscellaneous		21.9
80.	Scotland	3.0
81.	Ireland	0.8
82.	Wales except Glamorgan & Monmouthshire	0.3
83.	Isle of Man	0
84.	China and Hong Kong	7.7
85.	Other Asian & Australasia	1.6
86.	France	3.0
87.	European and others	5.5
88.	Channel Islands	0
90.	Unidentifiable Address	0.2

App. V:2 : Regional Source of Equity Capital of British Investment in Chinese Companies, 1854-1914 : Public vs Private Companies (%)

	Public	Private
North	0.4	2.9
10. Northumberland	0.2	1.7
11. Durham	0.1	1.2
12. Cumberland	0.1	0
Yorkshire	0.8	0.7
20. North Riding	0	0.1
21. East Riding	0.1	0
22. West Riding	0.7	0.6
Westmorland, Lancashire and Cheshire	2.0	3.4
30. Westmorland	0	0
31. Lancashire except Liverpool & Manchester	0.1	0
32. Liverpool	1.0	1.5
33. Manchester	0.7	0.3
34. Cheshire	0.2	1.6
Midlands	1.3	0.4
40. Derbyshire	0.1	0.3
41. Nottinghamshire	0.1	0.1
42. Leicestershire & Rutland	0.5	0
43. Northamptonshire	0.1	0
44. Shropshire	0.1	0
45. Herefordshire	0	0
46. Worcestershire	0.1	0
47. Staffordshire	0.1	0
48. Warwickshire	0.2	0

App. V:2 (Cont'd.)

East	0.7	0.2
50. Lincolnshire	0.1	0.2
51. Huntingdonshire	0	0
52. Cambridgeshire & Ely	0	0
53. Norfolk	0.4	0
54. Suffolk	0.1	0
55. Bedfordshire	0.1	0
South East	60.8	72.7
60. London	56.4	65.0
61. Essex	0.4	3.5
62. Hertfordshire	0.4	0.1
63. Kent	0.7	0.7
64. Surrey	1.8	1.7
65. Sussex	0.5	0.4
66. Hampshire	0.3	0.5
67. Berkshire	0.1	0.7
68. Oxfordshire	0.1	0.1
69. Buckinghamshire	0.1	0
South Wales and West	1.0	1.3
70. Bristol	0.2	0
71. Gloucestershire	0.1	0
72. Somerset	0.4	0
73. Wiltshire	0.1	0
74. Dorset	0.1	0
75. Devon	0.1	0.1
76. Cornwall	0	0
77. Monmouthshire	0	0
78. Glamorgan	0	1.2

App. V:2 (Cont'd.)

Miscellaneous		32.9	18.2
80.	Scotland	2.6	3.1
81.	Ireland	1.1	0.7
82.	Wales except Glamorgan & Monmouthshire	0.1	0.4
83.	Isle of Man	0.1	0
84.	China and Hong Kong	15.0	5.5
85.	Other Asian & Australasia	4.9	0.3
86.	France	4.9	2.3
87.	European and others	4.1	5.9
88.	Channel Islands	0.1	0
90.	Unidentifiable Address	0.1	0.2

App. V:3 : Regional Source of Equity Capital of British Investment in Chinese Companies 1854-1914 : By Time (%)

	1855-1864	1865-1874	1875-1884	1885-1894	1895-1904	1905-1915
North	0.2	1.4	0	0.1	0.3	4.9
10. Northumberland	0.2	0.5	0	0.1	0.1	2.9
11. Durham	0	0.4	0	0	0.2	2.0
12. Cumberland	0	0.5	0	0	0	0
Yorkshire	1.4	1.5	0	0.7	1.2	0.3
20. North Riding	0	0	0	0	0.1	0.2
21. East Riding	0	0.1	0	0	0	0
22. West Riding	1.4	1.4	0	0.7	1.1	0.1
Westmorland, Lancashire and Cheshire	2.4	10.4	0.6	3.8	2.6	0.4
30. Westmorland	0	0.2	0	0.2	0	0
31. Lancashire except Liverpool & Manchester	0	0.4	0.2	0.1	0	0
32. Liverpool	1.5	7.9	0.2	0.5	2.3	0.1
33. Manchester	0.3	0.7	0.2	2.4	0.3	0.1
34. Cheshire	0.6	1.2	0	0.6	0	0.2
Midlands	1.8	1.4	0.3	0.6	1.0	0.1
40. Derbyshire	0	0.3	0	0	0.7	0
41. Nottinghamshire	0	0.1	0.1	0	0.1	0
42. Leicestershire & Rutland	1.4	0.2	0	0	0	0
43. Northamptonshire	0.1	0.1	0	0	0.1	0
44. Shropshire	0	0	0	0	0	0.1
45. Herefordshire	0	0	0	0.4	0	0
46. Worcestershire	0	0.1	0	0	0	0
47. Staffordshire	0	0.2	0.2	0.1	0	0
48. Warwickshire	0.3	0.4	0	0.1	0.1	0

App. V:3 (Cont'd.)

