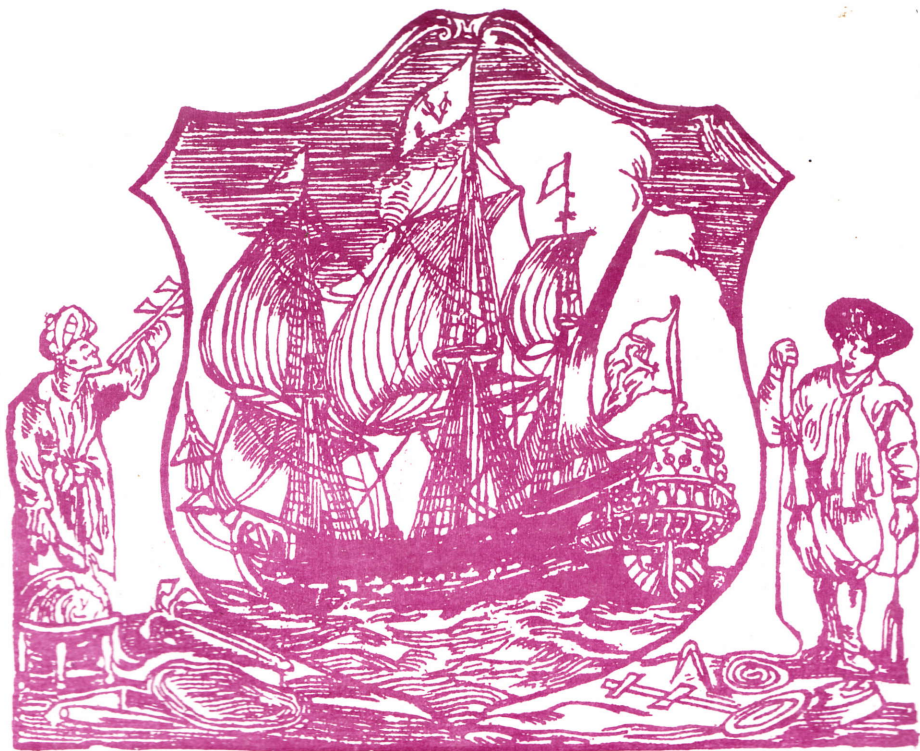


Tea, Silver, Opium and War:

The International Tea Trade and Western
Commercial Expansion into China
in 1740-1840

by

Zhuang Guotu



Xiamen University Press

茶叶贸易 和 18 世纪的中西商务关系

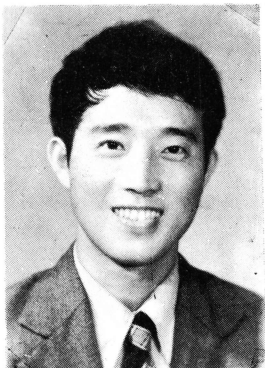
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Dr. Zhuang Guotu, an Associate Professor and Vice-director of Nanyang Research Institute, Xiamen University. He was educated at Xiamen University where he gained his doctorate "The Policies of Chinese Governments towards the Chinese Overseas before 1911" (Xiamen, 1989). Dr. Zhuang is the author of several publications on the history of the Sino-Western relation and the Chinese overseas. He has been a Visiting Fellow in the University of Leiden in 1987-1990 and a Research Fellow in the Netherlands Institute for Advanced Study, the Royal Netherlands Academy in 1992-1993.

责任编辑:

陈丽贞

杨信彰

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PREFACE

This study in economic history deals with the tea production industry for export and the international tea trade in the period of "the long eighteenth century". For more than thousand years the cultivation and trade of tea in China has played an important role in the Chinese domestic economy. Although the export of Chinese tea can be traced at least to the 10th century when the trade of tea being exchanged for horses was carried out on a large scale between Song dynasty and the nomadic tribes outside the Song's northwestern border, it is the European expansion into China which resulted Chinese tea becoming an international commodity from the 18th century onwards. The rapid increasing tea consumption of the Europeans since the 1720s made tea the primary export from China. It was the pursuit of tea that drew the European companies to China. Actually, for the European companies, tea was "the god to which everything else was sacrificed". In order to restrain the European commercial expansion the Qing government established the Canton System to administrate China's trade with the Westerners. The direct result of the international tea trade was the amount of silver flowing into China because there was virtually no market for the European products in China and the Europeans had therefore to import bullion into China for tea. The exchange of silver for tea under the control of the Canton system became the basic structure of the old China trade with the Westerners in the 18th century. The growing international tea trade brought a positive impact on the tea producing area concentrated on exports, which resulted in the emergence of new relation of production in the traditional natural economy. Once the source of silver was exhausted and the traditional Sino-western trade structure was broken, the English, and later the Americans, smuggled opium into China with which to purchase for tea. Based on opium for tea, they

re-established the balance of the structure of Sino-Western trade. When this balance was threatened by the firm attitude of the Ch'ing government against opium smuggling the English did not hesitate to abandon the commercial effort and resort to military force. The Opium War in 1840 marks the process of the European expansion to China changing from the commercial effort to military conquest.

My interest in this study was initially inspired by Dr. Leonard Blussè when I applied for the fellowship in the research nuclei of the "Eighteenth Century as A Category in Asian History in Memory of J.C. van Leur" in the academic year of September 1992-June 1993 at NIAS, the Netherlands Institute for Advanced Study in the Humanities and Social Sciences, Royal Netherlands Academy of Arts and Science. He suggested that I select a case study on the tea production for export in the 18th century. When I obtained the fellowship and carried on my study plan in NIAS, I extended the research to the international trade in tea and the administrative system of China's foreign trade, which results in a series of articles: some of these articles has been published. These articles consist of the chapters of this book. I hope that this study on a single commodity can to some extent show the characteristics of the Western commercial expansion into Asia and Sino-Western relations in 18th century.

Firstly I would like to express my deepest thanks to Dr. Leonard Blussè, who has offered me an enormous amount of help and acts as an elder brother in my research career. Without his inspiration and guidance I could not have reached my present achievement.

I am sincerely grateful to NIAS and its director Prof. J. van de Kaa, executive director W. Hugenholtz for offering me the opportunity to carry on my research in NIAS. I would also like to thank Mrs Dinny Young, the librarian and other staff of NIAS for

their unfailing help and cooperation. I should stress my deep thanks to Mrs Anne Simpson, who made nothing of the hardships involved in correcting my English writing, without her help I could not have brought my research results into an English book.

I owe a great debt of gratitude in the whole my research career to my wife, Xie Meihua, who has committed herself to take care of my family so that I can concentrate my mind on research. Without her interest and support this volume, like my other publications, would be impossible.

I bear all the responsibility for any errors arising herein.

Zhuang Guotu

June, 1993 at NIAS

(The Netherlands Institute for
Advanced Study in the Humanities
and Social Sciences)

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MONEYS AND WEIGHTS

Moneys

The tael(Tls), the basic unit of Chinese currency used in the foreign trade in China in 18th century. But the basic circulating coin was the Spanish dollar(\$).

1 tael = 6s.8d. or \$ 1.388 or fl. 3.47

1 pound(£) = Tls 3 or \$ 4

1 dollar(\$) = Tls 0.72 or 5s

Weights

The picul, the basic unit of Chinese weights used in the foreign trade in Canton.

1 picul = 133.3 pounds(lb.) or 125 Dutch ponds or 3.69 Russian poods

Chapter I

Canton System: China's Reaction to European Commercial Expansion in the 18th Century

The relationship between Europe and Asia underwent a drastic change in the 18th century. The newly-rising British colonists replaced those of Portugal, Spain and the Netherlands, and became the main force of European expansion into Far East. Based on military force Britain obtained political rule over some regions in coastal India and used them as bases to venture into China. However, British commercial expansion into China was powerfully restrained by China's government, which maintained severe policies on China's foreign trade. At a time when tea became a universal beverage which was widely consumed, and Europeans' thirst for tea increased, China had not sought for contacts with Europeans because the commodities of European manufactures were almost not attractive to the markets in China. Before European military force became strong enough to force China to open its markets for their "free trade", Europeans were forced to be subject to the Chinese government's administrative system of trade, which is called the Canton System or Canton Commercial System by western historians.

Western historians have done a lot of research on the Canton System, however, which is mostly based on the sources of the Eastern Companies and the records of Westerners living in China. They considered this system as a result of sense of superiority and exclusiveness to the isolation from the world,¹ or a system of hong

¹ Canton Miscellany, No.2, 1831.

merchant monopoly,² or something like Guilds in Middle Ages Europe.³ As a result of this most researchers overstate the role of Hong merchants in this system and even equate the Canton System with the Hong System since hong merchants were almost the only Chinese who contacted and worked with Europeans.⁴ Unfortunately, the restrictions of the Canton System on Chinese merchants created a situation where little attention was given to Western authors. Based mainly on the archives of the Qing government and some published contemporary Western sources, this treatise tries to approach the origin, content and purpose of the Canton System, and in particular, analyses the role hong Merchants played in the Canton system, and the relationship between the Canton system and hong merchants. With so much evidence and analyses I will stress that Hong merchants were actually the victims of the Canton System.

Contents of the Canton System

Since the Portuguese headed by Jorge Alvares sailed to the

² W.E.Cheong, Canton and Manila in Eighteenth Century, in Jerome Ch'en and Nicholas Tarling, eds., Studies in the Social History of China and Southeast Asia, Cambridge, Cambridge University Press, 1970, p.229.

³ Morse, H.B., Gilds of China, p.65-69, Shanghai, 1909. Yen-p'ing Hao, The Comprador in Nineteenth Century China: Bridge between East and West, p.2, Harvard University Press, 1970.

⁴ Cheong, *ibid*, and Trade and Finance in China: 1784-1834, in Business History, Vol.12, No.1, January, 1965, p.36.

coast of Canton in search of trade in 1513,⁵ the European colonists spared no effort to acquire trading opportunities and set up permanent factories on the coast of China in whichever way they could: military, commerce or by financial tribution. However, apart from the Portuguese who had successfully established their permanent settlement in Macao, no other European country was able to obtain a settlement in China until the Opium War when the English navy defeated Qing's troop and forced China's government to accept the trading conditions of the Europeans.

In 1683 the Qing government conquered Taiwan where the Koxinga family had been based for decades to fight against Manchu rule in China. The following year the maritime prohibition declared by Qing emperor in order to block the trade of the Koxinga family was totally lifted,⁶ and the foreign merchants were allowed to deal in the non-tribute trade which they had looked forward to for so long.⁷

⁵ Sir Henry Yule, Cathay and the Way Thither, Vol.1, p.180, Hakluyt Society, 1915.

⁶ Before 1684 maritime prohibition was lifted in some coastal regions in Fujian and Guangdong provinces. About the details of maritime prohibition in early Qing period, see Zhuang Guotu, Zhongguo Fengjian Zhengfu de Huaqiao Zhengche (The Policies of China's Government towards the Overseas Chinese before 1911), pp.61-68. Xiamen University Press, 1989.

⁷ The first chance of tribute trade to the maritime European countries was granted by the first Qing emperor Sunzhi to Dutch when the first Dutch mission headed by Pieter de Goyer and Jacob Keizer visited Peking in 1656. However, the tribute trade with China for Dutch was allowed only once eight years. Qing Shi lu, (CSL, The documental chronicles of Qing courts), Chunzhi reignperiod(1644-1661), Ch.103; Leonard Blusse and Zhuang Guotu, He shi Chu Fang

However, an important obstacle to European merchants in China was the harsh system of trade administration which became even tighter and more intergrated as Sino-European trade began to flourish. Up to the end of 1757, the Qing emperor Qianlong issued an edict that "all the barbarian vessels from foreign shores are only allowed to anchor in Canton and trade there", the supervisor ("hoppo" as he was known, by the Western merchants) of the Canton customs authority was ordered "to let foreign merchants in Canton know this new regulation in advance".⁸ In the following year, Li Shiyao, the viceroy of Guangdong and Guangxi provinces, gathered the foreign merchants in Canton and transmitted the emperor's edict to them. In 1759 Li Shiyao formulated "Five limitations on barbarian merchants".⁹ But in 1760, the hong merchant Pan Zhengcheng ("puankhequa" in West documents) and another eight hong merchants were permitted to establish Cohong (a union of hong merchants), which was granted the monopoly to trade with Western merchants, although this privilege was later

Zhongguo Ji Yanliu (Notes on the first Dutch mission to China), p.42, Xiamen University Press, 1989.

⁸ Morse, Chronicles of the East India Company Trading to China, 1635-1834, 5 volumes, Vol.1, p.271; Wang Zhichun, Guo-Chao Rou-yuan Ji(GCRYJ, Qing's pacifying the remote regions), Vol.3, 1879.

⁹ Shi liao Xun-K'an(SLXK, unpublished documents preserved originally in the Forbidden Palace and printed in their original form without being edited by Forbidden Palace Museum in 30s this century), No.9, "Records of English Trade in Zhejiang in 24th year of Qianlong reignperiod", p.307; Morse, Chronicles, Vol.5, p.94, Cambridge, 1929.

changed.¹⁰ Until that time the system of trade administration in Canton had concentrated on forming a solid basis generally, which Westerners called the Canton System. This system included three main elements: commodities exchange control, taking precautions against foreigners and restraining Chinese merchants. Since then the Qing government continued to declare a series of rules and regulations according to new situations, as is illustrated by the "Four Checks in order to take precautions against barbarians" formulated in 1777 by Li Hu, the governor of Guangdong and concurrently supervisor of Canton Custom;¹¹ "Regulations of the business carried between Chinese and barbarians" formulated by the viceroy Bai Ling and supervisor Chang Xian in 1809;¹² "Nine rules for reorganizing

¹⁰ Shortly after Canton was open for maritime trade, Li Shizhen, the governor of Guangdong province issued a official announcement about the regulations of trade in Canton in 1685, which allowed the merchants from outside Guangdong chose the merchants in Canton they preferred to carry their trade. Fu-yue Zheng-lue(FYZL, The strategy of ruling over Guangdong province), edicted by Li Shizhen, the governor of Guangdong in late 17th century, Ch.6, Announcements, pp.55-56. In EIC's records(Ship's Diaries, 1703) it was said that Europeans were at liberty to pay their own duties and to deal openly with any merchants on the spot in early times. See: Samuel Ball, An Account of the Cultivation and Manufacture of Tea in China, pp.342-343, London, 1848.

¹¹ Xu dishan, Da-zhong Ji(Collections of the affairs of trade in Canton in Qing period), Vol.2, pp.139-142.

¹² Jiaqing-Chao Wai-jiao Shi-liao(JQWJSL, Diplomatic records of emperor Jiaqing reignperiod,1796-1820), Vol.3, p.9.

foreign trade" formulated by the viceroy Jiang Yuxian;¹³ "Rules to take precautions against barbarians" formulated by the viceroy Li Hongbin in 1831;¹⁴ and, finally, the "Eight rules to take precautions against barbarians" formulated by the viceroy Lu Kun in 1835.¹⁵ These limitations on trading by foreign merchants were not generally any more severe than those of Li Shiyao in 1759. However, the regulations limiting the trading of Chinese merchants were becoming increasingly strict.

The contents of Canton System mainly includes the following:

A) The rule of a single port opened to foreign trade.

This decision was taken by emperor Qianlong at the end of 1757, since then all the foreign vessels were actually allowed to trade only in Canton and were not permitted to sail northwards. However, there were two exceptions to this rule. Portuguese commercial ships were not to trade anywhere other than in Macao which had been a Portuguese settlement from 1557 onwards, and the Portuguese in Macao had been very careful not to antagonise the Qing court and the local officials. The vessels from other countries were not allowed to trade simultaneously in Macao.¹⁶ Amoy was open to Spanish vessels, but this right was only nominal since the trading between Manila and Amoy had always been undertaken by Chinese junks.

B) The control on the commodities of exports and imports.

Gold, rice, beans, silver, sulphur, copper coins, weapons,

¹³ *ibid*, pp.16-18.

¹⁴ Daoguang-Chao Wai-jiao Shi liao(DGWSL, Diplomatic records of emperor Daoguang reignperiod, 1821-1850), Vol.4, pp.47-50.

¹⁵ Liang Tingnan, Yue-hai Guan-zhi(YHGZ, Records of Canton Custom), Vol.29, pp.28-36, 1839.

¹⁶ Morse, International Relations of the Chinese Empire, 3 volumes, Vol.1, pp.3-4, Shanghai and London, 1919-1918.

lead, irons, Chinese books, etc., may not be exported. The quantities of raw silk, silk knitted goods and rhubarb were limited for export in certain periods. Opium and weapons were not allowed to be imported.¹⁷

C) Regulations concerning communication between foreigners and Chinese officials.

Foreigners were not allowed direct contact with high Chinese officials. The duties paid by foreign merchants must be transmitted by hong merchants to the customs authorities. Foreigners' petitions were to be presented also through the hong merchants. Petitions concerning trade were to be sent to Hoppo's office, while petitions concerning local affairs should go to the Macao magistrate. If hong merchants refused to present petitions, two foreigners were allowed to present them to the city gate in the case of matters of great importance.¹⁸

D) Regulations on foreigners' trade and residence in Canton.

Foreigners with weapons or foreign warships were not allowed to enter Bogue or Typa on the coast of Canton; Foreign merchants in Canton must reside in their factories and not go out alone without

¹⁷ In 1759 Qing court forbade to export any raw silk and silk knitted good. This prohibition was lifted in 1762, but the quantity for export was still limited until 1764. In 1789 each country was allowed to purchase not more than 500 catties (1 catty=1 1/3 lb.) of rhubarb, this limitation was abandoned in 1792. YHGZ, Vol.17-18, Prohibitions. The detail information in Western language about the prohibitions on commodities for export and import in Canton, See: John Robert Morrison, Chinese Commercial Guide, p.19, Canton, 1834.

¹⁸ SLXK, No.9, p.307; Liang Jiabin, Guangdong Shi-san Hang Kao(Notes on thirteen hong in Canton), p.76-77, Shanghai, 1937; Morse, Chronicles, Vol.5, p.94; Charles Gutzlaff, China Opened, Vol.2, p.78, London, 1838.

permission and accompanied by an official guide. They must leave Canton as soon as the trading season ended and were not allowed to remain in Canton throughout the winter. Those with unfinished business in Canton were to dwell in Macao, although the number of foreigners residing in Macao awaiting the next trading season was also limited; Foreign women were absolutely forbidden to enter Canton, they must remain on ship or reside in Macao.¹⁹

E) Limitations on Chinese merchants in Canton.