	1855-1864	1865-1874	1875-1884	1885-1894	1895-1904	1905-1915
East	0.6	0.2	0	0.2	0.3	0.5
50. Lincolnshire	0.2	0.1	0	0	0	0.4
51. Huntingdonshire	0	0	0	0	0	0
52. Cambridgeshire & Ely	0	0	0	0	0	0
53. Norfolk	0.2	0	0	0.2	0.2	0
54. Suffolk	0	0.1	0	0	0.1	0
55. Bedfordshire	0.2	0	0	0	0	0.1
South East	74.2	78.4	39.2	61.2	78.3	70.3
60. London	68.3	67.3	37.0	58.4	72.3	62.4
61. Essex	0.5	0.5	0.3	0.1	1.3	5.2
62. Hertfordshire	0.3	0.1	0	0	0.1	0
63. Kent	0.6	0.6	0	1.8	0.3	0.2
64. Surrey	3.6	8.2	1.1	0.4	0.9	1.8
65. Sussex	0.9	0.4	0.3	0.4	0.2	0.6
66. Hampshire	0	0.8	0	0.1	1.5	0
67. Berkshire	0	0.2	0	0.1	1.6	0
68. Oxfordshire	0	0.1	0	0	0.1	0.1
69. Buckinghamshire	0	0.2	0	0	0	0
South Wales and West	1.7	2.4	0.4	11.1	0	0
70. Bristol	0	0	0	0	0	0
71. Gloucestershire	0.4	0.5	0	0.3	0	0
72. Somerset	1.0	0.3	0.1	0.4	0	0
73. Wiltshire	0	0.2	0	0	0	0
74. Dorset	0.2	0	0.3	0.2	0	0
75. Devon	0.1	1.3	0	0	0	0
76. Cornwall	0	0	0	0	0	0
77. Monmouthshire	0	0.1	0	0.2	0	0
78. Glamorgan	0	0	0	10.0	0	0

App. V:3 (Cont'd.)

		1855-1864	1865-1874	1875-1884	1885-1894	1895-1904	1905-1915
Miscellaneous		16.7	3.9	54.5	22.2	15.7	23.1
80.	Scotland	2.8	2.0	13.2	0.7	0.7	4.1
81.	Ireland	0.1	1.6	0	0.1	0.5	1.3
82.	Wales except Glamorgan & Monmouthshire	0.4	0.2	0	0	1.0	0
83.	Isle of Man	0.2	0	0	0	0	0
84.	China & Hong Kong	0.2	0	42.3	16.5	2.0	6.1
85.	Other Asian & Australasia	12.5	0	1.6	4.1	0	0.5
86.	France	0.3	0	1.0	0.4	5.0	3.1
87.	European & Others	0.1	0	1.3	0.4	6.5	8.1
88.	Channel Islands	0.1	0.1	0.1	0	0	0
90.	Unidentifiable Address	0	0.4	0	0.1	0.6	0.3

App. V:4 : Regional Source of Equity Capital of British Investment in Chinese Companies, 1854-1914 : By Type of Business (%)

	a	b	c	d	e	f	g	h	i	j
North	8.9	1.7	0	0.2	0	0	0.5	0.2	12.5	0
10. Northumberland	0.4	0.6	0	0.2	0	0	0.3	0.2	12.5	0
11. Durham	8.5	0.5	0	0	0	0	0.2	0	0	0
12. Cumberland	0	0.6	0	0	0	0	0	0	0	0
Yorkshire	1.8	0.9	0	0.6	0.1	0.7	0.8	0.2	0	0
20. North Riding	0.7	0	0	0	0	0	0	0	0	0
21. East Riding	0	0.1	0	0	0	0	0	0	0	0
22. West Riding	1.1	0.8	0	0.6	0.1	0.7	0.8	0.2	0	0
Westmorland, Lancashire and Cheshire	12.1	4.2	0	2.2	2.8	0.6	1.0	11.9	0.1	0
30. Westmorland	0.3	0	0	0	0	0	0	0	0	0
31. Lancashire except Liverpool and Manchester	0	0.3	0	0	0.2	0.1	0	0	0	0
32. Liverpool	9.1	2.4	0	1.2	0.5	0.4	0.6	0.3	0	0
33. Manchester	1.4	0.8	0	0.9	2.1	0.1	0.3	0	0	0
34. Cheshire	1.3	0.7	0	0.1	0	0	0.1	11.6	0.1	0

App. V:4 (Cont'd.)

	a	b	c	d	e	f	g	h	i	j
Midlands	0.4	1.5	0	0.5	0.3	1.4	0.8	0.2	0	0
40. Derbyshire	0	0.3	0	0	0	0	0.6	0	0	0
41. Nottinghamshire	0	0.2	0	0	0	0.1	0.1	0	0	0
42. Leicestershire & Rutland	0	0.2	0	0.1	0	1.1	0	0	0	0
43. Northamptonshire	0	0	0	0.2	0	0	0	0	0	0
44. Shropshire	0	0	0	0	0	0	0	0.2	0	0
45. Herefordshire	0.3	0	0	0	0.1	0	0	0	0	0
46. Worcestershire	0	0.1	0	0	0	0	0	0	0	0
47. Staffordshire	0.1	0.2	0	0.1	0	0	0	0	0	0
48. Warwickshire	0	0.5	0	0.1	0.2	0.2	0.1	0	0	0
East	0.1	0.2	0	0.6	0	1.6	0.3	0	0	0
50. Lincolnshire	0.1	0.1	0	0.2	0	1.6	0	0	0	0
51. Huntingdonshire	0	0	0	0	0	0	0	0	0	0
52. Cambridgeshire & Ely	0	0	0	0	0	0	0	0	0	0
53. Norfolk	0	0	0	0.2	0	0	0.2	0	0	0
54. Suffolk	0	0.1	0	0	0	0	0	0	0	0
55. Bedfordshire	0	0	0	0.2	0	0	0.1	0	0	0

App. V:4 (Cont'd.)

	a	b	c	d	e	f	g	h	i	j
South East	52.6	84.4	86.5	63.4	11.4	70.2	78.8	63.7	68.3	73.7
60. London	51.5	74.0	78.5	47.0	10.9	65.0	68.3	57.8	68.0	66.7
61. Essex	0.1	0.6	0	12.8	0	1.8	4.9	5.7	0	1.7
62. Hertfordshire	0	0.1	0	0.4	0	0	0	0	0	0
63. Kent	0.1	0.7	2.0	1.1	0	0.2	0.3	0.2	0	0
64. Surrey	0.1	7.6	5.5	1.6	0.2	1.4	1.6	0	0.2	5.3
65. Sussex	0.3	0.5	0.5	0.4	0.1	0.9	0.7	0	0.1	0
66. Hampshire	0	0.5	0	0	0.2	0	1.4	0	0	0
67. Berkshire	0	0.2	0	0.1	0	0.7	1.2	0	0	0
68. Oxfordshire	0.4	0.1	0	0	0	0.2	0.1	0	0	0
69. Buckinghamshire	0.1	0.1	0	0	0	0	0.1	0	0	0
South Wales and West	10.3	1.7	0	1.8	0.2	0.3	0.1	0	0	0
70. Bristol	0	0	0	0	0	0	0	0	0	0
71. Gloucestershire	0.2	0.6	0	0.4	0	0.1	0	0	0	0
72. Somerset	0.3	0.3	0	1.0	0	0.1	0	0	0	0
73. Wiltshire	0	0.3	0	0.1	0	0	0	0	0	0
74. Dorset	0.1	0	0	0.1	0	0.1	0	0	0	0

App. V:4 (Cont'd.)

	a	b	c	d	e	f	g	h	i	j
75. Devon	0.6	0.4	0	0.2	0.2	0	0	0	0	0
76. Cornwall	0	0	0	0	0	0	0	0	0	0
77. Monmouthshire	0.2	0.1	0	0	0	0	0	0	0	0
78. Glamorgan	8.9	0	0	0	0	0	0.1	0	0	0
Miscellaneous	13.6	4.9	13.5	28.6	85.2	25.2	17.5	23.6	19.1	26.3
80. Scotland	5.0	2.3	8.0	0.9	0.1	2.1	4.7	0.4	0.2	0
81. Ireland	0.1	2.3	0	0.3	0	0.1	0.1	0	1.8	6.7
82. Wales except Glamorgan and Monmouthshire	0	0.2	0	0.2	0	0.1	0.9	0	0	0
83. Isle of Man	0	0	0	0.2	0	0	0	0	0	0
84. China and Hong Kong	8.0	0	3.1	11.1	75.5	9.5	2.1	12.8	0.6	6.6
85. Other Asian & Australasia	0	0	0	14.9	8.8	0.7	0.7	0	0	0
86. France	0.2	0	0.4	0.5	0.1	1.9	3.1	3.1	10.2	0
87. European and others	0.3	0	2.0	0.4	0.7	10.7	5.9	7.3	6.3	13.0
88. Channel Islands	0	0.1	0	0.1	0	0.1	0	0	0	0
90. Unidentifiable Address	0.2	0.5	0	2.1	0	0	0.4	0.2	0	0

Note: a=shipping companies; b=telegraph companies; c=railway & road transport companies; d=banks; e=insurance companies; f=public utility companies; g=concession hunters; h=manufacturing companies; i-mining companies and j=miscellaneous companies.

App. V:5 : Regional Source of Equity Capital of British Investment in Chinese Companies, 1854-1914 : By Type of Securities (%)

	Ordinary	Preference	Founders
North	0.7	0.2	0.2
10. Northumberland	0.6	0.2	0.2
11. Durham	0.1	0	0
12. Cumberland	0	0	0
Yorkshire	1.5	0.5	1.6
20. North Riding	0.1	0.1	0
21. East Riding	0	0	0
22. West Riding	1.4	0.4	1.6
Westmorland, Lancashire and Cheshire	1.1	6.4	0.8
30. Westmorland	0	0	0
31. Lancashire except Liverpool & Manchester	0.3	0.1	0
32. Liverpool	0.1	5.7	0.1
33. Manchester	0.2	0.1	0.6
34. Cheshire	0.5	0.5	0.1
Midlands	1.3	0.1	0.4
40. Derbyshire	0.7	0	0.4
41. Nottinghamshire	0	0	0
42. Leicestershire & Rutland	0	0	0
43. Northamptonshire	0.1	0.1	0
44. Shropshire	0	0	0
45. Herefordshire	0	0	0
46. Worcestershire	0	0	0
47. Staffordshire	0	0	0
48. Warwickshire	0.5	0	0

App. V:5 (Cont'd.)

	Ordinary	Preference	Founders
East	0.6	0.6	0.3
50. Lincolnshire	0.1	0.1	0
51. Huntingdonshire	0	0	0
52. Cambridgeshire & Ely	0	0	0
53. Norfolk	0.4	0.5	0.1
54. Suffolk	0	0	0.2
55. Bedfordshire	0.1	0	0
South East	58.0	60.2	68.8
60. London	51.5	58.0	55.9
61. Essex	0.2	0.6	4.4
62. Hertfordshire	0.2	0.1	0.3
63. Kent	0.8	0.2	0.3
64. Surrey	1.5	0.4	1.5
65. Sussex	1.1	0.2	0.4
66. Hampshire	0.7	0.2	2.4
67. Berkshire	1.8	0.1	2.7
68. Oxfordshire	0.1	0.2	0.1
69. Buckinghamshire	0.1	0.2	0.8
South Wales and West	0.2	0.2	0.1
70. Bristol	0	0	0
71. Gloucestershire	0	0	0
72. Somerset	0	0	0
73. Wiltshire	0	0.1	0.1
74. Dorset	0	0.1	0
75. Devon	0.1	0	0
76. Cornwall	0	0	0
77. Monmouthshire	0	0	0
78. Glamorgan	0.1	0	0

App. V:5 (Cont'd.)