Natives were not allowed to enter foreign factories without permission, shopkeepers or outside merchants must not personally carry on business with foreigners; Chinese merchants must not borrow money from foreigners nor even receive advanced payment from foreigners for their purchases; Any debt a Chinese had to foreigners must be paid off. The local government supervises the repayment of money to foreigners and hong merchants must take the responsibility for this. Those who owe money to foreigners will be penalized by transportation and confiscation of their properties;²⁰ Chinese merchants must not transport tea to Canton by sea, only the land route is allowed.²¹

¹⁹ SLXK, *ibid*; JQWJSL, Vol.3, p.16; Gutzlaff, p.77. Morrison, p.47.

²⁰ Xu Dishan, p.139, pp.143-145; Gutzlaff, Vol.2, p.77; Morrison, p.47, p.57.

²¹ The tea transported from the areas of production to Canton had always been by land route. The detail information of tea route from China's inland to Canton, see: Description of the tea plant; its name; cultivation; mode of curing the leaves; transportation to Canton; sale and foreign consumption; endeavors to raise the Shrub in other countries, in Chinese Repository, Vol.8, pp.144-149, July, 1839. Since 1813 tea produced in Wuyi region in Fujian had been transported by sea from Fuzhou to Canton increasingly because the cost of

F) Roles and responsibilities of hong merchants.

Hong merchants play an important role in the Canton System and are the main instrument used by China's government to deal directly with the affairs of foreigners in Canton. Since hong merchants had no corresponding political power, the more responsibility they accepted, the more blame they received from the government and foreigners and, as a consequence, the less stable their position became.

There are three main responsibilities hong merchants must take:

1) Responsibilities to monopolize the import and export of main commodities with Western merchants with the exception of articles of inferior importance in which the outside merchants are allowed to deal. They must pay duties for such goods to the customs authorities in Canton.²² Failure to pay these duties was a punishable offence.

2) Responsibilities of security. This includes two contents, one is that hong merchants must secure each other and, secondly,

transmit by sea is much less than that by land route. During his official residence in China in 1804-1826 Samuel Ball calculated that the cost per picul by sea is 0.4 Tals and that by land is 3.9 Tals per picul. In 1817 the emperor issued edict to prohibit the tea transit by sea in considering the difficulty of inspection on junks on outside sea and the duties of inland custom. See: Guang-xu Da-qing Hui-dian Shi-li (Cases of Qing decrees and regulations edited in the reignperiod of emperor Guangxu), ch.630, p.6; Ball, An Account, Vol.2, p.356.

²² The rule that hong merchants took responsibility to pay duties for foreigners started in 1750, however, Ce Leng, the viceroy and concurrent supervisor of custom in Canton, once ever selected the richer one among hong merchants in 1745 to take the responsibility for all the duties which should be paid by foreigners. See: Morse, Chronicles, Vol.1, p. 247, 260, 268; SLXK, Vol.4, p.122.

they must secure foreign merchants. The security of each other among hong merchants also includes two contents, one is they must take financial responsibility for each other. When one of hong merchants was in debt to foreigners or the government which he could not pay, other merchants, especially those who secured him and later the senior merchants, must take over his debt.²³ Any merchant wishing to join the line of hong merchants must usually have the recommendation and security of the existing hong merchants.²⁴ The security of each other among hong merchants was actually the implement of the traditional Bao-jia system in the government's administration of foreign trade.²⁵ The security for foreigners consisted not only of hong merchants taking the responsibility for their import duties to customs, but also for all their behavior in Canton. Before any trading can begin a foreign commercial ship must have such security from at least one hong merchant.²⁶

²³ Liang, ch.14, p.52-56, ch.25, p.3-4.

²⁴ Before 1813 a merchant should usually have security of one or two hong merchants before he could become a new hong merchant. Sincethen all hong merchants must take security for the selection of new merchants. JQWJSL, ch.4, p.5-6.

²⁵ Bao-jia was a administrative system of China's government originated from the late 11th century, which was organized on the basis of households, each Jia being made up of some certain households, and each Bao of some certain Jia. They took responsibilities each other.

²⁶ Morse, The Guilds of China, pp.82-83; Hunter, William C., Bits of Old China, pp.220-221.

3) Responsibility to be the medium of communication between mandarins and foreign merchants. All the official regulations and demands were to be transmitted to foreign merchants through hong merchants, they were also to transmit foreigners' petitions and even the bribes to mandarins since direct communication between mandarins and foreigners was not allowed.²⁷

4) Hong merchants must retain their function for life. Rich hong merchants were not allowed to retire from their function unless they went bankrupt, and the poor offenders were dismissed from the line of hong merchants.²⁸

Origin and Purposes of the Canton System

²⁷ Searching for the direct channel to contact with mandarins had been a aim of long-term for Europeans in Canton since the mid-18th century, which was one of the petitions that English merchant James Flint presented to Qing court in 1759 and the purposes that EIC sent envoys Lord Macartney and Lord Amherst to Peking in 1792 and 1816. However, this request had been refused by Qing court until Opium War. See: Morse, Chronicles, Vol.5, pp.78-80; Vol.2., pp.225-237, Vol.3, pp.279-280; SLXK, NO.4, p.113-114; GCRYJ, ch.6, Cases of English tributions in 1793 and 1805, ch.7, Case of English tribution in 1816.

²⁸ In an edict issued by emperor Jiaqing in 1809 to reply the memorial presented by the viceroy Bai ling, it was stated, "the poor one should be removed from the line of hong merchants and the rich one must be kept, even when the rich hong merchant is ill, disabled or too old, his hong business must be taken over by his sons or relatives to continue. Anyhow, those who possess great capital are not allowed to stand away from hong business." JQWJSL, CH.3, PP.17-18.

The Canton System is more significant in politics than in the economy. It is a unified system created by the Qing government to manage diplomacy, foreign affairs, exports and imports. This system not only reflects the traditional administrative measures and ideology of the Chinese ruling groups but also the Qing government's reaction to the European expansion to China and Asia.

1.To separate foreigners, especially Europeans, from China, and guard the security of southeast coast of China.

From the Ming to Qing dynasties it had been a prevalent ideology of governments that coastal defence is more important than foreign trade. Since Qing court was established it took more than 40 years to pacify the southeast coast of China. After a Qing troop conquered Taiwan and the maritime prohibition was lifted, the Qing court maintained strict controls on overseas trade, paying special attention to preventing foreigners from colluding with the local populace. In 1717-1727 the Qing court prohibited Chinese junks from sailing to Nanyang (South China Sea) because "there are Luzon(Manila) and Kalaba(Batavia) in Nanyang, Luzon is the anchorage of the West Ocean countries (Spaniards and Portuguese) and Kalaba is the sea-base of the red-haired barbarians (Dutch and English), in both places the bandits and pirates are numerous".²⁹ Chinese junks were not allowed to go there in order to prevent foreigners learning anything about the Chinese domestic situation. Gao Qizuo, the viceroy of Fujian and Zhejiang even suggested "to select proper persons and send them to Manila and Batavia to investigate what was the Europeans' intention and what the Overseas

²⁹ In the edict of emperor Kangxi issued in 1716. Qing Shi Lu(QSL, The documental chronicles of Qing dynasty), Kangxi reignperiod, ch.71.

Chinese are actually doing there.³⁰ The Qing court maintained sharp vigilance over the activities of Europeans in Luzon and Batavia, especially looking out for any collaboration between Chinese merchants and Europeans there. The example of the case of James Flint clearly shows the Qing court's anxiety about this kind of collaboration. In 1759 the English merchant Flint violated the regulation of single port trading for foreigners, and went northwards to Zhejiang to trade. When he was expelled from there he turned to Tianjin and lodged a complaint to the Qing court against the corruption of the Canton customs authorities. The first thing the Qing government investigated was who colluded with Flint and helped him to take this action. Several Chinese merchants who were suspected of having contact with Flint were detained and tortured, Liu Yabian(loupingchou), who wrote the accusation for Flint was executed, Flint was punished by detainment in Macao for three years.³¹ In the Qing government's opinion foreigners always brought about trouble, so it is understandable that they placed limitations in the Canton System on the residence of Europeans in Canton and on the communication between Europeans and Chinese. In 1740 Dutch colonists massacred more than ten thousand Chinese in Batavia. When the news reached the court the officials at all levels concluded that "the nature of barbarians are cruel and wanton", although the court didn't accept the suggestion by the viceroy Che Meng to prohibit the trade with Nanyang.³² The numerous illegal actions of Europeans in Canton, such as getting drunk and creating a disturbance, shooting natives and, later, smuggling opium, all caused great indignation

³⁰ Zhu-pi Yu-zhi(ZPYZ, The collection of emperor Yongzheng's edicts, 1723-1735), Vol.46.

³¹ SLYK, Vol.9, p.307, Morse, Chronicles, Vol.5, p.83.

³² CSL, Qianlong reignperiod, ch.176.

within the Chinese government and amongst the public.³³ The Qing government was well aware of the wars started by the English with India, Burma and Nepal in the 18th century, and the Select Committees of both English Houses of Parliament were worried about the effects these wars might have upon the Chinese treatment of the British in Canton.³⁴ European, especially English, military expansion into Asia acted as an alarm to the Chinese government with the result that European warships escorting commercial vessels were not allowed to venture near the coast of Canton, and the cannons on the commercial vessels had to be removed before being allowed to trade in China according to the Canton System.³⁵

Limiting foreign trade to a single port also acted as a form of sea defence. Since 1755 English vessels had frequently used Zhejiang for trade until the emperor Qianlong said "there are numerous troops stationed in Humen and Huangpu (strongholds on the sea route from the sea to Canton), but in spite of this there is no block to foreign vessels reaching the port of Ningbo in Zhejiang. He therefore issued an edict, in which he declared that "foreign merchants may only anchor and trade in Canton and were not allowed to sail to Ningpo. This enabled the coastal defence of Zhejiang to be secured and also allowed the livelihood of people in Guangdong to benefit from it".³⁶ Coastal defences, and fear that another Macao would appear

³³ Morse, Chronicles, Vol.1, 82-83; Michel Greenberg, British Trade and the Opening of China 1800-42, p.45, Cambridge University Press, 1951.

³⁴ Greenberg, *ibid*, p.45.

³⁵ JQWJSL, ch.3, p.9.

³⁶ Zhu-pi Zou-zhe(ZPZZ, The collections of memorials replied by emperors), category of diplomacy, No.35, preserved in China's First Historical Archives in Peking.

in Zhejiang, prompted the regulatory single port for foreign trade, severe restrictions of foreigners in Canton, and the communication between foreigners and Chinese. By the Canton system the Qing government intended to achieve both purposes, to insure its coastal defence system, and monopolize the profit of Canton trade. However, if foreign trade conflicted with the security of coastal defences and the rule over the normal population, or the dignity of empire, then foreign trading would be sacrificed without hesitation. As in the courts before the Qing dynasty, Qing emperors always made use of foreign trade as a medium regulating the relationship with foreign countries: in fact foreign trade was never a priority.³⁷ China was a country of continental economics, the proportion of authorities duty to national income was very low. In 1753 four customs authorities levied taxes (including on Chinese junks) of about one million Taels of silver compared with 29.61 million Taels of taxes

³⁷ The emperor Qianlong (who reigned from 1736 to 1795) said that my country was so extensive that everything could be produced, that foreign vessels were allowed to China was only to make a show of conciliation in order to bring foreigners under control. CSL, Qianlong period, ch.603; The emperor Jiaqing (reigned from 1796 to 1820) stated the permission to barbarians coming to trade and pay tax in China was only because they observed the tribute system as vassals, we were not interested in their goods or treasures. Wang Xianqian, ed., Shi-san Chao Dong-hua Lu(SSCDHL, The records of 13 courts of Qing dynasty), Jiaqing reignperiod, No.26. The emperor Daoguang said the heaven court paid more attention to grant barbarians bounty rather than to levy duty on them. Liu Jinzhao, ed., Qing-chao Xu Wen-xian Tong-kao(QCXWXTK, The continuation of notes on the documents of Qing dynasty), ch.57.

on agriculture.³⁸ Up to the eve of the Opium War the annual duty of the Canton customs authority was about 1.5 million Taels,³⁹ which was about 3% of the annual revenue of the Qing government.⁴⁰ In the Canton System no measures were taken to stimulate the development of foreign trade although there were many restrictions.

2. To concentrate the profit from foreign trade in the coffers of the government and mandarins.

The Qing's administration of foreign trade in Canton was systematized in the middle of the 18th century when tea became the most important commodity in the Asian market: It was tea that drew European vessels to China.⁴¹ In 1750 Europeans exported 70,843 piculs (1 picul=133.3 pounds) of tea from Canton,⁴² worth about 1.2 million Taels of silver, and 70% of Canton's exports of any value. Corresponding to the development of trade in Canton was the rapidly increasing income from duties levied.

³⁸ Zhuang Guotu, Zhong-guo Feng-jian Zheng-fu De Hua-qiao Zheng-che (Policies of Chinese governments towards the Overseas Chinese before 1911), pp.105-106, Xiamen University Press, 1989.

³⁹ YHGZ, ch.10, pp.15-16.

⁴⁰ Ta-Qing Hui-dian (ICHD, The Collection of institutions of great Qing dynasty), Qianlong reign period, ch.16, duties.

⁴¹ Louis Dermigny, La Chine et l'Occident, le Commerce a Canton au XVIIIe siecle: 1719-1833, Vol.2, p.519, Paris, 1964.

⁴² Morse, Chronicles, Vol.1, p.292.

Taxes increasing in Canton custom⁴³

year	duties(Taels)
1685	2-30,000
1727	91,750
1750/51	466,941
1755/56	486,218

According to the records of the Canton customs authority there were 18 foreign vessels in 1750 and 19 vessels in 1751 to Canton,⁴⁴ all of these vessels were supposed to be Europeans.⁴⁵ Therefore it could be said that the duties levied by the Canton custom in 1750-51 were almost all levied on the trade with European vessels. Trade between Europe and China developed rapidly in the 18th century, and was almost concentrated in Canton. The Qing government monopolized the main commodities for export and import through hong merchants, the hong and normal merchants in other cities, as well as the local merchants in Canton, were excluded from this trade. By

⁴³ The number of 1685, see: FYZL, ch.2, p.42; the number of 1727, See: Wen-xian Cong-bian (WXCB, collection of documents), No.12, p.5, printed in Peking in 1928-29; the numbers of 1750/51 and 1755/56, See: YHGZ, CH.10, PP.1-3.

⁴⁴ YHGZ, ch.24, p.34.

⁴⁵ In Morse's record there were 10 English, 2 French, 2 Swedish, 1 Danish, 4 Dutch vessels in Canton in 1750/51. Chronicles, Vol.1, p.292.

levying various duties and fees on vessels and goods,⁴⁶ especially the extortion from the hong merchants, most trading profits came to the government's revenue and the mandarins' pockets. Although it is the hong merchants who actually carried on export and import trading with Europeans, these independent merchants gradually became instruments of the government in trade, and brokers to European merchants because of the extortion of government and mandarins, and exploitation by the usurious loans of Western merchants. There is little information of extortion by mandarins on hong merchants in Chinese documents although it was mentioned extensively in Western records. However, only from the Chinese official record "Liang-guang Yan-fa Zhi" (LGYFZ, Annals of the regulations of salt trade) did we learn that Hong merchants in Canton had made a "contribution" of 3.83 millions taels of silver to the government in 1773-1832 only for

⁴⁶ The duties levied by Canton customs levied on European merchants mainly included three kinds, namely tax of goods, tax of vessels and additional taxes. The tax of goods was from 1-8%, average amount was about 4% of goods' value. The tax of vessels was about 3,000 taels per ship. The additional duties since 1758 included mainly two kinds, the charge of service (Gui-gong) and the Consoo Charge for fund of co-hong (hong-yong). The charge of service for every vessel was about 1,950 taels to British and 2,050 taels to French. Morse, Chronicles, Vol.1, p.268; YHGZ, ch.8, pp.16-17; Wang Jingyu, Shi-jiu Shi-Ji Xi-fang Zhi-ben Zhu-yi Dui Zhong-guo de Ru-qin (The western capitalist invasion into China in the 19th century), pp.21-23, Beijing, 1983. The charge for fund of co-hong was levied from 1780 onwards, charged 3% of the good's value. However, this kind of tax was levied increasingly in later years and became one of main complaints of Europeans. In 1809 the tax for fund of co-hong levied reached to 700,000 taels. JQWJSL, ch.1, p.5, Morse, Chronicles, Vol.3, p.61, p.146, p.310.

military supplies and irrigation works.⁴⁷ According to the regulations of the Canton System rich hong merchants were not allowed to retire from Hong affairs; the properties of hong merchants should be confiscated if they fell into debt. These regulations were designed so that all the properties of hong merchants would eventually fall into the treasury of the government, and the hands of mandarins. Heavy extortion was the main reason for hong merchants being in debt to Westerners. At a rough estimate the total of insolvent debts over the eighty-two years in which the co-hong operated, amounted to over 16.5 million dollars.⁴⁸ Hong merchants not only owed to foreigners but also to governments. In 1833 the debts that hong merchants could not afford to pay off for taxes and contributions was over 1,306,600 taels. With the exception of a few of the richer merchants all the other hong merchants owed taxes to the government.⁴⁹ The destiny of most hong merchants was eventual bankruptcy, which enabled the Qing government to reach its another purpose to restrain private merchants!

The policy of regarding agriculture superior and restraining merchants had been strictly carried out by Ming and Qing dynasties since these two governments were highly centralized feudal regimes based on the natural economy of the close combination of small-scale farming and household handicrafts. This highly centralized system was implemented to restrain the uncontrolled growth of the commercial economy and, through that, the economic power of merchants. Through this policy the government could control its people whose livelihood depended on the land and where most social wealth was concentrated.

⁴⁷ LGYFZ, ch.27, contribution.

⁴⁸ Greenberg, p.63.

⁴⁹ YHGZ, CH.14, pp.52-53.

The Canton System was a component part of this policy. The Qing government firstly concentrated mainly on foreign trade in Canton by the regulation of a single port for foreign vessels. It then granted a monopoly to a few selected hong merchants and successfully excluded most Chinese merchants from participating in the main foreign trade in Canton. The regulation that sea transportation of tea was not allowed ensured that all the tea must be sent to hong merchants. By means of the extortion on hong merchants, and the regulation that rich hong merchants were not allowed to retire, the Qing government and its mandarins could take the most of the profits the hong merchants made from foreign trade in Canton. The merchants in China were powerless against officialdom and the merchant class was much weaker than its European counterpart. Hong merchants were but servile agents of the mandarins, and had to bear the heavy extortion from them.

Through the Canton System the Qing government reached its double economic purposes, to seize most of the profits from foreign trade in Canton, and to restrain the merchants!

3) Keep the principle of sino-foreign relation and the dignity of China as a superior country to others.

The Canton System shows Qing's guiding ideology of foreign relations. Before the Opium War there were two guiding ideologies in Qing's foreign relations, one was that "heaven-son's country has a vast territory and abundant resources, and can produce anything", the other was "the whole world is the territory of china's emperor, all the people in this world are subjects of this emperor". Based on these guiding ideologies the Qing's principle of foreign relations was that all those countries wanting contact with China should acknowledge China as their suzerain and act as tribute countries, otherwise no kind of relation with China may be established.