	Ordinary	Preference	Founders
Miscellaneous	36.3	31.7	27.8
80. Scotland	2.3	2.4	0.8
81. Ireland	0.6	1.6	0.1
82. Wales except Glamorgan & Monmouthshire	1.2	0.3	2.0
83. Isle of Man	0	0	0
84. China and Hong Kong	20.0	21.3	5.3
85. Other Asian and Australasia	1.1	5.6	3.5
86. France	8.5	0.5	14.4
87. European and others	2.6	0	1.7
88. Channel Islands	0	0	0
90. Unidentifiable Address	0.3	0.1	0

App. VI:1 : Occupational Source of Equity Capital of British Investment in Chinese Companies 1854-1914 : Overall Average (%)

10.	TRADE	26.2
11.	Merchants	19.0
12.	Middlemen/agents	5.3
13.	Shipowners	1.8
14.	Retailers	0.1
15.	Others	0
20.	INDUSTRY	3.2
21.	Manufacturing including Mining	2.7
22.	Service industry	0.5
23.	Handicraft	0
24.	Others	0
30.	BANKING	2.9
40.	PROFESSIONALS	12.0
41.	Law	2.5
42.	Medicine	0.3
43.	Clergy	0.1
44.	Officers in service	1.5
45.	Master mariners	0.2
46.	Engineers, Architects, Surveyors	3.4
47.	Accountants	2.9
48.	Teaching	0
49.	M.Ps and others	1.1
50.	LAND	1.0
51.	Landed proprietors	0.8
52.	Farmers	0.2
53.	Others	0
60.	INSTITUTIONAL	15.7
70.	MISCELLANEOUS	12.0
71.	'White-collar' group	10.5
72.	Ministers and Officials	0.5
73.	Superintendents	0.1
74.	Directors and Managers	0.5
75.	Skilled and unskilled workers	0
76.	Domestic servants & service workers	0
77.	Others	0.4
80.	NON-OCCUPATIONAL	17.1
81.	Gentlemen	10.0
82.	Esquires	2.2
83.	Women	2.5
84.	Nobilities & other Honourable titles	1.9
85.	Others	0.5
90.	UNSPECIFIED	9.9

App. VI:2 : Occupational Source of Equity Capital of British Investment in Chinese Companies, 1854-1914 : Public vs Private Companies (%)

		Public	Private
10.	TRADE	31.1	25.3
11.	Merchants	23.7	18.4
12.	Middlemen/agents	6.2	4.9
13.	Shipowners	1.0	2.0
14.	Retailers	0.2	0
15.	Others	0	0
20.	INDUSTRY	1.5	3.8
21.	Manufacturing including Mining	1.1	3.2
22.	Service industry	0.4	0.6
23.	Handicraft	0	0
24.	Others	0	0
30.	BANKING	2.7	2.9
40.	PROFESSIONALS	7.7	13.1
41.	Law	2.9	2.3
42.	Medicine	0.6	0.1
43.	Clergy	0.4	0
44.	Officers in service	1.3	1.5
45.	Master mariners	0.4	0.1
46.	Engineers, Architects, Surveyors	1.4	4.1
47.	Accountants	0.2	3.7
48.	Teaching	0	0
49.	M.Ps and others	0.5	1.3

App. VI:2 (Cont'd.)

		Public	Private
50.	LAND	0.4	1.2
51.	Land proprietors	0.4	0.9
52.	Farmers	0	0.3
53.	Others	0	0
60.	INSTITUTIONAL	15.1	16.0
70.	MISCELLANEOUS	3.7	14.8
71.	'White-collar' group	2.3	13.4
72.	Ministers and Officials	0.7	0.4
73.	Superintendents	0.1	0
74.	Directors and managers	0.4	0.5
75.	Skilled and unskilled workers	0	0
76.	Domestic servants & service workers	0	0
77.	Others	0.2	0.5
80.	NON-OCCUPATIONAL	20.4	15.7
81.	Gentlemen	12.5	9.0
82.	Esquires	2.0	2.3
83.	Women	2.1	2.6
84.	Nobilities and other Honourable titles	3.0	1.4
85.	Others	0.8	0.4
90.	UNSPECIFIED	17.4	7.2

App. VI:3 : Occupational Source of Equity Capital of British Investment in Chinese Companies, 1854-1914 : By Time (%)

		1855-1864	1865-1874	1875-1884	1885-1894	1895-1904	1905-1915
10.	TRADE	36.5	29.1	45.2	51.3	22.9	20.6
11.	Merchants	25.8	17.6	41.2	35.9	17.4	14.7
12.	Middlemen/agents	7.7	10.4	2.6	8.5	4.5	4.5
13.	Shipowners	2.7	1.1	1.1	6.8	1.0	1.3
14.	Retailers	0.3	0	0.3	0.1	0	0.1
15.	Others	0	0	0	0	0	0
20.	INDUSTRY	3.3	0.2	3.4	0.3	4.0	3.6
21.	Manufacturing including Mining	1.5	0	2.5	0.2	3.6	2.9
22.	Service industry	0.3	0.2	0.8	0.1	0.4	0.7
23.	Handicraft	1.5	0	0.1	0	0	0
24.	Others	0	0	0	0	0	0
30.	BANKING	1.7	1.0	2.4	4.7	2.2	3.5
40.	PROFESSIONALS	7.9	19.9	9.1	6.1	11.9	13.0
41.	Law	2.2	3.0	0.7	3.7	3.2	2.0
42.	Medicine	0.8	0.2	0.5	0.8	0.2	0.1
43.	Clergy	0.6	0.8	0.4	0.1	0	0
44.	Officers in service	3.2	1.2	0.2	0.4	1.7	1.4
45.	Master Mariners	0.4	0	1.4	0	0	0.1
46.	Engineers, Architects Surveyors	0.4	5.7	1.9	0.8	5.2	3.0
47.	Accountants	0.1	6.0	0	0.2	1.3	4.9
48.	Teaching	0	0	0.1	0	0	0
49.	M.Ps. and others	0.2	3.0	3.9	0.1	0.3	1.5

App. VI:3 (Cont'd.)

		1855-1864	1865-1874	1875-1884	1885-1894	1895-1904	1905-1915
50.	LAND	0.1	0	0.4	0.5	0.7	1.6
51.	Land proprietors	0.1	0	0.4	0.5	0.1	1.6
52.	Farmers	0	0	0	0	0.6	0
53.	Others	0	0	0	0	0	0
60.	INSTITUTIONAL	0.2	2.1	19.1	1.0	15.6	22.9
70.	MISCELLANEOUS	2.5	3.0	8.6	14.5	10.8	16.0
71.	'White-collar' group	2.1	0.1	5.3	11.9	9.3	14.9
72.	Ministers and Officials	0.2	0	2.6	0.2	0.4	0.4
73.	Superintendents	0.2	0	0	0.3	0.1	0
74.	Directors and managers	0	2.9	0.1	1.1	0.4	0.3
75.	Skilled and unskilled workers	0	0	0.1	0	0	0
76.	Domestic servants & service workers	0	0	0.1	0	0	0
77.	Others	0	0	0.4	1.0	0.6	0.4
80.	NON-OCCUPATIONAL	30.8	42.9	11.2	16.6	18.4	9.5
81.	Gentlemen	19.7	20.5	2.5	7.5	12.2	5.3
82.	Esquires	6.6	15.8	1.2	0.2	2.1	0.4
83.	Women	1.1	1.4	2.5	7.3	1.8	2.5
84.	Nobilities & other Honourable titles	3.0	5.2	0	0.3	2.2	1.1
85.	Others	0.4	0	5.0	1.3	0.1	0.2
90.	UNSPECIFIED	17.0	1.8	0.6	5.0	13.5	9.3

App. VI:4 : Occupational Source of Equity Capital of British Investment in Chinese Companies, 1854-1914 : By Type of Business (%)

	a	b	c	d	e	f	g	h	i	j
10. TRADE	45.5	20.9	27.0	44.4	63.8	10.3	17.8	37.3	3.1	54.1
11. Merchants	26.4	9.2	26.5	32.3	59.2	8.1	12.1	32.7	2.2	39.8
12. Middlemen/agents	5.7	9.4	0.4	5.7	3.8	2.0	5.0	4.6	0.8	14.3
13. Shipowners	13.3	2.3	0	2.0	0.1	0	0.7	0	0	0
14. Retailers	0.1	0	0.1	4.4	0.7	0.2	0	0	0	0
15. Others	0	0	0	0	0	0	0	0	0.1	0
20. INDUSTRY	3.6	0.3	0.7	1.0	0.7	0.8	2.3	18.0	0.4	0
21. Manufacturing including Mining	3.5	0	0	0.6	0.5	0.1	1.3	18.0	0.4	0
22. Service industry	0.1	0.3	0.7	0.4	0	0.7	1.0	0	0	0
23. Handicraft	0	0	0	0	0.2	0	0	0	0	0
24. Others	0	0	0	0	0	0	0	0	0	0
30. BANKING	2.0	1.2	0.1	2.8	3.6	2.6	4.0	4.5	0.8	0

App. VI:4 (Cont'd.)

	a	b	c	d	e	f	g	h	i	j
40. PROFESSIONALS	4.6	26.9	4.6	9.4	6.5	11.0	20.0	1.1	3.3	12.7
41. Law	0.9	3.7	0	4.7	1.2	0.8	5.8	0.9	0.3	0
42. Medicine	0.5	0.3	0.4	0.5	0.2	0.5	0.1	0	0.6	0
43. Clergy	0.3	0.8	0	0.5	0.6	0	0	0	0	0
44. Officers in service	0	3.8	0	2.1	0	2.6	2.4	0.2	0.2	0
45. Master mariners	0.6	0	0	0.4	3.4	0	0	0	0	0
46. Engineers, Architects, Surveyors	1.0	7.1	1.8	0.7	0.8	1.6	7.0	0	2.0	0.4
47. Accountants	0.3	7.5	0	0.2	0.1	4.8	3.0	0	0.1	12.0
48. Teaching	0.1	0	0	0	0.2	0	0	0	0	0
49. M.Ps and others	0.9	3.7	2.4	0.3	0	0.7	1.7	0	0.1	0.3
50. LAND	0	0	0	0.7	0	0.2	2.5	0	0.4	0
51. Land proprietors	0	0	0	0.7	0	0.2	1.9	0	0.4	0
52. Farmers	0	0	0	0	0	0	0.6	0	0	0
53. Others	0	0	0	0	0	0	0	0	0	0
60. INSTITUTIONAL	16.3	2.6	31.6	1.2	0	31.4	6.3	21.1	57.6	0