With its long and uninterrupted history China had maintained

an advanced level of culture and production in the world for long period, while its relatively geographical isolation from other centres of civilization resulted in the Chinese knowing little about the outside world. For thousands of years both Chinese governments and intellectuals had considered their empire as the most advanced country, and even as the centre of this world; the countries outside China were seen as barbarians. When the famous Jesuit Matteo Ricci, who was employed in the Ming court at the end of the 16th century, drew map of the world for the Chinese court showing China in its true dimensions and position, it was sharply criticized by officials and intellectuals as "heterodoxy to confuse people".⁵⁰ In the preface of a volume of geography in QWXTK (Notes on all documents in the Qing dynasty), officially edited in the Qianlong period (1736-1795) it was stated, "China is located in the centre of the earth and surrounded by seas, overseas countries are considered to be marginal ones".⁵¹ This theory of China-centralism was also conveyed by the method of Qing's external communication, that is the tribute system.

The Canton System was actually a component part of Qing's tribute system. Theoretically, the Qing government considered any foreign merchant or envoy who came to China as barbarian who paid homage to the Chinese government and who admired China's civilization. In DQHD, the most important of the court's code of institutions, Holland, England, Italy, Portugal, Spain were all registered as tribute countries.⁵² When Lord Macartney was

⁵⁰ Wei Jun, Li-shou Huang-dang Huo-shi (Comments on the heterodoxy confusing people), in Sheng-chao Po-xie Ji (Collections of eradication of heterodoxies), ch.3, 37-39.

⁵¹ QWXTK, ch.293, Notes on marginal regions, No.1.

⁵² DQHD, Qianlong period, ch.56, Jiaqing period, ch.31.

appointed by the British Queen as ambassador to China, he was treated and escorted to Peking by local officials in a tribute ceremony under banners marked "tribute-bearers".⁵³ But the mandarins disdained to meet the ordinary foreign merchants, otherwise, they considered it a loss of national dignity (You-shi Guo-ti). In the Canton System the regulation of no direct contact between mandarin and foreign merchants was simply a reflection of China's opinion of itself as superior to foreign countries, based on the theory of China-centralism.

Actually, the Canton System was the reaction of China's traditional system to the new situation when European countries began to expand their trading into China, it was also a summation of the Qing's external and internal policies in relation to trade. Internally, Chinese merchants were subject to the oppression of government and mandarins in the framework of the Canton System and had no political influence. Externally, Europeans endeavoured to escape from the limitations the Canton system pressed upon them, Flint's going northward, Lord Macartney and Amherst's serving as diplomatic envoys were all instituted for this purpose. The case of Flint was the typical one which showed why, how, and the result of the European revolt against the Canton System.

Because EIC could not bear the limitations in Canton, two EIC vessels commanded by Harrison were sent to the port of Ningpo in Zhejiang province for trade in 1757. The traders were given a warm welcome by the officials and merchants in Ningpo.⁵⁴ In the next two years English vessels went there continuously, which inevitably led

⁵³ G. F. Hudson, Europe & China, A Survey of their Relations from the earliest times to 1800, p.266, London, 1931.

⁵⁴ SLXK, No.10, p.Tian, 354.

to a reduction of duties paid to the Canton custom authorities.⁵⁵ But more than reduced revenues the attention of the Qing government was centred upon the security of the coast since Canton was a marginal region, but Zhejiang was the economic centre of China. The emperor's concern about security led to the policy of single port open to foreign vessels. However, EIC didn't give up easily and, Flint was sent to Zhejiang again in 1759. On that occasion he was expelled by the local officials and troops, and turned northwards to Tianjin to present a complaint to the Qing court against the malpractice of the Canton custom and mandarins. This was the first time that any European had lodged a complaint to court and it drew the attention of the emperor. The court accepted this complaint, and the European merchants gathered in Canton entertained high hopes of a resolution to their problems, they looked to improve their trading positions in Canton.

The main points in Flint's plaint were as follows:⁵⁶

- a) the tax regulations were too obscure and were open to numerous malpractices.
- b) officials no longer interviewed foreign merchants so that they were unable to give their opinions.
- c) the security system against foreign merchants enabled hong merchants to divert foreign capital as they wished and delay vessels from sailing out.
- d) levies by mandarins, hong merchants and their clerks and servants.

⁵⁵ Memorial of the governor of Guangdong for the reduction of duties, in SLXK, No.3, p. Tian, 97; YHGZ, ch.24, p.24.

⁵⁶ Jun-ji Chu Fu-lu Zou-Zhe (Memorials to emperors copied and preserved in Imperial Secretariat), category of diplomacy, No.158.

It should be said that Flint's complaint was fairly accurate, the contents of a petition against the Canton customs authorities presented by French merchants Demontignn, Damsin and Michel to the viceroy in 1759 was almost identical to those of Flint.⁵⁷ The Qing court seriously investigated this case, Li Yongbiao, the supervisor of Canton custom was dismissed from office and prosecuted, his property was confiscated, and his linguist and servants were also punished. A few unreasonable regulations were modified: such as double taxes levied in Canton and in Macao was eliminated, various "squeezes" were legalized and merged into a charge called "Gui-gong"(fee of procedures) which would be levied by the customs and no longer by local officials' clerks and servants.⁵⁸

However, Flint's action caused a deterioration of the situation in Canton for Europeans. Their grievance against the trade administration in Canton and their impertinence made the Qing government and mandarins to increase their vigilance of them. Soon afterwards, viceroy Li Shiyao declared "Five limitations on the barbarian merchants", more limitations were imposed on European trade and residents in Canton, as well as the communication between foreigners and Chinese. Unlike previous rules made by local officials, Li Shiyao's declaration was permitted by the emperor and

⁵⁷ This petition was preserved in the library of Oxford University. Tang Xianlong, Shi-ba Shi-ji Yue Hai-kuang de Fu-bai(The corruption of Canton custom in 18th century), in Bao Zhun-peng, eds.Zhong-guo Jin-dai Shi Lun-cong(Treatises on modern history of China), Vol.1, No.3, pp. 146-155, Taiwan, 1956.

⁵⁸ SLXK, No.5, p.Tian, 159; ZPZZ, category of diplomacy, No.36; QSL, Qianlong reignperiod, ch.591; Morse, Chronicles, Vol.1, p.8.

become part of the permanent regulations.⁵⁹

Flint's complaint had begun as a form of European resistance to the Canton System, but unexpectedly led to yet more restrictions on them. This action clearly demonstrates how determined the Qing government was to prevent any European expansion in China. No matter how dissatisfied Europeans were with the Canton System, they had to bear all the limitations placed on them because the Canton trade was very profitable and they had insufficient military force yet to impose their own trading conditions on China's government.

Viceroy or Governor, the central figure in the operation of the Canton System

Although the administration of foreign trade was important for the Canton System, the functions of this system went much deeper than trade: it included diplomacy, coastal defence, control on native merchants, etc. Viceroy or governor, namely the head of local officials, was the central figure in the operation of the Canton System, who formulated the main regulations on basis of the emperor's

⁵⁹ The contents of Li's declaration are followings:

- a) Foreigners must not reside in Canton throughout winter.
- b) Strict limitations were taken on foreigners' behaviors in Canton, hong merchants must take this responsibility; Natives are not allowed to enter factories except hong merchants.
- c) None is allowed to borrow money from foreigners, foreigners must not employ Chinese as servants.
- d) Foreigners must not employ Chinese to obtain the commercial informations of interior provinces.
- e) More troops are to be stationed in anchorage of foreign vessels in Canton. See :SLXK, No.9, p.Tian, 307; Morse, Chronicles, Vol.5, p.94; Morrison, p.47.

edicts. The supervisor of Canton customs was mainly responsible for levying duties, and hong merchants were only one of the instruments for the operation of the Canton System. Since hong merchants were mainly Chinese, and the customs authority's main office with whom Europeans maintained frequent contacts, many Western historians overestimated the roles of the supervisor of customs, and the hong merchants depending mainly on the records of Western languages to study the Canton System,⁶⁰ so that they don't really comprehend precisely how the Canton System operated.

Viceroy or governor as the central figure operating the Canton System can be explained as follows:

1) The Viceroy or governor often held the post of supervisor of the Canton customs authority, or was concurrently in charge of custom affairs. He was responsible for formulating the main regulations of trade administration.

When the Canton customs authority was established in 1685 a supervisor was appointed in charge of tax collection, but the regulations concerning the administration of trade were formulated and declared by the viceroy or governor.⁶¹ After 1723 local officials took charge of customs and tax collection throughout the whole country and supervisors were no longer appointed. The Canton

⁶⁰ Cheong, Canton and Manila, p.229; Morrison, p.16; and Morse in almost all his publications related to foreign trade of China. Even Liang Jiabin, the most famous expert on research on hong merchants, also considered the supervisor was the central figure of Canton trade. Liang jiabin, p.296.

⁶¹ Almost all the announcements about Canton trade were declared by governors in early time since Canton opened to foreign trade. FYZL, ch.6, announcements.

customs was headed by a governor (Lian Xiyao then Yang Wenqian), but in 1729 a supervisor was appointed again to the Canton customs authority. By 1734 a viceroy or governor was again appointed to take charge concurrently of local customs duties throughout the whole country. It is the period that the head of the local officials formally took charge of customs in addition to his normal duties, but they had no authority over the function of supervisor of tax collection.⁶² After 1750 the formal report of tax affairs of the Canton customs department to the court, formerly presented by a supervisor had to be discussed and signed by the viceroy before it was presented to court. After 1792 such reports were presented only by the supervisor, but the viceroy must present his own monthly report customs affairs to the court in order to prevent malpractice in tax collection.⁶³ Sometimes the viceroy directly held the post of supervisor of the Canton customs office,⁶⁴ and was often even asked to intervene in important tax issues.⁶⁵ As for the administration of trade in Canton, issues such as formulating

⁶² YHGZ, ch.7, pp.2-3.

⁶³ YHGZ, ch.7, pp.3-4.

⁶⁴ For example, in 1743-1750, the head of local officials was appointed to be concurrently supervisor of Canton custom, no other was appointed to this post by court. YHGZ, ch.7, pp.27-28.

⁶⁵ In 1759 viceroy Li Shiyao presented a memorial in which he suggested to combine the various additional fees charged on European vessels into a formal kind of taxes, his suggestion was permitted by emperor. SLYK, No.5, p.Tian, 159.

important regulations, presenting reports to court, and carrying out⁶⁶ supervision of foreign vessels, maintaining the order of trade, etc, all were controlled by the viceroy or governor. Even a copy of the security bond for a foreign vessel must be sent to the viceroy for his signature, otherwise no trade with this vessel was permissible.⁶⁷

2) Acting as an intermediary, or taking charge of the selection of hong merchants and their organization.

According to Qing's regulation the supervisor is responsible for the nomination of hong merchants and senior hong merchants. His nominations were sent to the court for permission, before being allowed to function in hong affairs.⁶⁸ Since viceroy took concurrently charge of the affairs of the customs authorities, he often intervened in the selection and organization of hong merchants. In 1760 nine hong merchants headed by Puankhequa established Co-hong and, with the permission of the court, obtained the monopoly of trade with Europeans in Canton. In 1771 the viceroy Li Shiyao issued orders to disband this organization because the hong merchants could not pay their taxes. It was said EIC offered 100,000 taels to bribe this viceroy for the dissolution of the co-hong.⁶⁹ After 1777 more and more hong merchants went bankrupt while lesser merchants wished to be selected as hong merchants. The viceroy Jiang Yuxian presented a

⁶⁶ See, Notes: 12-15.

⁶⁷ Morrison, p.16.

⁶⁸ YHGZ, ch.25, p.1.

⁶⁹ Morse, Chronicles, Vol.1, p.301.

secret memorandum (Mi-zhou) in 1814 to the court, in which he suggested forcing Puankhequa II, who had retired seven years earlier, to be a hong merchant again. His suggestion was approved and Puankhequa II had to become a hong merchant again.⁷⁰

3) The clerks and servants of the viceroy, governor and supervisor directly involved in trade administration.

Although foreign trade in Canton had flourished since the middle of the 18th century, the administrative system had never been efficient, various high local officials tried to become involved in the administrative affairs which was the systemic cause of the corruption in the Canton customs office. The two biggest customs houses stationed in downtown Canton and Macao, which were responsible for customs checks on the commodity transactions in Whampoe, hong, and the factories in Canton, and foreign vessels frequenting Macao, was controlled by the Setting General (Zhu-fang Jiang-jun), who sent his subordinates to check affairs. The other ten small customs houses were respectively controlled by supervisor, viceroy and governor, whose clerks and servants managed them.⁷¹ These clerks and servants of various masters naturally tried hard to squeeze merchants on behalf of their masters, and also for themselves. They were always the objects of Europeans' complaints. The main reason for the dismissal of Li Yongbiao, the supervisor at the time of the Flint case, was just that he allowed his servant to squeeze foreign

⁷⁰ Jiang's memorial about foreign trade in Canton and how to reorganize hong. in JQWJSL, ch.4, p.22.

⁷¹ YHGZ, ch.7, pp.4-6.

merchants.⁷²

In the Qing dynasty viceroy and governor were the trusted followers of the emperor and dispatched as the head of a province, especially the viceroy, who took charge of military, economic, political and foreign affairs in one or more provinces. Moreover, in addition to those duties the viceroy also took charge of customs affairs as was the rule since 1734: he managed the affairs of customs together with the supervisor. Therefore, the viceroy or governor was actually the central figure operating Canton System, most important decisions related to foreign trade in Canton were made by him. The supervisors were not such important figures, and were also not always Manchus as Westerners thought in that period.⁷³

Hong Merchants: the Instrument and Victim of the Canton System

Hong merchants originally came from mandarin merchants before the 18th century. After the maritime prohibition was lifted and the customs were established in Fujian and Guangdong provinces in 1685, the local governments selected certain merchants to carry out the trade with foreign vessels. These were called "The mandarin's Merchants". They bought imports, sold exports to foreigners and also

⁷² JJCLFZ, category of diplomacy, No.158, ZPZZ, category of diplomacy, No.36.

⁷³ Gutzlaff said, "the superintendent of custom is invariably a mantchoo", China Opened, Vol.2, p.80, his opinion was quoted popularly by many Western historians.

paid the customs duty both on imports and exports.⁷⁴ The earlier hong merchants always had their own masters who were usually high local officials, since this group was keen to become involved in foreign trade, most of the merchants used the capital of their masters to trade. When the English ship Catherine arrived in Amoy in 1702, an emperor's merchant there organized the Amoy merchants into close corporation to monopolize the trade. This was done with the permission of Hoppo, the supervisor of the Amoy customs authority; Morse called it the precursor of the Co-hong of Canton.⁷⁵

Since the 18th century hong merchants were usually selected from the independent private merchants in Canton. On 25 Dec.1720 an agreement was reached by the most influential Chinese merchants in Canton to establish a corporation in Canton for the benefit of their commerce with Europeans. These merchants created thirteen articles and swore, by sacrificing a cock and drinking its blood, to observe these articles for fostering foreign trade, checking abuse, agreeing upon prices, allotting members the agreed trade shares, and protecting foreigners from the malpractices of the unworthy among the merchants of Canton. Hoppo was behind this corporation which was an exclusive organization, those dealers outside the corporation must pay 40% on tea and 20% on all China ware if they were trading in these.⁷⁶ In

⁷⁴ Morse, Chronicles, Vol.1, p.66, p.81.

⁷⁵ *ibid*, 131-132.

⁷⁶ *ibid*, pp.163-166. Most Western historians, so as Morse, Hunter, Sir Andrew Ljungstedt, Cordier, considered hong merchant in Canton was originated in 1720. Pen Zeyi and Liang Jiabin both appointed there had been hong merchants as soon as Canton custom was established although both of them depended on different sources and made different explanations of hong origination. Pen Zeyi, "Qing-dai

1760 a corporation of hong merchants called co-hong was established again for the same purposes with the difference that the members of this co-hong only dealt in trade with Europeans.

The monopoly of trade with Europeans in the most important commodities, and the exclusive organization they had initiated enabled the hong merchants to dominate the trade in Canton with the result that their capital increased rapidly along with the growing of the trade in Canton. But in contradiction to this the more flourishing the trade in Canton with Europeans, the weaker became the position of hong merchants. Especially since end of 18th century the hong merchants went bankrupt one after another. Indeed, most hong merchants sank from independent merchants into being the dependents on western capitals.

The decline of hong merchants were closely related to the gradual introduction of stricter rules to the Canton System. There is a causality between the decline of hong merchants and the Canton System.

1) Greater responsibility coupled with decreasing powers.

As mentioned above the hong merchants had to take responsibility for security which included the security for foreign merchants and the hong merchants securing each other.

Originally hong merchants only secured the selling and purchasing of imports and exports and any duties incurred. Since 1750 the System of Security Merchant was established, the government forced hong merchants to secure the duty of foreign vessels and

Guang-dong Yang-hang Zhi-du de Qi-yuan"(The origination of hong system of Canton in Qing dynasty), in Li-shi Yan-jiu(Journal of History), 1957, No.1, pp.1-24, Peking; Liang Jiabin, *ibid*, pp.29-30, p.47.

collection of fees for measurage which were collected by linguists before.⁷⁷ However, the checking work, the time at which foreign vessels may enter or leave port, how the ships could be loaded and unloaded, were controlled by the clerks and servants of high officials. Since 1754 the security merchants must take charge not only of duties on goods and vessels, but also the fees for payment for linguists and hong merchants, the curiosities and valuable goods that the mandarins might purchase. These additional responsibilities placed a great burden on the security merchants.⁷⁸ Moreover, hong merchants were asked to purchase the tribute articles presented annually by viceroy, governor and supervisor and they were reimbursed only at the cost price which was much lower than market price they paid to Europeans.⁷⁹ Since 1759 the Qing government set strict limitations on foreigner's movements in Canton and the hong merchants were responsible for them. If a foreigners was involved in a killing, the hong merchant was asked to hand over the killer. If Europeans were caught smuggling then a hong merchant must pay his fine. In 1800 the commander of an EIC ship, Hugh Inglis, brought clocks into the factory. Paiqua, the security merchant for this ship, was fined fifty times their duty! In the same year 48 pieces of camlets were seized as having been smuggled by the English ship Cirencester and the security merchant Conseequa was exchequered 100 times for the duty on camlets, a fine of 67,200 dollars. This heavy fine bankrupted Conseequa.⁸⁰ The hong merchants sent the Canton Committee of EIC a formal notice that hong merchants would refuse to act as security

⁷⁷ Morse, Chronicles, Vol.i, p.289.

⁷⁸ Morse, Vol.5, pp.12-13.