App. VI:4 (Cont'd.)

	a	b	c	d	e	f	g	h	i	j
70. MISCELLANEOUS	1.9	3.7	1.3	15.7	12.5	8.1	20.6	11.7	10.7	0
71. 'White-collar' group	0.1	0.1	0.2	14.4	4.4	6.2	19.1	11.1	10.0	0
72. Ministers and Officials	0.5	0	0	0.5	5.7	1.7	0.1	0.3	0.1	0
73. Superintendents	0	0	0	0.3	0.8	0	0	0.3	0	0
74. Directors and managers	0.3	3.6	1.0	0.3	0.4	0.1	0.5	0	0.6	0
75. Skilled and unskilled workers	0.1	0	0.1	0	0.2	0	0	0	0	0
76. Domestic servants and service workers	0.1	0	0	0	0.1	0	0	0	0	0
77. Others	0.8	0	0	0.2	0.9	0.1	0.9	0	0	0
80. NON-OCCUPATIONAL	23.3	42.2	29.6	13.0	12.0	19.2	15.6	3.3	9.4	14.1
81. Gentlemen	16.4	22.5	3.6	6.8	0.7	8.5	11.8	1.4	4.0	6.7
82. Esquires	0	13.0	10.9	3.1	0	7.6	0.3	0	0.3	0
83. Women	6.8	1.4	6.4	1.2	5.3	0.9	1.5	0.2	0.9	7.4
84. Nobilities & other Honourable titles	0.1	5.3	6.2	0.7	0	2.2	1.8	0.8	4.0	0
85. Others	0.3	0	2.5	1.2	6.0	0	0.2	0.9	0.2	0
90. UNSPECIFIED	2.8	2.2	5.1	11.8	0.9	16.4	10.9	3.0	14.3	19.1

Note: a=shipping companies; b=telegraph companies; c=railway and road transport companies; d=banks; e=insurance companies; f=public utility companies; g=concession hunters; h=manufacturing companies; i=mining companies and j=miscellaneous companies.

App. VI:5 : Occupational Source of Equity Capital of British Investment in Chinese Companies, 1854-1914 : By Type of Securities (%)

		Ordinary	Preference	Founders
10.	TRADE	27.9	23.3	25.2
11.	Merchants	21.6	20.3	17.0
12.	Middlemen/agents	4.6	2.7	7.3
13.	Shipowners	1.2	0	0.8
14.	Retailers	0.5	0.1	0.1
15.	Others	0	0.2	0
20.	INDUSTRY	6.7	11.6	4.4
21.	Manufacturing including Mining	5.8	11.5	1.0
22.	Service industry	0.9	0.1	3.4
23.	Handicraft	0	0	0
24.	Others	0	0	0
30.	BANKING	3.8	1.7	4.9
40.	PROFESSIONALS	11.4	13.3	6.8
41.	Law	2.7	2.4	3.4
42.	Medicine	0.5	0.6	0.3
43.	Clergy	0.1	0.1	0.1
44.	Officers in service	2.1	0.4	1.2
45.	Master mariners	0	0	0
46.	Engineers, Architects, Surveyors	3.3	0.8	1.5
47.	Accountants	2.5	8.9	0.1
48.	Teaching	0	0	0
49.	M.Ps and others	0.2	0.1	0.2

App. VI:5 (Cont'd.)

		Ordinary	Preference	Founders
50.	LAND	0.9	0.4	1.6
51.	Land proprietors	0.1	0.4	0.2
52.	Farmers	0.8	0	1.4
53.	Others	0	0	0
60.	INSTITUTIONAL	10.9	10.3	5.7
70.	MISCELLANEOUS	5.3	1.2	2.5
71.	'White-collar' group	3.9	0.8	1.8
72.	Ministers and Officials	0.3	0.2	0.1
73.	Superintendents	0	0	0
74.	Directors and managers	0.8	0.2	0.5
75.	Skilled and unskilled workers	0	0	0
76.	Domestic servants & service workers	0.1	0	0
77.	Others	0.2	0	0.1
80.	NON-OCCUPATIONAL	14.8	9.9	24.2
81.	Gentlemen	8.7	5.1	19.4
82.	Esquires	0.4	1.5	0.2
83.	Women	3.3	1.4	2.4
84.	Nobilities and other Honourable titles	2.0	1.8	1.5
85.	Others	0.4	0.1	0.7
90.	UNSPECIFIED	18.3	28.3	24.7

APPENDIX VII

The Value of Silver per Standard Ounce in London Market, 1854-1914.
(in pence)

1854	61 1/2	1885	48 5/8
1855	61 5/16	1886	45 3/8
1856	61 5/16	1887	44 5/8
1857	61 3/4	1888	42 7/8
1858	61 5/16	1889	42 11/16
1859	62 1/16	1890	47 11/16
1860	61 11/16	1891	45 1/16
1861	60 13/16	1892	39 13/16
1862	61 7/16	1893	35 5/8
1863	61 3/8	1894	28 15/16
1864	61 3/8	1895	29 7/8
1865	61 1/16	1896	30 3/4
1866	61 1/8	1897	27 9/16
1867	60 9/16	1898	26 15/16
1868	60 1/2	1899	27 7/16
1869	60 7/16	1900	28 1/4
1870	60 9/16	1901	27 3/16
1871	60 1/2	1902	24 1/16
1872	60 5/16	1903	24 3/4
1873	59 1/4	1904	26 3/8
1874	58 5/16	1905	27 13/16
1875	56 7/8	1906	30 7/8
1876	52 3/4	1907	30 3/16
1877	54 13/16	1908	24 3/8
1878	52 9/16	1909	23 11/16
1879	51 1/4	1910	24 5/8
1880	52 1/4	1911	24 9/16
1881	51 11/16	1912	28 1/32
1882	51 5/8	1913	27 9/16
1883	50 9/16	1914	25 5/16
1884	50 5/8		

Source: Information supplied by the Pixley and Abell bullion Brokers in London and are reprinted on the pullout page facing p.330 in W.F. Spalding, Eastern Exchange Currency and Finance (London, 1924).

APPENDIX VIII

World Production of Gold and Silver in Each of the Under-mentioned Periods or Years.

Period (Year) Annual Average	Weight*		Value**	
	Gold (ounces)	Silver (ounces)	Gold (£000's)	Silver (£000's)
1811-20	402,864	19,035,104	1,563	4,765
1821-30	500,403	16,211,712	1,941	3,990
1831-40	714,173	20,924,640	2,771	5,168
1841-50	1,927,517	27,470,608	7,478	6,732
1851-55	7,018,458	31,191,248	27,231	7,851
1856-60	7,101,602	31,855,648	27,554	8,062
1861-65	6,514,026	38,760,480	25,274	9,756
1866-70	6,864,915	47,135,792	26,635	11,733
1871-75	6,121,421	69,323,760	23,751	16,870
1876-80	6,068,973	86,248,870	23,547	18,702
1881-85	5,249,622	100,732,157	20,368	20,987
1886	5,135,679	93,297,290	21,815	19,068
1887	5,116,861	96,123,586	21,735,	19,322
1888	5,330,775	108,827,606	22,644	20,998
1889	5,973,790	120,213,611	25,315	23,099
1890	5,749,306	126,095,062	24,422	27,111
1891	6,320,194	137,170,000	26,847	27,843
1892	7,094,266	153,151,762	30,135	27,413
1893	7,618,811	165,472,621	32,363	26,532
1894	8,764,362	164,610,394	37,229	21,472
1895	9,615,190	167,500,960	40,843	22,510
1896	9,783,914	157,061,370	41,560	21,753
1897	11,420,068	160,421,082	48,510	19,779
1898	13,877,806	169,055,253	58,950	20,496
1899	14,837,775	168,337,453	63,027	20,755
1900	12,315,135	173,591,364	52,312	22,116
1901	12,625,527	173,011,283	53,630	21,331
1902	14,354,680	162,763,483	60,975	17,726
1903	15,852,620	167,689,322	67,338	18,607
1904	16,804,372	164,195,266	71,381	19,569
1905	18,396,451	172,317,688	78,144	21,599
1906	19,471,080	165,054,497	82,078	22,957
1907	19,977,260	184,206,984	84,859	24,982
1908	21,422,244	203,131,404	90,997	22,327
1909	21,965,111	212,149,023	93,302	22,678
1910	22,022,180	221,715,673	93,545	24,602
1911	22,397,136	226,192,923	95,138	23,044
1912	22,605,068	230,904,241	96,021	29,173
1913	22,254,983	210,013,423	94,534	26,065
1914	21,301,836	173,000,507	90,485	19,575

Source: From 1811 to 1885, the figures are taken from Soetbeer's "Materialien," &c., p.1, which is put in by Mr. Giffen to the Royal Commission on Gold and Silver. B.P.P., 1888, XLV. First Report of the Royal Commission Gold and Silver.

APPENDIX VIII (cont'd)

Source Cont'd: From 1886 onwards, the figures are taken from the reports of the U.S. Mint. The statistics are reprinted in J.L. Laughlin, A New Exposition of Money, Credit and Prices, Volume I (Chicago, 1931), pp.508-12.

* The figures were originally in Kilogrammes before 1886.

** Before 1886, the values of gold and silver were given in German Marks. According to H.F. Easton's Tate's Modern Cambist, 26th edition (London, 1921), p.13, one sterling pound contained 123.27447 grains of gold, with a fineness of 916.66 per thousand. Therefore, one sterling pound contained 113.000776 grains of pure gold. The German Mark had 61.4589765 grains troy and the fineness was 0.900. That means each contained 5.53130789 grains of pure gold. Therefore, one mark equalled 0.048994219 sterling. Commencing 1886, the figures are originally given in U.S. Dollars. Each dollar contained 23.22 grains of pure gold from 1886-1914, Modern Cambist, (London, 1921), pp.246-9). Therefore, one U.S. dollar equalled 0.205485315 sterling. The values of Marks and Dollars are converted into pounds according to their respective exchange rates.

Appendix IX : A Complete List of China Companies Incorporated in England 1853-1914

A. Public Companies

Anglo-French Quicksilver and Mining Concession (Kwei-chau Provinces) of China, Ltd.[a]

Anglo-French Syndicate[b]

Bank of Hindustan, China and Japan

British and Chinese Corporation

Chartered Bank of India, Australia and China

Chartered Mercantile Bank of India, London and China

China and Japan Telephone Co.

China Submarine Telegraph Co.

Chinese Central Railways Ltd.

Chinese Engineering and Mining Co.[c]

Eastern Extension, Australia and China Submarine Telegraph Co.

Hankow Light and Power Co.

Hong Kong and China Gas Co.

Hong Kong Tramway Electric Co.

Indo-China Steam Navigation Co.