⁷⁹ YHGZ, ch.25, p.8.

⁸⁰ Morse, Vol.2, p.354, p.365; DZJ, Vol.2, pp175-205.

for the Company's ships unless they receive an indemnity against such fines as had been imposed on Conseequa. The Committee refused indemnity and Hoppo accused them of collectively trying to evade tax collection: he threatened to report them to emperor.⁸¹ In 1821 the senior merchant Howqua (sometimes also known as Puiqua) was remitted from his official rank of third degree because the ship he secured was involved in opium smuggling,⁸² these official ranks could be granted to hong merchants only when they had made a contribution of considerable payments to the government. Actually, the customs officials should have been held responsible for smuggling since they took charge of checking foreign vessels for unlawful goods, however hong merchants had to accept the bitter result.

But compared with security for foreigners, the security of hong merchants for each other was even more difficult. Formerly the selection of a new hong merchant needed the guarantee of one or two established merchants, and the joint responsibility was not so extensive as it later became. In 1780 the Hong merchants Yngshaw and Kewshaw owed money to British merchants which they could not afford to pay off. Both men were punished and their properties confiscated, but the merchants who secured them had to take over their debts.⁸³ In 1784 the hong merchant Seunqua owed 166,000 taels to British merchants, he was punished by the government and his security merchant was forced to pay his debt. Meanwhile the court made a new regulation that all other hong merchants had to take collective

⁸¹ Morse, Vol.2, pp.358-359.

⁸² DGWJSL, ch.1, pp.10-11; Morse, Vol.4, p.16.

⁸³ YHGZ, ch.25, pp.3-4.

security responsibility in the event of any hong merchant falling into debt.⁸⁴ Since then all of the hong merchants would be implicated in the event of bankruptcy of any one of them. From 1770 onwards more and more hong merchants were reduced to poverty and bankruptcy while the profits increasingly became less. Up to the beginning of the 19th century there were only one or two wealthy merchants, the others all fell into debt. The rich hong merchants tried to escape from hong affairs while the poor tried to take great risks in trade to acquire good profits. In order to secure the revenue of government under such circumstances, the Qing government established a kind of senior merchant system in 1813 according to the suggestion of De Qing, the supervisor of the Canton custom authority after discussing the proposal with the viceroy. Following this system, one or two of the richest hong merchants were chosen to be senior merchants to take charge of all the hong affairs and also to bear all the responsibilities for every hong merchant. The selection of a new hong merchant must be secured by all existing hong merchants.⁸⁵ Up to then all the hong merchants were implicated with each other and fell together into the trap of the Canton system! Related to the security system of hong merchants was the collection of "Consoo fund or Consoo charges"(Hang-yong) originally for the repayment of hong merchant's debts. The Consoo charges were levied in 1775 at the rate of 3% on the value of certain kinds of imports

⁸⁴ YHGZ, ch.25, p.7.

⁸⁵ JQWJSL, ch.4, 5-6.

and exports.⁸⁶ Afterwards the rate of the Consoo charge was raised and covered many more commodities than before. However the domination of the Consoo fund was not controlled by hong merchants but by local government, which used this fund as a source for various apportionments for the court. In most years more than 50% of this fund was used to cover the cost of presents to the emperor, for river barriers and forts, military stations and suppression, famine relief, etc, less than 50% was used to pay the debts to foreigners.⁸⁷

The weak position of hong merchants is also indicated by their supervision by linguists. Although the appointment of linguists was by the recommendation of hong merchants, they were government interpreters and directly responsible to the customs house rather than to the hong merchants. Both hong merchants and linguists were required to be present when the vessels loaded or unloaded. Linguists must report all the process of trade with foreigners to the customs houses, including the price, tax, amounts of commodities.⁸⁸

Therefore the more responsibility the hong merchants took for security the more difficulty they faced when they were powerless as in the use of the consoo fund, work checks, formulation of trade regulations, etc.

2)The decline of the position in price bargaining with Europeans.

⁸⁶ JQWJSL, ch.1, p.5; the details about rate of Consoo charge, see, Morse, Vol.3, pp.61-63.

⁸⁷ Morse presents a list for the uses of Consoofund from 1807 to 1816. Chronicles, Vol. 3, p.309-311.

⁸⁸ Morrison, p.15, pp.17-18; Gutzlaff, Vol.2, p.85.

The leading position of the hong merchants in deciding upon the price of commodities in Canton was gradually replaced by Europeans. This reversal was due not only to their debts to Europeans, but also because the mandarins didn't always support the hong merchants.

Since Canton was opened for foreign trade the prices of imports and exports and the trade proportion each merchant shared had always been decided by hong merchants together.⁸⁹ When Co-hong was established in 1720, the merchants outside it were excluded from foreign trade in Canton and as a result they searched for support from foreign merchants. The Europeans protested so strongly that the supervisor approved two merchants to be supported by British super-cargos to join the trade with Europeans because he feared their protestation would lead to a reduction of duty.⁹⁰ The above Co-hong had not always been supported by a mandarin when it was initiated. When Co-hong was reestablished in 1760, it shared a rather dominant position in price bargaining. European merchants had often been subject to the decision on prices by hong merchants. In 1761 British merchants refused the price Co-hong offered and persisted in declaring that they would instead transact business with individuals. However two months later, British merchants were forced to subject themselves to the Co-hong's price and paid a high price for tea, and sold their woollens at a low price. British super-cargo said in his seasonal report to the Court of Directors of EIC, "it(Co-hong) still exists, and that we & all the Europeans must suffer so long as it continues, we having undoubt'dly been oblig'd to give higher prices

⁸⁹ YHGZ, ch.25, p.31.

⁹⁰ Morse, Vol.1, 166-168.

for part of our Cargoe than otherwise we need have done."⁹¹ After that, great efforts were made for the dissolution of Co-hong, and it became one of the main purposes that EIC pursued in Canton. In 1771 British supercargo succeeded to procure the dissolution of Co-hong by offering 100,000 taels as a bribe to the viceroy Li Shiyao through the hand of Puankequa.⁹² Although the co-hong was reestablished in 1775, the hong merchants as individuals gradually fell into debt and were forced to accept more and more responsibilities for security, paying ever greater costs while their position in price bargaining rapidly declined. The English supercargo in Canton said in 1782, "though the Hoppe continues to interfere in settling the prices, we see it is not in his power, or those of the merchants who are desirous of it, to enforce observance to his regulations which being once broke through, the Combination (of hong merchants) falls to the ground."⁹³ As long as hong merchants in Co-hong could not bargain for prices as a whole, the Co-hong's monopoly was nothing more than a method to exclude other Chinese merchants from foreign trade in Canton. In 1787 the hong merchants tried to reduce the price of English woollens and lead, and in 1798 they demanded reductions in the price of English tin and lead. All these demands were refused, however.⁹⁴ In 1824 English supercargos succeeded in reducing the standard prices paid for tea, they were in

⁹¹ Morse, Vol.5, pp.103-104.

⁹² Morse, Vol.1, 301.

⁹³ Morse, Vol.2, p.93.

⁹⁴ Morse, Vol.2, p.139, p.315.

a strong position in the decision of price.⁹⁵

The loss of their leading position in price bargaining resulted in hong merchants not only receiving greatly reduced profits from trade but having to depend more and more on the capital of foreign merchants: it also directly harmed the interests of other Chinese merchants. In 1819 the Chinese tea dealers collaborated in resisting the deductions in the price and quality levels of tea which EIC imposed on hong merchants and passed on to tea dealers, but their resistance was defeated by the cooperation between hong merchants, Europeans and the Chinese local government. Encouraged by some hong merchants, the magistrate of Namhoi county issued a proclamation denouncing the tea dealers as acting in an unlawful manner, and ordering them to arrest their ringleader and deliver him up if he persisted in inciting them to continue to restrain trade.⁹⁶ The above case shows hong merchants had been completely subject to Europeans in price bargaining and they banded together to counter Chinese merchants. The mandarins did nothing to save the decline of the Hong merchants' position and even helped foreign merchants to counter Chinese merchants in order to secure the collection of taxes and obtain more bribes. The monopoly of hong merchants on foreign trade in Canton could not protect them when they entered into transactions with Europeans. On the contrary, that monopoly was used by Europeans to advance their own economic expansion.

3) Less profit and more extortion.

The loss of their leading position in price bargaining resulted in reduced profits for hong merchants from trade with

⁹⁵ Morse, Vol.4, p.92.

⁹⁶ Morse, Vol.3, 351-354.

Europeans. The tea trade was the main source of their profits. During the period of EIC's charter, the cost of tea to hong merchants at Canton was about 20.2 taels picul, which hong merchants sold on to EIC at about 27 taels giving the hong merchants about 6.5 taels, which is about 30% gross profit. This tea usually sold at the Company's sales in England at three shillings a pound or sixty taels the picul.⁹⁷ However hong merchants did not actually make 30% profit since they went into debt to Europeans and therefore had to accept European manufactures which could only be sold at prices lower than their purchase price, otherwise, no tea contract could be offered to hong merchants.⁹⁸ When the hong merchants had been able to hold the leading position in price bargaining and the extortion was not as heavy as it was after 1770, they could still make a net profit from trade. But later they had to accept more and more extortion and the high cost of responsibilities, which forced them into debt which, in turn, forced them to depend on the capital of Europeans so that they lost their leading position in price decisions

⁹⁷ Ball made a detail table of black tea cost at beginning of 19th century:

	Teals
Cost of growth and manipulation	12
Expense of transport from the black tea districts to Canton	1.3
Charges at Canton on account of government duties, hong merchants' expenses, and boat hire to the ships	3.9
	3
	<hr/> 20.2

see: Ball, An Account, pp.353-354.

⁹⁸ Ball, p.350; Morse, Vol.2, p.139, p.283, p.315.

which led to a further reduction of their profits.

Mandarins and government's extortion was various and terribly heavy. Only the "contributions" hong merchants made in 1773-1832 to government were over seven millions taels.

List of contribution made by hong merchants in 1773-1832⁹⁹

year	names	amount(taels)	purposes
1773	Puankequa and others	200,000	military expense
1787	ibid	300,000	ibid
1792	Munqua and others	150,000	ibid
1798	hong merchant	300,000	ibid
1799	Puankequa II and others	120,000	ibid
1800	ibid	250,000	ibid
1801	hong merchant	150,000	irrigations
	Puskhequa and others	250,000	military
1803	ibid	100,000	ibid
1804	hongmerchants	200,000	irrigations
	ibid	60,000	military
1806	ibid	100,000	ibid
1809	ibid	120,000	emperor birthday
1811	Mowqua	600,000	irrigations
1814	hongmerchants	240,000	military and irrigations
1819	11 merchants	100,000	emperor birthday
1820	hongmerchants	600,000	irrigations

⁹⁹ This list is edited from LGYZ, ch.27, Contribution; Morse, Chapters related to the same years; JQWJSL, ch.1.

1826	Howqua and others	600,000	military
1832	munqua	110,000	ibid
1786-183	hongmerchants	2,538,000	tribute silver

	total	7,088,000	

Moreover, the viceroys demanded hong merchants to bind themselves to the payment of all, or the greatest part of the millions of taels required by the emperor, which made them so weak and pusillanimous that they submitted to it.¹⁰⁰ The purchase of clocks and watches for high local officials, or the court, was also another heavy burden for hong merchants.

If the court needed a clock, the local officials asked hong merchants for ten, which were paid for at half the price, or nothing.¹⁰¹ Every year all the hong merchants collectively spent a hundred thousand dollars for clocks and watches, which they paid with great difficulty.¹⁰²

Hong merchants made less profit when they had to accept the prices that Europeans imposed on them, and these reduced profits were insufficient to afford the increasing extortions which could be more than two million taels every year. When a few hong merchants were able to accumulate a certain level of wealth they were not allowed to retire from being a hong merchant until they became poor, and were

¹⁰⁰ Morse, Vol.3, 167.

¹⁰¹ One of the Franch merchants' complaints in the petition to viceroy in 1759. in: Tang Xianglong, *ibid*, p.149-150.

¹⁰² Morse, Vol.3, p.194.

then dismissed from the line of hong merchants. Clearly the Canton System was like a trap to most hong merchants, there was no other way than bankruptcy.

3)the trap of European loans.

Since the 1770s most hong merchants fell into debt to both Westerners and government which eventually led them to bankruptcy. Those who borrowed money from foreigners or owed duty and apportions to government were threatened with the penalty of confiscation of property and being banished according to the Canton System's custom. The relation of debit and credit between hong merchants and Europeans had existed as early as end of 17th century.¹⁰³ In the 1750s the merchants Wang Shengyi and his son in Zhejiang had borrowed money as commercial capital from Flint.¹⁰⁴ From 1730 onwards advances of capital from Europeans to all the hong merchants became the rule, which enabled those merchants to send money up country for tea and silk in order to secure the stable supply for the European market.¹⁰⁵ Moreover, hong merchants were limited in numbers and they could not afford to purchase imports and exports with their own capital without advances when Canton trade rapidly developed and the cargoes for each European vessel required investments of hundreds of thousands of taels. Hong merchants enjoyed a generally high reputation for credit, and the debts didn't become a problem between

¹⁰³ Lutourette, The History of Early Relations between the United States and China, p.27-28, 1917; Morse, Vol.1, 91-92.

¹⁰⁴ SLXK, Ch.3, p.Tian. 94.

¹⁰⁵ Morse, Vol.1, 204.

Europeans and hong merchants before the 70s.¹⁰⁶

But after 1770 hong merchants were faced with more and more extortion, and additional responsibilities, while at the same time gradually losing their leading position of price bargaining which rendered them subject to the price Europeans imposed on them, further reducing their financial position. When the hong merchants had to depend on Europeans because of the lack liquid capital, the latter took advantage of the occasion to practise usuary. Up to then the relation of debit and credit between hong merchants and Europeans was totally different in character. Formerly, this relation was the result of advances of capital for purchasing, which was cleared off when the purchasing was complete. Since the 70s more and more Western private merchants besides the EIC began to offer loans to hong merchants. The loans Europeans offered to hong merchants were not ordinary trading liabilities but the accumulation of loans and compound interest, which was the prime motive for drawing English private country merchants from India to China.¹⁰⁷ Up to 1779 all debts that Chinese merchants owed to English creditors were up to 3,808,076 dollars, about \$3,000,000 was claimed from the Chinese as owed to private country merchants.¹⁰⁸ The interest of this kind

¹⁰⁶ The only exception was the debt of Coiqua(kioqua), who owed English merchants about 50,000 taels and was not cleared because he died. With the court's edict, his debt must be cleared by other hong merchants. SLXK, ch.4, p.Tian 119-120; Morse, Vol.5, p.79.

¹⁰⁷ Greenberg, p.153.

¹⁰⁸ Morse, Vol.2, p.44.

of loan was at the rate of 12% per annum, sometimes up to 20%.¹⁰⁹ Of the sum of \$3,000,000 as above the original debt for goods sold on credit and money lent was no more than \$1,079,000, the rest represented the accumulation of compound interest.¹¹⁰ This debt was almost entirely owed by only four hong merchants, Seunqua, Coqua, Yngshaw and Kewshow, out of a total of eight hong merchants, although the rest were also in debt, Puankequa's debt was the lowest, at no more than 80,000.¹¹¹

In order to profit from these high interest rates the Western private merchants often selected insolvent hong merchants to deal with, these insolvent merchants gave them much better prices,"too often they gave higher prices than they could afford in the actual state of the market."¹¹² Logically, practising usuary and dealing with insolvent merchants should be very dangerous, but European practices on usuary in Canton were safe and secured by the Canton System. Because in the Canton System the Qing government secured all the debts that Chinese merchants owe to foreigners and must be paid off. Especially by the regulation of the hong

¹⁰⁹ Greenberg, p.64, Morse, Vol.2, pp.44.-45.

¹¹⁰ Greenberg, p.21.

¹¹¹ Morse, Vol.2, p.45.

¹¹² In the evidences of the English private merchant W.C. Davidson before the Selection Committee of the House of Lords in 1830, he declared, when he conducted business with an insolvent merchant, "I knew they had shares in the Company's business and I felt assured they would be able to pay me, which they were." See, Greenberg, pp.70-71.

merchants' security the debt of any hong merchant must be taken over by other merchants. The debt of the first insolvent hong merchant Wayqua to the English was paid in 1777 from the local government's treasury,¹¹³ since then, hong merchants must take over the debts of their members when the security system of hong merchants was established. There were two forbidden debts in connection with foreign trade in Canton, one was taxes to the government, the other was a debt to foreigners. Those failing in this respect would be under penalty of confiscation of his property and banishment or detention.¹¹⁴ Therefore the Canton System actually provided Europeans with a unique guarantee from commercial risk to make money in Canton, "which was all the more valuable in those day of great risks (and great profits) in Eastern trade."¹¹⁵

4) Bankruptcy--the only way for hong merchants.

However, no similar guarantees against commercial risks were offered by Chinese government to the hong merchants who continued to bear heavy extortion, responsibility and foreigners' usuary. To go bankrupt was their only solution. In 1777 Wayqua owed the English about 11,000 taels and could not afford to pay off that debt. He was banished to Eli, 5,000 taels of his debt was taken over by his relatives, the rest was paid off by the local government's

¹¹³ YHGZ, ch.25, pp.2-3.

¹¹⁴ Before 20s of 19th century the debtors were usually banished to Eli (thousands miles far from Canton), since then, they were sent to be detained in prison of Nanhai county.

¹¹⁵ greenberg, p.69.

treasury.¹¹⁶ Since then the curtain was rising to hong merchants going bankrupt one after the other.

Hongs and their ending in 1750-1839

names of hongs	names of owners	year of setting up	year of bankrupt	debt and creditors taels or dollars(\$)	years of exisiting
Zhiyuan	Khiqua	-*1728	-1759	+50,000(F&G)*	+30
Tongwen&	Puankhequa	-1753			+86
Tongfu					
Yifeng	Seunqua	-1765	1784	166,000(F)	+19
Taihe	Yngshaw	-1765	1780	*?(F&G)	+15
Yuyuan	Kewshaw	-1765	1780	?(F&G)	+15
Fengyuan&	Munqua	1765	1795	228,167(F)	50
Wanhe				272,000(C)	
Guangshun	Coqua	-1765	1778	?	+13
Yuanquan	Chowqua	-1765	1789	death of owner	+24
Fengjin	Wayqua	-1774	1777	11,000(F&G)	+3
Eyi	Shy Kinqua&	-1776	1795	+600,000(F)	+19
	Gonqua				
Yihe	Howqua&		1784		
	Huiqua				
Yuanshun	Geowqua	1782	1797	?	15
?	Eequa	1786	1791	\$250,000(F)	5
Guangli	Mowqua	1792	(in difficulty since 1829)		
Dacheng	Ponqua	1792	1810	88,000(G)	18

¹¹⁶ YHGZ, ch.25, pp.2-3.