London and China Syndicate

National Bank of China

North China Gold Territories Development Ltd.

North China Insurance Co.[d]

Peking Syndicate

Shanghai Electric Construction Co.

Shanghai Waterworks Co.

Taikoo Dockyard and Engineering Co.

Trust and Loan Company of China, Japan and the Straits[e]

Yangtze Insurance Association

Yangtze Valley Co.

Appendix IX (Cont'd.)

B. Private Companies[f]

See Appendix IV.

Note:

a. It was formed in 1899 and was reconstructed in 1906 under the same title.

b. Its name changed to Syndicat du Yunnan in 1900.

c. It was incorporated in 1900 and was reconstructed in 1912 without changing its title.

d. The company was formed in 1883 and was reconstructed in 1892 and 1903 under the same title.

e. Formed in 1899, it changed its name to the Bank of China, Japan and the Straits in 1891, which was in turn reconstructed in 1894 to become the Bank of China and Japan.

f. The records of two of the companies, namely, the Taikoo Sugar Refinery Company and the Industrial Bank of China, have been destroyed by the Registrar of Joint Stock Companies.

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A. Joint Stock Company Records.

1. Board of Trade Files (B.T.31), Public Record Office.

B.T.31 consists of the files of dissolved joint stock companies which were incorporated in England and Wales by the 1856 Company Act and subsequent company acts. Each company was required by law to file a 'Memorandum and Article of Association' with the Registrar of Joint Stock Companies before registration was granted. Then each year it had to send an 'Annual Statement of Capital and Shares'— a document giving the details of its nominal and paid up capital and its shareholders; but this obligation was often ignored by those which did not go into business. Even where a company has submitted its annual summaries in the manner prescribed by law, the Public Record Office has only kept its first and last and every intermediary fifth return. For details of the files, see U.K. (H.M.S.O.), Guide to the Contents of the Public Record Office, II (1963), pp.267-78.

One point of note is that the book is out of date by saying that B.T.31 Files are composed of dissolved companies records in the period 1856 to 1948; at present, they include files of companies that were wound up in or before 1960.

2. Company Registration Office.

The files of joint stock companies that have survived after 1960 (including live concerns) are kept in the Company Registration Office of the Department of Trade and Industry, London. Unlike B.T. 31 Files, each of these companies has a complete set of annual shareholder returns.

3. Chartered Companies.

I have not been able to find the place where chartered company files made before 1948 are kept although they were required to make annual returns under the 1837 Act. For providing me with a copy of the first shareholders of the Chartered Bank of India, Australia and China, I am grateful to the Joint Secretary to the Standard Chartered Banking Group.

B. Foreign Office Archive, General Correspondence, Public Record Office.

Before 1906, the General Correspondence of the Foreign Office Archive is classified in alphabetical order according to the names of the foreign countries. China is put under the heading of F.O.17. Foreign Office Correspondence since 1906 is divided into the following headings: Africa (New Series), Commercial, Consular, Dominions, Information, Library, News, Political and Treaty, Contraband and Prisoners. For details, see U.K., Guide to the Contents of the Public Record Office, II (1963), pp.123-28, 154-51, 161-4.

C. Jardine Matheson Archive, Cambridge University Library.

The archive is well catalogued by the Cambridge University librarians. It starts from 1800 and though extending to about 1900, the majority was written or printed before 1895 and therefore, it does not provide much information for the post-1895 period with which this thesis is also concerned. As the archive is very bulky in nature, only the following items were selected for consultation.

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Chinese overseas trade in general, and British trade with China in particular.

For the years and volume numbers of the above parliamentary publications, see Irish University Press, British Parliamentary Papers, General Index to the Bills, Reports, Estimates and Accounts and Papers Presented By Order of the House of Commons ..., IV, VI, VII and VIII (Shannon, Ireland, 1968) and U.K., General Index to the Bills, Reports and Papers Printed By Order of the House of Commons... 1900 to 1948-49 (1960). For the following, the title of the paper is preceded by its session of publication and volume number.

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ANGLO-CHINESE TRADE AND FINANCE 1854-1914

Summary.

The intention of this thesis is to study the underlying trends of Anglo-Chinese trade and finance in the period 1854 to 1914. Before the mid-1890s, commercial relations between Britain and China were mainly based on an exchange of goods. Even though large scale portfolio investment began to flow to China from the 1850s, it was mainly used to improve efficiency in Anglo-Chinese trading operations. This characteristic is not difficult to explain because for three decades after the signing of the Treaty of Nanking in 1842, Anglo-Chinese import and export trades flourished. After the mid-1870s, the golden age of the Chinese trade was gone: the British and European markets for Chinese tea and silk dwindled; British exports to China stagnated whilst the expansion of Indian opium exports to China was seriously undermined by local Chinese production. Meanwhile, the opening of the Suez Canal and the construction of Europe-China telegraph resulted in an increase in the number of merchants with small capitals who impaired the virtual control of the Chinese trade by the 'prince firms' - the prominent merchants. The situation turned from bad to worse in the nineties. Although British exports to China began to increase after 1894, mass inflation in Chinese export and import prices cast serious doubts upon genuine commercial expansion. Faced with a black future for the Anglo-Chinese import and export trades, some 'princes' tried to shift their activities to become Chinese government and railway loan contractors. With direct British diplomatic support, they succeeded in getting the bulk of the Chinese financial projects and with London supplying the capital required, British portfolio investment in China - and mainly in areas not directly concerned with the import and export trades - increased sharply after the mid-1890s and the structure of Anglo-Chinese trade and finance underwent fundamental changes.