					410,000(F)	
merc				death of owner		10
by	Yicheng	Yanqua	1792	1802	?(F)	35
Wayc	Dongsheng	Hunqua	1794	1829		
tree	Liquan	Conseequa	-1796	1825	300,000(F&G)	+29
of	Huilong	Gnewqua	1793	1810	88,000(G)	17
esta					979,000(F)	
fore	Tongtai	Poonequa	1804	1827	?(F)	23
was	Xicheng	Exchin&	1804	1825	190,000(G)	21
unde		Pakqua			40,000(C)	
dete					497,000(F)	
Euro	Fulong	Inqua	1804	1829	345,311(G)	25
in C					\$1,099,321(F)	
risk	Wancheng	Lyqua	1804	1809	\$351,038(F)	5
	Tianbao	Kingqua	1808		?(G) in 1805	
	Dongyu&					
offer	Dongxing	Goqua	1811	1839	6,286(G)	28
bear	Wanyuan	Fatqua	-1811	-1833	314,253(G)	22
bankr	Maoshend	Linqa?	-1828	-1833	2,359(G)	-5
about	Xingtai	Hengtae	-1830	1837	31,353(G)?	7
banis					\$1,600,000(F)	
relat	Renhe	Punhoyqua	1830	1837	16,170(G)	7
	Futai	Kwangqua	1835	1837	5,849(G)	2
	Tongshun	Samqua	1832		9,711(G) in 1839	
	Fushun	Wangtatong	1832	1832	?(G)	-1
	Dongchang	Iamqua	1835	1837	+31,353(G)	2
	Anchang	Takqua	1836			+5

*: + more than; - before or less;
 (F) owe to foreigners; (G) to government; (C) to Chinese
 merchants
 ? in debt but amount not clear.
 Most debts in this table are the only amount that

Chinese government declared.

sources: YHGZ; JQWJSL; WXCP; SLXK; YHGZ; Morse, Chronicles.

Although the EIC took some steps to help the weaker hong merchants in order to stop the reduction of the available hong merchants, the Select Committee advanced 250,000 taels to Conseequa, Manhop, Exchin and poonequa in 1814 to enable them to pay the pressing duties,¹¹⁷ but it could only delay their going bankrupt. In the eighty-two years when Co-hong operated the total debt of insolvent hong merchants to Westerners was about 16.5 million dollars at a rough estimate.¹¹⁸ Up to 1830s the insolvent merchants could not afford even the pressing duties and apportions of the government, which were the debts that hong merchants certainly did not want to owe. In 1839 hong merchants owed 955,774 taels of duties and apportions.¹¹⁹ As the table above shows, from 50s of 18th century to the eve of Opium War twenty-four hong merchants went bankrupt among the thirty-four hong merchants which can be identified as existing early or late in this period. Two hong merchants didn't continue because the owners (Chowqua and Yanqua) died. Among the eight survivors, Mowqua and Goqua were going bankrupt for their debts to governments' duty; Kingqua was once dismissed in 1815 from the line of hong merchants for his debt to duty and resumed next year when he paid off the debt;

¹¹⁷ Morse, Vol.3, p.223.

¹¹⁸ Greenberg, p.63.

¹¹⁹ The Documents of Hong Merchants, found in Forbidden Palace. See, Liang Jiabin, Guangdong Shi-san Hang Kao (Studies on the thirteen hong merchants in Canton), p.166, Shanghai, 1937.

Kwangqua, Takqua and Samqua became hong merchants for only a few years and had already owed a lot to government and were also going bankrupt.¹²⁰ The actual survivals were only Tongwen/Tongfu Hong of Puankequa and Yihe Hong of Howqua/Puiqua from Canton System. Apart from their excellent intelligence and capability the reasons for their success were that they kept a close relation with Western merchants and invested their fortunes in contemporary international trade through personal cooperation with Americans, British and Swedish private traders. Especially the hong of Puankequa, which could survive for more than 86 years under Canton system, was a real miracle.¹²¹ However, if the Canton System continues, the perspective for these two hongs will not be necessarily bright.

Conclusion

Canton System was a reaction of the Chinese government to European expansion to China and the development of international trade in the 18th century. Through this system the Qing court

¹²⁰ Kwangqua owed 5,848 taels of commercial contribution (Shang-juan) in 1838, Takqua owed 2,395 taels tribute silver (Gong-yin) in 1838, Samqua owed 9,711 taels of tribute silver in 1839, they would be usually dismissed by government if they could paid off in short time. See: Documents of Hong Merchants, Liang Jiabin, p.169.

¹²¹ Dilip K. Basu, The Impact of Western Trade on the Hong Merchants, In The Rise and Growth of the Colonial Port Cities in Asia, edited by Dilip K. Basu, p.151, University of California, Berkeley, 1985.

The detail information about Howqua, See: Liu, Kwang-ching, Howqua: The Sources and Disposition of His Wealth, Ms., 1958. About Tongwen Hong of Puankequa, See: Pan-shi Zhu-pu (The lineage record of Pan family); Lindsay, H., Bits of old China, London, pp.72-80, 1882.

successfully prevented Europeans from entering China for the security reason and kept the dignity of Central Empire; excluded normal Chinese merchants from foreign trade, seized most profits from foreign trade by imposing heavy extortions on hong merchants, so that restrained the growing of Chinese commercial capital under the stimulation of foreign trade. The European merchants, especially the English East India Company, could have a stable supply of Chinese commodities for the increasing demand in European markets at a reasonable price and made great profits under this system. Although they always complained about the limitations of this system on them, they had to be subject to this system before they could force the Chinese government with military strength to accept their trading conditions. The Chinese merchants were the only victims of the Canton System, the normal Chinese merchants were excluded from foreign trade in Canton, the hong merchants mostly went bankrupt since they had to bear such heavy exactions from the government and exploitation by Westerners.

Chapter II

North west Fujian Tea Industry for Export and its Impact on Social Economy in the 18th Century

Tea became universally popular in the 1720s and the Europeans thirst for this beverage greatly increased, the European Eastern trading companies competed with each other in sending their vessels to Canton which was the only place to obtain tea.¹ Many western scholars have undertaken massive and excellent researches on the international tea trade in the 18th century,² however, few of them have paid attention to how the tea production and transportation were organized, the domestic consequences of the international tea

¹ Louis Dermigny, La Chine et l'Occident, le Commerce a Canton au XVIIIe siecle: 1719-1833, Vol.2, p.519, Paris, 1964.

² For example, Hoh-cheung and Lorna H. Mui, The Management of Monopoly: a study of the East Indies Company's Conduct of its Tea Trade, 1783-1833, University of British Columbia Press, 1984; K. Glamann, The Danish Asiatic Company 1732-1772, in Scandinavian Economic History Review, Vol. 8, No.2, pp.109-149; Dutch-Asiatic Trade 1620-1730, s'-Gravenhage, 1980; F.J.A. Broeze, Het Einde van de Netherlandse Theehandel op China, in Economisch-En Sociaal-Historisch Jaarboek, pp.124-177, s'-Gravenhage, 1971. Sladkovskii, History of Economic Relations between Russian and China, Jerusalem, 1966; Yen-P'ing Hao, Chinese Teas to America--a Synopsis in E.R. May and J.K. Fairbank ed, America's China Trade in Historical Perspective, Cambridge(M.)and London, 1986.

trade on the social economy of China in the 18th century.³ This chapter will attempt to analyse the development of the commercial production of tea in northwest Fujian under the stimulation of world trade, the new system of organizing tea production and transportation and its impact on the changes in forms of social production. This case study will also show the natural economic basis of this ancient "Central Kingdom" was being gradually shaken by the development of the commercial economy partly because of the boom in foreign trade and the impact of European commercial expansion into China in the 18th century.

Short history of the Fujian tea production industry

The cultivation of tea in northwest Fujian can be traced back at least to the South-Qi dynasty(479-502).⁴ By the time of the Tang dynasty the teas produced in Fuzhou (capital of the province

³ Robert P. Gardella had approached the commercial production of tea in Fujian highlands, but the social impacts of tea trade on local society drew less attention of his. R.P. Gardella, The Min-pei Tea Trade during the Late Ch'ien-lung and Chia-Ch'ing Eras: Foreign Commerce and the Mid-Ch'ing Fu-chien Highlands, in E. B. Vermeer, ed, Development and decline of Fu-chien Province in the 17th and 18th centuries, pp.317-347, Leiden, 1990; Fujian's Tea Industry and Trade in Ch'ing and Republican China: the Developmental Consequences of a Traditional Commodity Export, University of Washington, 1976, unpublished.

⁴ Wang Shu, the son of a chief minister in the South-Qi dynasty, was addicted to the tea called "Wan-Gan-Hou" from Wu-yi mountain. Yi Qingchen, Zhu-cha Shiao-pin(Notes on tea cooking), written in the 11th century. cite from Chen Quan ed. Zhong-guo Ming-cha Yan-jiu Xuan-pian(Selections of the studies on the famous teas in China), Hefei, 1985.

located on the east coast) and Jianzhou (in northwest Fujian) had already shared the reputation for high quality tea.⁵ However, until the beginning of the 10th century the main areas of tea production in China were Jiangsu and Zhejiang provinces in the Yangtze River basin: the output of Fujian tea at that time was still very limited. In 930 A.D. when an independent kingdom "Min Guo" was established, Fujian tea production began its first great development in northwest Fujian with the court enforcing mass labour to open up the many tea plantations owned by the government in the Wuyi mountain area.⁶ Partly benefitting from the court's tea plantations in the Wuyi mountain area in the "Min Guo"(933-945) and South Tang(945-958) periods, the Wuyi tea from these plantations were selected to serve as tribute tea in the Song dynasty (960-1279). As a consequence of this, the fine quality tea from northwest Fujian became well-known and popular in the palace and among the general population. Most emperors of the Song dynasty had a liking for tea which, in turn, greatly stimulated the tea consumption in China. The demand of superior tea by both palace and elite accelerated the techniques of tea cultivation and manufacture, and many kinds of famous teas were created during the Song dynasty. The best "wax tea", which took the form of compressed or molded cakes, was manufactured in the court's tea plantations in Wuyi under the supervision of a special

⁵ Lu Yu, Cha-jing(Description of tea), Vol.2, No.8, written at middle of 8th century.

⁶ During the spring tea harvest, several thousands labours from the neighbouring six counties were forced to manufacture teas in court's tea plantations, the local people suffered too much from it. Xiong Fan, Xuan-he Pei-yuan Gong-cha Lu(description of the tribute tea in Xuan-he reignperiod of 1119-1125), written in 1121-1125.

commissioner sent by the imperial palace. At that time this best tea was called "Fragon and Phoenix's cake tea"(Long-feng Tuan-cha), which cost 2 taels of gold for one jin(half kilo).⁷ Besides the increasing domestic consumption, the Song court's policy was to use tea in the exchange of goods, for instance, it could easily be traded for horses from north nomadic tribes. Being such an important commodity for bartering purposes encouraged its development still further. Since the north nomadic tribes had always been a threat to the Song dynasty and tea was greatly needed by them, the Song court was able to use tea also as a defensive weapon. Tea was allowed to be used in exchange for horses of these nomadic tribes only under the condition that they would not invade Song territory. In the earliest years (1060) of the North Song dynasty, northwest Fujian produced at least 52,000 piculs (1 picul=133 lbs) tea.⁸ Under the Yuan dynasty the habit of tea drinking underwent a dramatic change. Mongols accepted the use of leaf tea, which subsequently became accepted in the whole country. The earlier position of exquisite cakes of powdered tea,

⁷ Ou-yang Xiu, Gui Tian Lu(The record of returning countryside), wrote in 1067. cited from: Chen Zhugui and Zhu Zizhen, ed, Zhong-guo Cha-ye Shi Zhi-liao Xuan-ji(selection of the historic source of Chinese tea), p.236, Peking, 1981.

⁸ In the Song dynasty the tea trade was controlled by the government. Tea could be sold only to government or the special merchants appointed by government after tea tax was paid and tea trade licence was obtained. Theoretically, all the tea which was sold could be called tax tea(Que Cha). The tax tea of Jianzhou and Qianzhou of northwest Fujian was 3,900 piculs in the beginning of North Song period. 1 picul of tax tea was about equal to 13.5 market piculs. Chen Quan, Cha-ye Tong-shi(General history of tea), p.59; p.64, p.67, Peking, 1984.

which were popularly consumed in the Tang and Song dynasties, was superseded by leaf tea. Because of the natural fine quality of northwest Fujian tea the Yuan court still chose Wuyi to set up the court's tea plantations. The popular demand for Fujian tea stimulated the skill of leaf tea making. Tea of Northwest Fujian continued to be an important tribute to the court.⁹

In the Song and Yuan dynasties the development of tea production in Fujian largely depended on the courts' demand and recognition. But in the Ming dynasty (1368-1644) the court did not attach such importance to Fujian tea: it required only that more than 20 piculs were to be presented to the court for cleaning purposes.¹⁰ In spite of the neglect of the Ming court the tea of the Wuyi region remained very popular with people in general, and private tea production developed just as rapidly as the state's plantations declined with the result that most tea production was no longer under government control. In the late Ming period, "the region of Wuyi was suitable to tea cultivation under natural conditions. Along the Nine Winding Stream there are several hundred families which cultivated tea as livelihood, and they yielded several thousands of piculs of tea annually. The tea was sold everywhere, and the name of Wuyi has been well-known inside and outside China."¹¹

⁹ Zhou Liangong, Min Shiao Ji (Brief record of Fujian), ch.1, tea. Written in 1655-1662 and collected in Gu-jin Tu-shu Ji-cheng (Collection of ancient and contemporary treatises), edited in 1726.

¹⁰ Tan qian, Zhao-lin Za-Zhu (Assorted comments in jujube trees), ch.2, wrote in 1650.

¹¹ Xu Bo, Cha-kao (Notes on tea), wrote in the beginning years of 17th century.

The scale of tea production in Fujian in the Ming dynasty was perhaps not as great as in the Song dynasty, but most significant for tea production was that the demands of government were no longer the motivation for the development of the Fujian tea production, the producers in northwest Fujian relied solely on the normal markets. Since then the "free" commercial production began, and developed rapidly under the stimulation of the demands of European markets since the 1720s onwards.

In the early Qing period the private tea products in the Wuyi region had spread to the whole the country and already enjoyed a good reputation. When the Juesuit scholar du Halde visited this region, he remarked that its tea was greatly sought after and used by the whole empire.¹²

The new innovative skill for making black tea at the beginning of the 18th century was the most significant event in the history of tea manufacture in Fujian during the Qing dynasty (1644-1911).¹³ Before 18th century Fujian tea was green tea similar to that of the other regions in China, which was made by pan-firing soon after the leaf was picked. Compared with pan-fired and unfermented

¹² Jean Baptiste du Halde, The General History of China, Vol.1, p.14, London, 1741.

¹³ When exactly the technique of making black tea was created is still unknown, it seems to be about 1700. It was firstly mentioned by Lu Tingcan, the magistrate of Congan, in his book Xu Cha Jing (Continuation of Notes on Tea) published in 1734, but he knew it from the book Shui Jian Lu (Travel record), this book was undated but of course was published before that of Lu. No treatises before end of 17th century are known to mention the black tea.

green tea, black tea is a kind of fermented tea. When the tea leaf is picked from its shrubs, it is exposed to the air for fermentation, then the leaf is roasted. From the 18th century onwards a series of famous kinds of black teas were manufactured in northwest Fujian, such as Bohea, Congou, Souchong, Pekoe, which were in great demand in European markets in the 18-19th centuries. From the 19th century onwards a semi-fermented tea Wu-lung began to play an important role in the northwest Fujian tea export industry.

Foreign trading in tea from northwest Fujian

Tea was first mentioned in western literature in 1559.¹⁴ It was said, as early as 1610 that tea had been brought by Dutch ships into Europe.¹⁵ The Dutch were perhaps the first consumers of tea in Europe. In a letter from the 17 directors of the VOC to the governor-general of the Dutch East Indies dated January 2, 1637, the latter was indicated as importing some tea since it was beginning to

¹⁴ In the book Navigatione et Viaggi by Giambattista Ramusio in Venice the author knew the name of tea from a Persian merchant who visited China and learned the name of tea. See, Thema Thee, p.13, Museum boymans-van beuningen Rotterdam, 1978.

¹⁵ In 1607 Dutch ship brought tea from Macao to the depot in Java. It may be the earliest record of the tea transportation by Europeans. See: Francis Valentijn, Oud en Nieuw Oost-Indien, Vol.5, p.190, Dordrecht, 1724-26. It is generally accepted that " the Dutch were the first to take tea from Japan and China in 1610. See: William H. Ukers, All about Tea, Vol. 1, p.23, p.28, New York, 1935.

be used by some people.¹⁶ The transportation of considerable quantities of tea from China into Europe occurred possibly in 1667 also by the Dutch. In this year the Governor-General of the Dutch East Indies said in a general message dated 25, January, "we had been forced to buy much tea in Fujian last year. We could not deal with this quantity within India and have to send a large part of it to the fatherland."¹⁷ Tea was known to have been brought into England in 1664 when 2 lb. 2oz. was bought by the directors of the Company supplying His Majesty at a cost of 4 Pounds and 5 Shillings. In 1666 22 lb.12 oz. of tea was bought again for 56 Pounds and 17 Shillings. This tea presumably came from Holland.¹⁸ However, until the end of the 17th century tea importation into Europe was still on a small scale. About 20.000 lb. of tea a year on average was being brought into England in the last decade of that century.¹⁹ In 1690-1718 the

¹⁶ G. Schlegel, First Introduction of Tea into Holland, in T'oung Pao, 1900, Vol.1, pp.468-469; F.J.A. Broeze, Het Einde van de Nederlandse Theehandel op China, in Economisch-En Sociaal-Historisch Jaarboek by de Vereniging het Nederlandsch Economisch-Historisch Archief, p.127, 's-Gravenhage, 1971.

¹⁷ De Jonge, Opkomst van het Nederlandsch Gezeg in Oost-Indie, Vol.6, p.107, 's-Gravenhage, 1862-1909.

¹⁸ H.B. Morse, East India Company Trading to China, Vol.1, p.9, Oxford, 1926.

¹⁹ In 1690, 1691, 1697, 1699, the imports of tea into England were respectively 38,390, 12,228, 8921 and 13,082 lb. K.N. Chaudhuri, The Trading World of Asia and the English East India Company, 1660-1760, Appendix 5, Table C.19, p.538; G. F. Hudson, Europe & China, A Survey of their Relations From the earliest times to 1800, p.260, London, 1931.

average amount of tea brought annually to Batavia by fourteen Chinese junks sufficed only for one Dutch tea ship bound for Holland.²⁰ In 1715 the Directors of VOC ordered only 60-70 thousands of Dutch pounds of tea from the Dutch East Indies.²¹

The spread of the tea-drinking habit in Europe during the early years of the 18th century was an astonishingly rapid process in the assimilation of a new economic product. For people of lower incomes tea was appealing as a beverage for its intrinsic taste. By 1740 tea had taken the place of coffee and chocolate in England, the largest region of tea consumption in Europe.²² Its popularity grew quickly, and the increased consumption also brought down the price. A cheap variety could be bought for five shillings a pound, although even this was still rather expensive for the poor people who earned 3-4 pence a day.²³ The competition among the European East Indies Companies in the tea trade was also the main reason for the reduction of tea prices in European markets. From 1720-30s onwards commercial vessels were sent one after another from Holland, England, France, Ostende, Denmark, Sweden to China to share in the great profits to be made from the tea trade. With the charter for eastern trade issued

²⁰ C.J.A. Jorg, Porcelain and the Dutch China Trade, p.20, the Hage, 1982.

²¹ Kristof Glamann, Dutch-Asiatic Trade, 1620-1720, p.220, 'S-Gravenhage, 1980.

²² G.A. Sambrook, English Life in the Eighteenth Century, p.217, London, 1955.

²³ Sambrook, p.219.

by Charles VI, the Ostende Company was set up in 1722. On their China trade, the Ostende Company made a profit of 140%, most from its tea trade.²⁴ Considering the Ostende Company as a strong competitor in China trade, the Dutch and English combined to force it into dissolution in 1732 by economic and particularly political means.²⁵ However, the Ostende Company's withdrawal from the tea trade did not stop the competition because more vessels were sent from other European countries to China.

Up to the 1760s the Dutch kept ahead in this competition. Unlike other European companies which sent ships directly from Europe to purchase tea in China, the Dutch bought most of their tea from Chinese junks in Batavia, or sent vessels from Holland to Batavia, then from Batavia to Canton for purchasing tea, before 1757.²⁶ After 1757, in consideration of tea quality and a high-speed supply for European markets, the Dutch restored the direct trade between Holland and China which they had tended to neglect before. In 1758-64 twenty-one vessels were sent from Holland to China, and more than 25,000 piculs of tea were shipped to European markets. Up to the last

²⁴ K. Degrijse, De Oostendse Chinahandel, 1718-1735, in Spiegel Historioel, Vol.8, 1973, No.12, pp.678-683.

²⁵ Under the diplomatic pressures of the governments of England, Netherlands, France and Prussia Charles VI suspended the the charter of the Ostende Company for seven years in 1727. In 1732 this company was given up with one of the conditions on which England and the Netherlands agreed to accept the succession of Charles' daughter. Jorg, p.21.

²⁶ In 1728-1743 there were nine vessels dispatched directly from Holland to Canton. Kristof Glamann, Dutch Asiatic Trade: 1620-1720, p.46.

decade of the 18th century about 30-40 thousand piculs of tea were shipped annually from Canton by the Dutch.

Tea transportation from Canton by the Dutch in 1751-1795²⁷
(in piculs 1=133.3 lb

years	annual in average	total of years
1751-1760	24,205	242,050
1761-1775	28,639	429,595
1776-1785*	36,440	255,078
1786-1795	27,929	279,292
	29,303	total 1,206,015

* In 1782-84 non-Dutch vessels to China.

The British were the greatest tea consumers in Europe from the beginning of the 18th century onwards. However until the 50s the English still shipped less tea from China to Europe than the Dutch. Higher import duties on tea in Britain resulted in much higher prices to British consumers than to those in continental countries. Therefore, the continental companies, such as those of the Dutch, Danish, and Swedish, transported tea from China and smuggled

²⁷ The number of ships between 1751-1775 is from Zhuang Guotu, Shi-be Shi-ji Zhong-he Hai-shang Cha-ye Mao Yi (Dutch tea trade in 18th century), in Hai-jiao Shi Yan-jiu (Studies on the history of maritime communication), 1992, No.1, p.93, Quanzhou. Those of 1776-1795, See, Broeze, p.172.

considerable quantities of that into Britain.²⁸ From the 60s onwards the English became the greatest tea purchasers in Canton, but until the passage of the Commutation Act of 1784 the continental countries still imported more tea from China than the British.

English and continental tea annual imports
from China 1756-1813 (in piculs)²⁹

1756-1784	English imports 45,609	Continental imports 82,219
1785-1813	English Imports 174,247	Continental imports 32,382

It has been said that the quantity of tea smuggled by the continental countries into Britain was about 7,500,000 lbs annually for the years immediately preceding 1784,³⁰ which was more than the British officially imported from China, or more than half of what the continental countries purchased in China. The Commutation Act passed in 1784 greatly reduced tea duty from over 100% to 12.5% and led to a lowering of the legal tea's price in Britain: this, in turn, eliminated most of the tea smuggling. Moreover this Act enabled the EIC to secure a monopoly of tea imports. Since then the English dominated the tea trade in Canton, EIC transported about

²⁸ About the details of tea smuggling into Britain, see: Hoh-cheung and Lorna H. Mui, Smuggling and the British Tea Trade before 1784, in The American Historical Review, 1969, No.1, 45-73.

²⁹ Lous Dermigny, Vol.2, p.542, Paris, 1964.

³⁰ Hoh-cheung and Lorna H. Mui, *ibid*, p.44.

1,284,000,000 lbs. of tea from Canton to Britain in 1785-1833.

Import of Canton Tea by the EIC into Britain
(1780-1833)³¹

years	annual average (in piculs)	index with 1780-84=100
1780-84	55,590	100.0
1785-89	138,417	249.0
1790-94	136,413	245.4
1795-99	152,242	273.9
1800-04	221,027	397.6
1805-09	167,669	301.6
1810-14	244,446	439.7
1815-19	222,301	339.9
1820-24	215,811	388.2
1825-29	244,704	440.2
1830-33	235,840	424.2
total	9,658,410	

The Russians consumed tea as the national beverage only at the end of 18th century, although tea in small quantities entered Russia throughout that century. Between 1762 and 1785 4,601 piculs of brick tea and 3,383 piculs of leaf tea were purchased annually in

³¹ Yan Zhongping, ed, Zhong-guo Jin-dai Jing-ji Shi Tong-ji Zhi-liao Xuan-qi (Selection of economical statistics of modern Chinese history), p.15, Peking, 1955.

Kiakhta.³² From 1801-1830 Russia's tea imports through Kiakhta almost doubled, reaching 38,759 piculs.

Average annual import of tea from China into Russia³³
(in piculs)*

year	1802-1810	1811-1820	1821-1830
	20,383	25,985	38,701

total 85,069

*Russia poods are converted into piculs at 3.69 poods=1 picul

The first American ship to reach Canton on 28 August, 1784, carrying 3,000 piculs of tea back to New York, was the beginning of the process of creating the second largest Chinese tea transporter since the end of 18th century. In 1800 18 American ships went to Canton, and purchased 42,594 piculs of tea. Up to 1837 tea exports from Canton to the United states increased to 124,673 piculs.³⁴ Besides the English and Americans other European countries, such as

³² Clifford M. Foust, Muscovite and Mandarin: Russia's Trade with China and Its Setting, 1727-1805, p.358, University of North Carolina Press, 1969.

³³ M. I. Sladkovskii, History of Economic Relations between Russia and China, p.63, Jerusalem, 1966.

³⁴ Yen-p'ing Hao, Chinese Teas to America--a Synopsis, in Ernest R. May and John K. Fairbank eds, America's China Trade in Historical Perspective, pp.15-16, Harvard, 1986.

the Dutch, Swedish, Danish, Purian and even the Italijns, continued to send ships to Canton for tea occasionally from the beginning of the 19th century, but the quantity of tea they exported was much less than that of the English and Americans. It was estimated that about 350,000 piculs of tea was exported from China annually in the second half of the 1830s.³⁵ At an average price of 25 taels of silver for each picul, the annual tea exports from China were worth 8,750,000 taels, which was about China's total export income.³⁶

Tea was also the most important export purchased by Westerners in Chinese markets. In 1729-1793 tea comprised 70% of the Dutch East Indies Company's purchases in China.³⁷ In 1792-1809 26.2%, in 1814-1828 25.1% of the net profits of EIC came only from the tea trade in Canton.³⁸

In the last years of the EIC's monopoly the revenue that tea brought to British Exchequer averaged £3,300,000 per annum, about 10% of the total revenue of England and the whole profit of EIC.³⁹

³⁵ Yao Xiangao ed., Zhong-guo Jin-dai Dui-wai Mao-yi Shi Zhi-liao, 1840-1895 (Sources of the history of foreign trade of modern China, 1840-1895), Vol.1, p.258, Peking, 1962.

³⁶ *ibid.*

³⁷ C.J.A. Jorg, pp.217-220, Appendix 8; Zhuang Guotu, *ibid.*, No.1, p.94.

³⁸ Hoh-cheung and Mui, The Management of Monopoly: a Study of the East India Company's Conduct of Its Tea Trade, 1784-1833, p.78, University of British Columbia Press, 1984.

³⁹ Michael Greenberg, British Trade and the Opening of China 1800-42, p.3, Cambridge University Press, 1951.

According to the estimation by Gardella, Fujian's tea comprised 35-69% of the whole quantity of the Chinese teas exported to England in 1740-1802 and 69-73% in 1802-1834, on the terms that neither Congou or Souchong were exported in significant quantities by other provinces, and that throughout this period Fujian produced two-thirds of Bohea tea exported, the other third being "Canton Bohea".⁴⁰ Considering that "Canton Bohea" was produced in significant quantities only since 19th century, the proportion of Fujian tea exported would be higher than the estimation of Gardella.

Organizing tea production and trade in Northwest Fujian

As mentioned above northwest Fujian produced almost half of China's tea exports. In the 18th century when tea became the largest of the local products,⁴¹ no other commercial agricultural regions in China could compare with northwest Fujian's high level of commercialized production. It was an area where tea cultivation and manufacture were almost oriented to world markets. Without an effective network of tea production and transportation, the demand of international markets would not be satisfied. Commercial capitals from outside totally dominated the tea production, technicians of tea making and the labours of tea production mainly and seasonally came

⁴⁰ Robert Paul Gardella, Fujian's Tea Industry and Trade in Ch'ing and Republican China: the Developmental Consequences of a Traditional Commodity Export, pp.105-106, University of Washington, 1976, unpublished doctoral dissertation.

⁴¹ Zhang Chaoshi ed, Gazetteer of Chongan County, ch.1, p.3, 1808.

from neighbouring regions, the relation between employee and employer was almost free.

a) tea cultivation and manufacture.

The relations of tea production in northwest Fujian was more complicated than that of other regions in China. The tea of northwest Fujian was produced in a narrow mountainous area with less capital and labour ever since the increasing demand for great quantities for the world market started in the 18th century. Those who were involved in tea production could be divided into categories according to their roles in production as follows.

"Shan-Zhu" or mountowners. These mountowners possessed land for tea cultivation. In northwest Fujian there were two kinds of mountowners related to tea production, one involved personally in tea production and others who leased their land and only earned the rent from it. It was interesting that some mountowners were monasteries who owned a large part, or almost half of the tea plantations in the Wuyi area. Most of these originally came from coastal Fujian, and they still hired technicians annually from Quanzhou in coastal Fujian and labourers from Jiangxi, the neighbouring province.⁴² Because

⁴² Jiang Hen, Wu-yi Wo-shu (Occasional comments on Wuyi), in Yun-liao Shan-ren Wen-Chao (Literature collection of Yun-liao recluse), ch.4, p.27, 1851, Fujian; Dong Tianshan, Wuyi Zhi (Gazetteer of Wuyi), ch.22, 1760s.

When R. Fortune visited Wuyi mountain in 1848, he was told there were nearly a thousand temples in Wuyi. When he visited several temples he got impression that the good priests seemed to pay more attention to the cultivation and manufacture of tea than to the rites of their peculiar faith. See: Robert Fortune, A Journey to the Tea Countries, p.225, pp.231-232, London, 1852.

the local people were not skillful in tea cultivation,⁴³ more native mountowners let out their lands for rent. When the Congan County, the most important tea county in northwest Fujian, was in great demand by world markets for tea in the Jiaqing period (1796-1820), "the tea merchants brought capital and came to Congan continuously, but the natives did not increase their own wealth, as those who worked or managed the stores came from elsewhere. The local people of Congan merely obtained sub-soil rent."⁴⁴

Shan-hu or tenant farmers. Tenant farmers were those who brought capital to lease the wild land at a lower rent from mountowners and recruit labourers in tea cultivation and preliminary manufacture, most of them came from elsewhere. Because they built shacks for the labours they recruited, they were also called Liao-Zhu or shack owners in some places. In Jianyang county, another important tea producing county in northwest Fujian, "tea was cultivated on 80-90% of mountains, on which the shacks stood so closely together they looked like trees in a forest."⁴⁵ Many tenant farmers came from Jiangxi.⁴⁶ The following case shows clearly how such tenant farmers worked in tea production. In 1762 a man from Jiangxi came to Guangze County in northwest Fujian and rented land for tea cultivation and

⁴³ Yan Baodi, Min-qiao You-xuan Lu (Record of Fujian mountains), in 1869.

⁴⁴ Zhang Chaoshi, p.4.

⁴⁵ Lo Yingzhen, Jian-yang Xian-zhi (Gazetteer of Jianyang County), ch.2, the customs, 1929.

⁴⁶ Chen Shaozhang, Wen Shu Lu (Asking for customs), ch.1, p.1, 1834.

manufacture from a mountowner called Liang Shengqi. Then he hired the natives called Den Shizi, Zhou Laoer and others to start his tea plantation. The payment for each employee from April to July was four taels of silver including food and lodging.⁴⁷

Chang-hu or factory households. Tea factory households was the name given to tea manufacturers, actually, they functioned almost the same as tenant farmers. Most of them rented land from mountowners for tea processing and also for cultivation, so as what Jiang heng said in early 19th century, "Those Chang-hu rented land to plant tea, they invested their capital,.....these factories extended even into the corners of remote valleys."⁴⁸

Peng-min or Chang-min were the shack people or factory labourers. The name "shack people" originated as early as the Tang dynasty (618-907),⁴⁹ related originally to vagrants who travelled from their hometowns, because these people mostly built shacks in the mountains to live in, they were also called shack people. In tea producing areas in northwest Fujian numerous shack people or factory labourers from the Jiangxi, Guangdong provinces and the Tingzhou Prefecture in Fujian were recruited and hired by tenant famers or

⁴⁷ The memorial presented by Shu Hede, the minister of Justice, in 1763, in Qianlong Xing-ke Ti-ben(Collection of memorials of justice in Qianlong reignperiod), preserved in China's First Archives in Peking.

⁴⁸ Jiang Heng, Jin-kai Cha-shan Yi(Comments on the prohibition of opening up mountains for tea cultivation), in Yun-liao Shan-ren Wen-chao, ch.2, p.21.

⁴⁹ Fu Yiling, Ming-Qing She-hui Jing-ji Shi Lun-wen Ji(Treatises on the social history of Ming and Qing period), p.147, Peking, 1982.

factory households to open up tea plantations and set up tea factories. In the tea harvest seasons more labourers were recruited for leaf picking, and preliminary tea making in these factories. Around the 1820-30s in Ouning County, a important tea producing area in northwest Fujian, "there are at least one thousand tea factories and plantations, each of them hired from a few dozen for the small factory, to a hundred employees for the large one. Thousands of factories employed tens of thousands of labourers, additionally, the travelling merchants and porters came continuously and packed the roads: there were often as many as several thousands."⁵⁰ Because Congan County had more tea plantations than Ouning, several hundreds of thousands of labourers suddenly arrived there from Jiangxi during the tea season."⁵¹

Local tea planters. Local tea planters were small farmers who cultivated tea for their livelihood. They depended mainly on family labourers even during the tea season. Few of them were able to develop as great producers of tea, or tea dealers, since they were too far removed from the network of great cultivators and dealers. However, there were a few exceptions in the middle of the 18th century. One tea planter, Mr. Xiao, created the tea called "Pekoe of Jianyang", which was popularly accepted in the market of Canton. He transacted his own tea business on a large scale, and personally sent tea to Canton.⁵²

⁵⁰ Jiang Hen, p.21-22.

⁵¹ Cheng Shaozhang, Wen-shu Lu, Jianyang tea mountains, ch.1.

⁵² Lin Jintuan, Jianyang Bai-cha Kao(Notes on Pekoe of Jianyang), in Fujian Cha-ye(Journal of Tea in Fujian), p.40-42, No.3, 1990.

The reasons that great numbers of extra hands had to be hired were decided by the particularity of tea production and also the relations of production. Tea production is very seasonable, after it is planted the tea shrub needs very little care. When the shrub is three or four years old, the leaves can be picked three or four times annually. The first picking takes place usually in mid-spring, after two or three weeks, the second picking starts, then the third and sometimes the fourth. All these pickings should be finished by 70-80 days before autumn commences. Once the fresh leaves have been picked off they should be cured by heating (under the sun to ferment, if it is for black tea), roasting and rolling. Leaf curing usually takes place on the night of the same day. The quality of tea varies according to whether the picking and curing are completed in time. The best tea comes from the first picking of the leaf as long as it is cured on time. Therefore the work in the tea season was much harder than normal for the tenant farmers or factory households, even when they hired extra hands. The other reason is related to the relation of the production. Because tea prices were decided by good picking and curing methods, and the local regions were sparsely populated and did not have extra labour, the tenant farmers or factory households came from other areas and preferred to hire those they knew well from their own hometowns. Many mountowners who were involved personally in tea production, and tenant farmers as well as the technicians, originally came from south Fujian,⁵³ they sent labour contractors, who were originally the descendents of south Fujianese and could therefore speak the south Fujianese dialect, to

⁵³ In Ming and beginning of Qing period, many tenant farmers from Jiangxi to northwest Fujian were the descendents of south Fujianese who escaped from Fujian to settle down in northeast Jiangxi, the neighbouring province of Fujian.

their hometowns in Jiangxi to recruit labourers, the payment was given to the labourer in advance for the daily expenditure of his family. These contractors were also appointed to manage the affairs of the labourers they recruited. When the tea season ended, the labourers were given the outstanding money owing to them, and returned Jiangxi.⁵⁴ The recruitment of extra hands from Jiangxi to the tea producing area in northwest Fujian continued from the 18th century to the first half of the 20th century.⁵⁵

Therefore the tea cultivation and preliminary manufacture in northwest Fujian were generally organized in the following form: People from other areas brought capital to northwest Fujian to rent land from the local mountowners and so became tenant farmers or factory households. They, and some local mountowners who were directly involved in tea production made use of the shack people for opening up tea plantations and factories as well as tea picking and curing. They also sent labour contractors to their hometowns to recruit labourers when the tea season arrived. The tenant farmers were related to the mountowners merely because of paying rent for the land, the relation between tenant farmers and shack people, namely employer and employee, was only concerned with the cash payment. More or less all of them were related to each other through their south Fujian origins. This relation was very significant considering that the south Fujian merchants dominated the export trade of tea from northwest Fujian.

⁵⁴ Chen Quan, ed, Zhong-guo Ming-cha Yan-jiu (Studies on the famous kinds of teas), p.31, Anhui, 1985; Tang Yongji and Wei Deduan, Fu-jian Zhi-cha (Tea of Fujian), Vol.1, p.71, Fujian, 1941.

⁵⁵ Lin Fuquan, Wuyi Cha Sheng-chan He Yun-xiao (The production and trade of Wuyi tea), p.13, p.41, Yongan, 1943.

b) The tea trade network in northwest Fujian:

Like the organization of tea production, a tea trade network was well implemented at the different levels of tea transportation.

Cha-huan, or tea peddlars, usually travelled to the countryside to collect Mao-cha, the tea manufactured to its preliminary stages, and sold them to tea dealers or Cha-zhuang, the tea stores. When the tea season began, numerous tea peddlars were spread over almost every corner of this area, they also collected the fresh leaves from the local planters to deliver to the local tea factory for preliminary processing. Some of them were not independent but served as employees of the tea stores.

Cha-zhuang or tea stores, and Cha-shang or tea dealers. The tea stores were usually set up in the tea distributing centres such as Xingcun, Xiamei in Congan and Hekou(Hokow) in Jiangxi.⁵⁶ These tea stores functioned not only as wholesalers, but also in refined making. The Mao-cha(crude tea) collected from peddlars was sorted and packed there to suit the needs of its markets. When Europe became the major market for the tea of northwest Fujian, these tea stores sorted and packed Mas-cha according to the standards provided by European merchants, particularly the English, although a lot of adulteration and blending took place there in order to meet the increasing demand for quantity from world markets. When the tea of Wuyi won its famous reputation in both domestic and foreign markets in the 18th century,

⁵⁶ Xingchun is located on upper reaches of Nine Winding Stream and 50 li(1 li=half kilometer) far away from the county seat of Congan. Xiamei is on Mei Stream and about 40 li far away from the county seat. These two towns were the distributing centres for almost all the tea produced in northwest Fujian in the 18th century. Hekou is situated on the left bank of Kin River, which served as the great emporium of the black tea exported in Canton until the middle of the 19th century. See: Fortune, p.197.

"the unscrupulous merchants and even the official merchants transferred the tea leaves from other prefectures to Wuyi and processed them there, then sold them under the name of Wuyi(Bohea) tea." ⁵⁷ When the tea season began numerous tea dealers from all over the country came to northwest Fujian in an endless stream to purchase tea from the local tea stores. There is a vivid description by Lin Fuquan of tea dealers from Shanxi province who purchased tea from tea stores for transportation to Mongolia and Russia.

"In the early Qing period the tea of Wuyi was all dealt by the merchants from Shanxi, they transferred tea through Jiangxi and Henan provinces for sale beyond the north pass. Each of the merchants had capital from 200,000-300,000 to 1,000,000 taels of silver. When the first tea picking started they were coming here. The holders of tea stores went to mouth of the river to welcome them. These merchants simply handed money and the order forms for teas to the store holders and cared about nothing else. When the tea season ended, these merchants then settled their

⁵⁷ Liang Zhangju, Gui-tian Suo-ji(Assorted records of returning to countryside), wrote in 1845. In order to counter the tea adulteration the European companies sent their tea inspectors to Canton to carry out quality control in tea purchasing. Charles Arthur, the first tea inspector sent by EIC to Canton in 1790, was an experienced tea broker in the tea auction of London, his duties were to determine the quality of the samples of tea, to inform the supercargoes of the suitable sorts of tea, and to recommend the acceptance or rejection of particular parcels of tea. See: Hoh-cheung and Lorna H. Mui, The Commutation Act and the Tea Trade in Britain, in Economic history Review, p.241, Vol.16, 1963-1964.

accounts and left."⁵⁸

Some tea stores functioned on a large scale. In the early 19th century there were four stores belonging respectively to Jiang, Guo, Lu and Zhuang among the forty tea stores in Heko: these forty stores only bought crude tea from northwest Fujian. Each of the four stores mentioned above hired as many as four hundred labourers for tea processing which dominated the capital of 1,000,000 taels.⁵⁹ The tea dealers bought tea from tea stores and transferred it to the wholesale dealers in tea consuming areas, where the wholesale dealers then distributed it to retail shops. If the tea was to be exported to Europe the dealers transferred it to the wholesalers or sometimes directly to the hong merchants in Canton. Before the Opium War only hong merchants were authorized to deal in tea with westerners. Some hong merchants had their own tea stores in northwest Fujian, or they sent their agents to purchase tea there.

Da(great) Cha-shang or wholesale tea dealers. This group generally resided in the trading centres in tea consuming, or distributing areas, such as Canton for exportation to Europe, or Zhang-Jia-ko for exportation beyond the north pass to Mongolia and Russia. The tea dealers transferred the tea to them, then they

⁵⁸ Zhong Gan, Cha-shi Za-yong(Assorted comments on tea affairs), quoted from Lin Fuquan, p.81.

⁵⁹ Xu Xiaowang, Ming-Qing Min-zhe-gan Bian-qu Shan-qu Jing-ji Fa-zhan de Xin Qu-shi(New tendency of the mountainous economy of the border area among Fujian, Jiangxi and Zhejiang provinces in Ming and Qing periods), in Fu Yiling and Yang Guozhen, ed, Min-qing fujian She-hui he Xiang-chun Jing-ji(Social and rural economy in Fujian during Ming and Qing period), pp.214-215, Xiamen University Press, 1987.

distributed it to the retail shops. If the teas were to be exported, they sold them to hong merchants in Canton for European markets or to caravans in Zhang-Jia-ko for Mongolian and Russian markets.⁶⁰ The wholesale dealers in Canton whether their transactions were in black tea or green tea, had their own guilds and warehouses. They collected tea transferred by the tea dealers from Fujian or Anhui and sold it to the hong merchants usually at the price decided by the latter. In 1819 the tea wholesale dealers created a consortium to resist the reductions in price and quality of tea which the EIC imposed on hong merchants and was passed on to them, but their resistance was defeated by the cooperation between the hong merchants, Europeans and Chinese local government.⁶¹ Some wholesale dealers organized their own supply from tea producing areas and personally escorted it to Canton, eventually selling it to the hong merchants.

Hong merchants. Hong merchants were authorized by the Qing government to deal in business with foreigners in the staples of the export and import trade in the ports of China. Since end of 1757 all the foreign vessels were actually allowed to trade only in Canton and

⁶⁰ From 18th century to 1860s. The city Zhang-Jia-ko in north China was the collecting and distributing centre for the tea exported to Russia, all the tea from Fujian for Russia should be sent here then transferred by Chinese caravans to kiakhta, where the tea was sold to Russian caravans. See: Cai Hongsheng, Shang-dui Cha Kao-shi(Notes on tea trade of caravans), Li-shi Yan-jiu(History Studies), 1982, No.6, pp.120-121.

⁶¹ Morse, Vol.3, 351-354.

were forbidden to sail northwards.⁶² Tea for exportation to Europe could therefore only be transferred to hong merchants in Canton. When tea became the most important export all the hong merchants, who were authorized to transact with Westerners involved in the tea trade, made their principal profits from the tea business. During the period of the EIC charter, the tea dealers sold their teas at an average price of 20.2 taels of silver for each picul to the hong merchants who in turn sold it to the EIC at the price of about 27 taels: the hong merchants making about 30% of gross profit.⁶³ However, the profits the hong merchants made from the tea trade were greatly diminished by the Qing government and the mandarins through endless extortions and squeezes. In order to match the demands of foreign packing and sorting standards, the hong merchants had their own packing houses to engage in tea re-processing, for which thousands of people were employed in Canton. The carpenters were to make different boxes for assorted teas, the plumbers were engaged in manufacturing leaden canisters of specified sizes for the more delicate sorts of tea, and in lining the large chests with lead. Painters were used to adorn the exterior with grotesque flowers and

⁶² There were two exceptions to this rule of sole port opened to foreigners. Portuguese commercial vessels may not take trade elsewhere than in Macao. Amoy was open to Spanish vessels, but this right was only nominal since the trade between Mamila and Amoy had been taken almost only by Chinese junks.

⁶³ Samuel Ball, An Account of the cultivation and manufacture of Tea in China, pp.353-354, Longmans, London, 1848.

fanciful emblems.⁶⁴ Because the hong merchants were authorized to transact in tea exportation, they stood at the top of the distributing network of the tea trade for exportation, they played a key role in linking foreign markets and interior producing areas. Some hong merchants retained their own agents at the tea stores in the interior in order to secure their own supply without intervention by tea wholesale dealers in Canton.⁶⁵

There were two systems which enabled the interior trade network to function effectively regarding tea supplies before the Opium War. One was the contract system, the other was the system of capital advances. Because tea shrubs take as long as four years from planting until their first picking, if the shrubs were uprooted on account of the decreasing demand, it was impossible to suddenly increase the tea supply within a few years, therefore the European merchants dealt in the tea trade with Hong merchants by contracts from before the 1730s onwards. With instructions from the directors in their fatherlands western supercargoes made contracts with hong merchants, on which the assortments, quantity, due dates and prices of tea for the following year's supply were regulated. Because of the increasing consumption of tea in Europe and the great purchasing scale of it in Canton, few hong merchants could afford to supply large enough quantities of tea to Europeans without being given advances of capital. From the 1730s advances of capital from Europeans to all the hong merchants became the rule in order to

⁶⁴ Description of the tea plant; its name; cultivation; mode of curing the leaves; transportation to Canton; sale and foreign consumption; endeavors to raise the thrub in other countries, in Chinese Repository, July, 1839, pp.148-149.

⁶⁵ Mui and Mui, The Management of Molopoly, p.11.

secure a stable supply for European markets.⁶⁶ The advance of capital was from 50-80% of the value of the ordered goods, which was also regulated as part of the contract.⁶⁷ The hong merchants made similar contracts with tea wholesale dealers and paid them a large part of the sum they received from the Europeans. In a similar way the contracts and advanced capital were handed down through the trade network to the tea cultivators in the tea producing areas. By the same way the silver coins from westerners as advanced purchasing capital was brought by the tea dealers from Canton to northwest Fujian annually. The price of tea in northwest Fujian was about 12 taels of silver per picul,⁶⁸ and about 140,000 piculs of tea

⁶⁶ Morse, Vol.1, p.104.

⁶⁷ Morse, Vol.2, p.126.

⁶⁸ Ball made a detail table of the cost of black tea from Fujian at the beginning of 19th century:

expense	taels
Cost of growth and manipulation	12
Cost of chests and packing	1.3
Expense of transport from the black tea districts to Canton	3.9
Charges at Canton on account of government duties, hong merchants' expenses, and boat hire to ship	3

	20.2

Source, Samuel Ball, An Account of the Tea Cultivation and Manufacture or Tea in China, p.354, London, 1848.

annually transferred to Canton at the end of 18th century.⁶⁹ It means at least 2,000,000 dollars of silver flew into northwest Fujian annually. Through the systems of contract and advanced capital the tea supply increased steadily in response to the increasing demand of overseas markets.

The merchants from Min-nan(south Fujian) played a critical role in the trade network of the tea produced in northwest Fujian. Residing in the infertile coastal Fujian surrounded by high mountain ridges, the only way for the coastal people of Min-nan to communicate outside had been by the sea. Their livelihood had depended for centuries to a great extent on maritime trade and fishing. When Europeans began to expand into Southeast Asia, the first Chinese they encountered were the merchants from South Fujian. When tea was purchased in great quantities by the Dutch in Batavia from Chinese junks from late 17th century to the 1750s, it was the Min-nan merchants who transferred tea by Chinese junks to Batavia. In Batavia most Chinese tea dealers also came from Min-nan.⁷⁰ In 1733 two Chinese tea dealers returned to Min-nan from Batavia and were detained by the Qing local government charged with illegal emigration, both of them confessed that they were Min-nanese and transacted their tea trade between Canton and Batavia.⁷¹ Among the hong merchants in Canton, more than half of them originally came from

⁶⁹ In the years round 1800, the annual export tea from Canton was about 280,000 piculs, at least half of it was from northwest Fujian. Dermigny, p.539, Gardella, p.105.

⁷⁰ Leonard Blussé, Strange Company, p.146, Leiden, 1986.

⁷¹ Zhu-pi Yu-zhi(Collection of the imperial edicts of Yongzheng reignperiod, 1723-1735), Vol.55, 1733.

Min-nan, including the two most famous merchants Punkhequa and Howqua.⁷² The tea dealers who transferred tea from northwest Fujian to Canton were mostly Minnanese.⁷³ Even many of the peddlars who collected tea for the tea dealers were Minnanese. When the tea season started the tea peddlars were active in Chongan County, most of them came from Jiangxi, Tingzhou and Min-nan.⁷⁴ Min-nan merchants, together with the tenant farmers and tea processing technicians from Min-nan, composed a Minnanese network from tea cultivation and manufacture to trade, this network functioned very well and played a critical role in the tea production in northwest Fujian and tea trade with foreigners up to 1870s.

The impact of the international tea trade on the social economy of northwest Fujian

The international tea trade in 18th century had a strong influence on the social economy of northwest Fujian, and changed the traditional natural economy. A specialized division of labour in the form of social production had developed while the commercial production became the principal section of the local economy, and the phenomenon of so called "sprouts of capitalism" had emerged.

⁷² Liang Jiabin, Guang-dong Shi-san Hang Kao (Notes on hong merchants in Canton), 203-277, Shanghai, 1937.

⁷³ Ta-qing Hui-dian Shi-li (Collection of imperial decrees and regulations with concrete cases in Qing period), ch.630, p.6, edicted in Guangxu reign period (1875-1908).

⁷⁴ Zhang Chaoshi, pp.3-4.

a) The development of the commercial economy in northwest Fujian.

The opening up of Northwest Fujian began from the Tang period (618-907). This area had been the famous rice producing area in Fujian, the traditional combination of agriculture and handicrafts on the unit of the family had been the basis of its natural economy. Until the early Qing period grain was still the principal product in the agriculture of this area. Although few commercial grains were cultivated there. The grain produced in northwest Fujian could not only meet the demand of the local people, but were also transferred to supply the other regions, especially the capital of Fujian. "The reason why the people in the capital of Fujian were not short of food was only because they were supplied with the surplus grains of northwest Fujian".⁷⁵ When tea produced in northwest Fujia became popular aimed at the European markets from the 18th century onwards, the local people in northwest Fujian were able to make greater profits from tea cultivation than from grain cultivation with the result that many paddy fields were changed into tea plantations, "all mountains were planted with tea shrubs in all counties in northwest Fujian",⁷⁶ in some counties such as Ouning, "the tea plantations covered all the county and even in the remote and untraversed

⁷⁵ Min-zheng Ling-yao (The guiding principle of civil administration of Fujian province), ch.2, grains, written in beginning years of 20th century, the author can not be identified.

⁷⁶ Xu Jing, Ya-ge Tang-ren Ji (Literatural collection of Ya-ge Tang), ch.7, The suggestion to forbid tea cultivation presented to the magistrate of Jianning Prefecture.

mountains."⁷⁷ Tea cultivation caused serious soil erosion. A local observer said in the beginning years of 19th century, " Jianyang (county) had always had a lot mountain springs, so that the fields were always harvested without worrying about drought. Recently, because of mountains opening up for tea (cultivation), grasses were eliminated which resulted in the springs drying up. When there was a lack of rain the fields ran dry immediately. In the period of the spring rains there was no way to stop the runoff of water down into valleys, muddy soil was washed down and fertile fields became stony earth."⁷⁸ The price of grain began to rise rapidly and great quantities were imported. The surplus grains which were formerly expected from northwest Fujian had been drastically reduced, as rice fields were discontinued and both long and short term labourers went over to the tea producing areas. In 1833-1834, the price of rice rose to about six taels per picul, double than that at end of 18th century.⁷⁹ Gardella estimated that in the 1820s about 50.3% of the families were involved in the primary production of tea in the Jianning Prefecture (excluding tea pickers, secondary processors, tea merchants and the like), the main producing area of Fujian tea.⁸⁰ However, his estimation is only related to the tea imported by EIC. Considering that a considerable part of the tea produced in northwest Fujian was consumed in the domestic market, and the large amounts of

⁷⁷ Jiang Heng, p.21.

⁷⁸ Jiang Hen, p.22.

⁷⁹ Lo Yingzhen, pp.24-25; Jiang Hen, *ibid.*

⁸⁰ Gardella, The Min-pei Tea Trade during the Late Ch'ien-lung and Chia-Ch'ing Eras, pp.346-347.

tea exported to America and Russia was not included, the real proportion should be much higher than that Gardella estimated.

b) The emergence and development of the multi-tiered landholding system and the separation of the right of land management from land ownership in tea producing areas.

In the traditional Chinese feudal society landlords had cruelly exploited farm labourers by means of their monopoly of land. They could carry out extraeconomically-bound compulsory means on tenants, which was not only regulated by the tenancy system but also confirmed by law.⁸¹ Under such a system the tenants had neither personal freedom nor any right to land management, the landlords monopolized ownership of land and the right of land management while the tenants had to work for landlords in the form of service in addition to rent, they were bound to the land. However this traditional tenancy system was broken gradually in tea producing areas in northwest Fujian because of the sudden demand for greater quantities of tea for the international market from the 1720s onwards. Because tea cultivation and trade depended obtaining additional workers from elsewhere, and the fact that the tea shrubs took longer to produce than grain, the tea cultivators needed long-term tenancy of land and the absolute right to manage the land. Under these circumstances a system of permanent tenancy (Yong-dian Quan, right of permanent tenancy) developed and gradually became the principal tenancy system in tea producing areas in northwest Fujian.

⁸¹ From Min to middle Qing period(1368-1750s) the status of tenants was considered in law as servants of employers, whose legal status was lower than the normal people. Sincethen this kind of relationship of personal dependance was abolished. See: Min-lu Ji-jie Fu-li(The explanation of Min Codes with concrete cases), ch.20, 1908; Ta-Qing Lu-li(Great Qing codes), ch.28, 1793.

Under this system the land owners could neither terminate a tenancy nor intervene in the land management. When some local gentry criticized the serious results caused by opening up mountains for tea cultivation, such as soil erosion, increasing rice prices, and an increase in bandit activity, they had to recognize that the contemporary relation of tenancy could not be terminated because of "property dominated not by owners" (Ye-bu-you-zhu), the only solution was to order the owners of the mountain areas not to let new land for rent, otherwise they would be severely punished.⁸² With the right of permanent tenancy the tenants obtained a permanent right of land management which meant that the right of land management was totally separated from land ownership. This kind of separation enabled the tenants to use land according to the demands of the market without worrying about interference from landlords. They could manage the land on a long-term basis and plan in advance, which is very important for stable tea supplies under increasing demands of the world market, because tea shrubs need three to four years to mature. They could also hire labourers in their tea plantations, in this sense, they actually became "managing landlords"(Jing-ying Di-zhu). Moreover it cleared the way for tea merchants to invest their capital in tea production. With their knowledge about the markets the merchants could invest their capital in tea cultivation and manufacture, establish a direct link between the tea producing areas and the tea markets. Actually, the emergence of a multi-tiered landholding system, and the separation of the right of land management from land ownership were the result of a developing commercial production, moreover, it promoted this developing.

c) The change of the relation of employment.

By the separation of the right of land management from

⁸² Jiang Heng, p.21-22; Lou Yingchen, ch.2, pp.225-26.

ownership of land, the relation between landowners and tenants was also changed, it was simply a relation of the rent payer-accepter between both of them. Landowners no longer had the means to force tenants to accept their wishes, indeed, these tenants could manage the land as they chose. As mentioned above these tenants invested their capital into tea production, they also hired labourers from elsewhere for tea production. The relation between these tenants and the labourers was simply a relation of employer and employee, cash was paid to the labourers according to the contract agreed when they were recruited, they were free labourers. By the use of free labour the demand for seasonal labour in great quantity for tea picking and processing could be satisfied. When the tea season started in spring, "Jianyang County was suddenly inundated by several hundred thousands of people from Jiangxi Province, who jostled each other and filled all the corners of ferries, country fairs and restaurants."⁸³

d) The commercial capital dominated tea production.

Tea producing in northwest Fujian was almost totally dominated by commercial capital in the 18th century, which was less dominant in other parts of China. This can be explained in two ways. Firstly, commercial capitals were invested into tea production by purchasing contracts and by capital advance. The systems of multiple purchasing contracts and capital advance were carried out popularly in the tea trade with Europeans from 1730s onwards. With the contract came the purchasing capital in advance from Europeans which could be at least partly invested to assist the tea cultivators in northwest Fujian.⁸⁴ In the early 19th century, "it was the practice of the merchant in Wuyi country to send the tea which he had contracted for,

⁸³ Chen Shaozhang, ch.1, pp.1-3.

⁸⁴ Chinese Repository, July, 1839, p.148.

or purchased in the rough state, to his own packing houses."⁸⁵ A large proportion of the finest tea was bought up by merchants from Amoy, who made advance payments to the cultivators.⁸⁶ Tenant farmers from other areas, who were the principal organizers of tea cultivation, brought their capital to rent the land in northwest Fujian and opened up tea plantations. The quantity and quality of the tea production in northwest Fujian were guided generally by the tea purchasing contract with the advance capital. Secondly, many tea merchants were directly involved in tea production. Howqua, the most famous hong merchant at end of the 18th century and the beginning of 19th century, established his own tea plantation in Wuyi country to cultivate the tea of Congo, which was in great demand at the London auction.⁸⁷ A lot of tea dealers from elsewhere came to northwest Fujian to establish their own tea factories and stores for tea processing.⁸⁸ The local tea dealers were also always involved directly in tea cultivation. In the middle of the 18th century a rich tea dealer called Mr. Xiao from Jianyang had his own tea plantation and transferred the tea of Pekoe cultivated by himself to Canton.⁸⁹ In the same period a local tea dealer called Zhou Jiazhang possessed

⁸⁵ Samuel Ball, An Account of the Tea Cultivation and the Manufacture of Tea in China, p.184, Lonton, 1848.

⁸⁶ Chinese Repository, July, 1839, p.140.

⁸⁷ W.C. Hunter, The "Fan Kwae" at Canton before Treaty Days, 1825-1844, pp.29-30, Kegan Paul, 1882.

⁸⁸ Zhang Chaoshi, ch.1, p.3.

⁸⁹ Lin Jintuan, p.40.

a property of over two million taels of silver, which was supposed to be made from tea cultivation and trade.⁹⁰

e) The emergence of "sprout of Capitalism" in tea production.

Here my definition of the concept "sprout of the relation of Capitalist production" is that the (commercial) capital employs free labour and obtains a surplus value in order to increase the capital itself in the period of pro-industry. There are three pre-conditions for the emergence of the sprout of the relation of capitalist production. The first is a certain level of productive forces, namely the labourer can produce more than he needs otherwise no surplus value can be obtained by capital. The second is a certain progressive development of the commercial economy, which enables capital to come in form. The third is a free labour market which has nothing to sell but its labour force for survival and can move freely in search of work.

The motive force of the development of tea production in northwest Fujian was the increasing demand of the world market. In the late 1830s, Canton exported 350,000 piculs of tea, at least 40% of this, or 140,000 piculs, was produced in Fujian. Together with the quantity of tea consumed in the domestic market and transferred to Russia, the tea transferred from northwest Fujian possibly reached about 170,000 piculs annually. With the average price of 12 taels per picul in the tea producing area, this means that more than 2,000,000 taels of silver found its way into northwest Fujian annually,⁹¹ or cash to the value of one fifth of the gross value of China's export

⁹⁰ Lin Fuquan, p.81.

⁹¹ This estimation is lower than that of Ball. According to Ball 3,000,000 dollars (or 2,160,000 taels) of silver were transferred from Canton to northwest Fujian. Ball, p.356.

industry came to an area with a population of about 1% of the whole country.⁹² A large amount of cash flowed into northwest Fujian and accelerated the progress of capital accumulation. The separation of the right of land management from land ownership enabled the merchants to invest the capital in tea cultivation and manufacture. Each of the large tea manufactories employed hundred of labourers and their wage was counted in cash. Such factories therefore possibly dominated at least thousands of taels of circulating capital for the payment of their workers, purchasing fresh leaves, and other costs. The development of the commercial economy also changed the natural economy of self-sufficiency. The local people exported tea and imported rice and other necessities which they had formerly produced themselves. Tea production brought the local economy into a component of the world economy. Most employees emigrated seasonally to northwest Fujian and were freely employed in tea plantations or factories, the only relation between them and their employers was the cash for their labour, they were free labourers and worked in certain numbers under the same capital. If they were recruited by contract, each of them earned about three-four taels with free food and lodging in a tea season of about fifty working days. Without a contract they were given the wages according to the quantity of tea leaves they picked or cured. When considering such elements as the dominating position of commercial capital and the free labourers from elsewhere as the main labour force in tea production, the change in the traditional economy from self-sufficiency and a multi-tiered landholding system, it seems to me that the "sprout of the relation of capitalist production" definitely existed in tea production in

⁹² In late 1830s the gross value of China's export was at least 24,500,000 dollars of silver, the population of northwest Fujian was over 4,400,000. Yao Xiangao, p.258.

northwest Fujian. It marks a new form in the relation of production which emerged in traditional Chinese society of the 18th century under the stimulation of international trade.

Conclusion

Although tea had been cultivated for more than a thousand years in Fujian, only from 1720s onwards did it come into its golden age under the stimulation of international trade. Because there was a effective network from tea production to tea transportation in the interior, the rapidly increasing demand for great quantities and various assortments of tea for world markets could be satisfied in northwest Fujian-- a small, sparsely populated and mountainous area. In this network the organizers of tea production and the merchants from South Fujian played a key role. The development of the international trade in the 18th century made a strong impact on the spcial economy of northwest Fujian when it brought this isolated area into a component part of the world trade. Tea production for exportation started the process of agricultural commercialization, promoted the separation of the right of land management from the traditional ownership of land, attracted large amounts of commercial capital and huge numbers of labourers from elsewhere. The combination of commercial capital and free labourers in tea production, namely the capital to employ the free labourers in tea cultivation and manufacture, brought about a new relation of production in the traditional natural economy. Temporarily we call this new relation "the sprouting of the relation of Capitalist production". When the new relation of production emerged, it marked the demise of the original pattern of self-sufficiency, which was based on the traditional combination of agriculture and handicrafts within the family unit which had existed in China for more than a thousand years. In this sense, I will say the most positive impact that

European commercial expansion brought to China in the 18th century was not the great quantity of silver, but the commercial stimulation from which a new relation of production came about!

Chapter III

International Trade in Chinese Tea in 18th Century

Although the export of Chinese tea can be traced back to at least the 10th century when the trade of tea being exchanged for horse was carried on a great scale between Song empire and the nomadic tribes outside the Song's northwestern border,¹ it was only an inter-Asian trade and engaged with China's neighbouring countries. It is the European expansion into the Far East which brought Chinese tea to the status of an international commodity, eagerly pursued by Europeans and Americans from 18th century onwards. This chapter approaches the structure of international trade in Chinese tea and the roles that tea plays in China's foreign trade and Sino-foreign relations.

Introduction of tea into Europe

From the first penetration of the Portuguese to the coasts of China in 1514 to the first half of the 19th century, the European nations made great efforts to win a regular trade with China. For services rendered in suppressing the Chinese pirate junks the Portuguese received informal permission from the Chinese local authorities to rent land and carry on trade at Macao close to Canton in 1557. The Spanish established their Asian headquarters in Manila in 1571 and entered into commercial contact with the Fujian maritime merchants since that time onwards. In 1600 the Dutch were present in force in the China Sea, a fleet of the "Oude Copaginie" composed of

¹ John C. Evans, Tea in China: the History of China's National Drink, p.66-67, Greenwood Press, New York, 1992.

six ships commanded by J. van Neck appeared on the Canton coast. In 1602 the Dutch East India Company(VOC, Verenigde Oost Indische Compagnie) was chartered to carry out trade in the east. In 1619 they established their headquarters at Batavia and built up their trade network of inter-Asia and Asia-Europe. In the 17th century the English were based mainly in India and were less prominent in Far Eastern trade than the Dutch. However, from the late 17th century, in addition to their expansion in India, the English sped up their venture into trading in the Far East and became the first merantile power in the China Sea. Apart from the trade carried out in China's ports like Amoy, Canton, Fuchow, Lingpo, Chinese products could be purchased from the Chinese junks sailing to Manila and Batavia. At the start of the "Thirty Years War", the power of Spain had steadily declined in the first half of the 17th century, and the Portugueses at the same time shared in the misfortunes of Spain and lost most their Asiatic possessions and trade to the Dutch and English. Towards the end of 17th century the French ship "Compagnie de Chine" also appeared on China's coast, followed fairly soon by Swedish and Danish ships to Canton. In the late 18th century the Americans also started to join the line of European merchants pursuing the tea trade in Canton.

While the maritime nations of Europe were trying to get the trading footholds in China, the Russians were also advancing into the Far East. In 1637 the Russians established the fort of Yakutsk on the River Lena. In the following decades they ventured to the basin of Amur(Hei-Long-Jiang) and built the fort Nerchinsk, where they were restrained by Qing's troops. After the Russian troops were defeated and the fort Nerchinsk was destroyed by Qing's force in 1686, the Russians came to concluded the Treaty of Nerchinsk with the Qing government, by which they abandoned their settlement at Albazin and withdrew from Amur. As a compensation the Russian merchants were formally allowed to trade with China and the Russian trade caravans

were authorized to go to Peking on fixed dates.²

Although tea had been cultivated in China at least in 2nd century of B.C. and although since so many Europeans visited China,³ tea was not known to Europeans before the middle of the 16th century. As Sir Percival Griffiths said, " In view of the considerable intercourse between China and the West during the first millennium(and a half) after the discovery of tea, it is strange that no knowlege of either the plant or the beverage reached Europe before the sixteenth century".⁴ The first printed reference to tea in western literature is the book Navigatione et Viaggi by the Vinician Giambattista Ramusio in 1559. Although the author had not personally travelled, he passed on what a Persian named Hajji Mahommed told him about the herb Chai "Catai".⁵ Since the many western explorers, mariners, merchants and Jesuit priests continued to bring the stories of tea back to Europe, although those stories are sometimes very confused.

² M.I. Sladkovskii, History of Economic relations between Russia and China, pp.15-18, Jerusalem, 1966; Wang Zhichun, Guo-Chao Rou-yun Ji(The Qing's pacification of the remote regions), ch.2, the 28th year of Kangxi reignpeiod, wrote in 1879.

³ Cheng Zhugui and Zhu Zizhen, Zhong-guo Cha-ye Shi Zhi-liao Xuan-ji (Selection of the histiric sources of Chinese tea), p.5-6, 1981, Peking.

⁴ Percival Griffiths, The History of the Indian Tea Industry, p.14, London, Weidenfeld & Nicolson, 1967.

⁵ See, Theme Thee, p.13, Museum boymans-van beuningen Rotterdam, 1978.

Although the Portuguese were the pioneers of China traffic and their traders and priests wrote home giving much information on tea, a long time elapsed before it was introduced to their native country. The Dutch were supposedly the first transporters of tea into Europe. Stimulated by the discription of tea and tea-drinking in the book published in 1596 by the Dutchman Van Linschoten,⁶ who had visited some Asian countries with the Portuguese vessels, the Dutch successfully carried out their first trip to the Far East and arrived at Bandam on the island of Java in June 22, 1696. The first consignments of tea from China were transported to Bantam in 1606: From there they were shipped to an as yet un-tea-conscious Europe.⁷ Mr. R. Wickham, the agent of EIC on the Japanese island of Hirado, perhaps the first Englishman known to have mentioned tea in writing. He sent a letter dated of June 27, 1615, to his colleague Mr. Eaton at Macao, asking him "I pray you buy for me a pot of the best sort of chaw(tea) in Meaco(Macao), Fairebowes and Arrowes, some half a dozen Meaco guilt boxes square for to put in to bark(barque) and Whatsoever they cost you I will be alsoe willinge acountable unto for them."⁸ It seems that Dutch were the first to use tea as a

⁶ J.H. van Linschoten, Itinerario, voyage ofte schipvaert van Jan Huygen van Linschoten naer Oost ofte Portugaels Indien, pp.35-36, Amsterdam, 1696.

⁷ Denys Forrest, Tea for the British: the Social and Economic History of a Famous Trade, p.19, Chatto & Windus, London, 1973. According to Ukers, the Dutch were the first to take tea from Japan and China in 1610. See: William H. Ukers, All about Tea, Vol.1, p.23, p.28, New York, 1935.

⁸ *ibid*, p.19.

beverage when other countries still considered it as a medicinal drink. In a letter written by the seventeen directors of the VOC to the Governor-General in the council of Netherlands-India, dated January 2, 1637, it is said: "As the tea begins to come into use with some pople, we expect some jars of Chinese as well as Japanese tea with all ships".⁹ The transportation of considerable quantities of tea from China to Europe occurred possibly in 1667 also by Dutch ships. In the message of the General of Netherlands-India dated of 25 January of that year, he wrote, "As last year a considerable quantity of tea has been enforced upon our people in Hocchien(Fujian), much against their wishes, and as we do not know what to do with this great quantity in our country(i.e. India), we have resolved to send a goodly part of it to the fatherland".¹⁰

In the second half of the 17th century, tea-drinking spread to France and Germany as well as the Scandinavian countries. Portugal is also a country where tea-drinking made great progress. It found its way into aristocratic and even to Court circles. When Catharine, the Infanta of Braganza, who enjoyed tea and married the English king Charles II, her dowry included not only the island of Bombay, but also the beneficial habit of tea-drinking.

Since tea was so well known in Holland in the earlier part of the 17th century, it was easily transferred to England. It is said that the pioneers bringing tea into England were probably a few ships' officers from East Indiamen, who were already allowed to trade

⁹ G. Schlegel, "First Introduction of Tea into Holland", in T'oung Pao, 1900, Vol.1, p.469.

¹⁰ Schlegel, *ibid*, p.469.

privately.¹¹ In 1657 a regular tea-house was opened in Exchange Alley in London.¹² Tea was sold in this period at a terribly high price, up to £10 per pound(lb.).¹³ When the EIC wished to make a present of tea to Charles II in 1664, they were able to procure only 2 lbs 2 oz, for which they had to pay eight-five shillings. In 1666 22 lb.12 oz of tea was bought at the cost of 56 pounds and 17 Shillings again to Charles II. These teas presumably came from Holland.¹⁴

Russia is one of the European countries(if Russia can be included in this description) which was the first to obtain tea. Tyumenets, the Russian envoy sent to Altan Khan in central Asia in 1616, brought presents to Moscow from the Khan to the Tsar in 1617, among which were the first samples of China tea.¹⁵ In 1658 an official Russian embassy headed by Perfil'ev was dispatched to Peking. When he returned home, he bore abundant gifts from China's emperor to the Tsar, among which there were 3 pounds of tea.¹⁶ However, before the end of the 17th century tea was more a curiosity

¹¹ H.B Morse, The Chronicles of the East India Company Trading to China, 1635-1834, Vol.1, p.42, Oxford, 1926.

¹² A.Ibbetson, Tea from Grower to Consumer, p.4, London, 1936.

¹³ George F. Campbell, China Tea Clippers, p.1, London, 1974.

¹⁴ Morse, *ibid*, p.9.

¹⁵ Sladkovskii, *ibid*, p.8.

¹⁶ *ibid*, pp.11-12.

than a commodity.

Before the 1720s tea had not become an important cargo in European Asiatic trade yet. The EIC imported 143 pounds of tea in 1669 and 793 pounds in 1770, both were bought in Bandam,¹⁷ where the Chinese junks arrived regularly. In 1682 the directors of EIC dispatched four ships to Amoy with the instructions that they should purchase high-quality tea at the cost of 1,000 dollars.¹⁸ In 1684 the English lost their foothold in Bandam and turned to Amoy, Macao and even Surat for purchasing tea. Awareness of tea becoming more important, and being imported in large quantities by private persons, prompted the seventeen directors of the VOC to send a letter to the Governor-General dated of April 6, 1685, in which it is said that nobody would privately be allowed to bring tea back to Holland, and twenty thousand pounds of tea, that was to be good, fresh and packed in a proper way, were reserved.¹⁹ Two years later the same quantity of tea was bought in China by the English. In 1687 two ships of the EIC sailed from Bombay for Amoy, having been told that their return investment should include 150 piculs(1 picul=133.3 lb.) of tea.²⁰ When the ship Princess came back to London from Amoy in 1689, the directors complained that tea had already become a drug on the

¹⁷ Morse, Vol.1, p.9

¹⁸ Morse, Vol.1, p.48

¹⁹ Schlegel, *ibid*, p.470.

²⁰ Morse, p.62

market, except it be superfine and comes in tubs, pots and chests.²¹ At the close of 17th century about 20,000 lb. of tea a year, on average, was being brought into England.²² Interestingly, this was only one-thousandth of the amount being brought in by the close of the 18th century. Before the 18th century the EIC had imported 129,526 pounds of tea from China.

Tea imported by EIC from China²³

Year	Quantity (lb.)	Import price (pound)	Value (pound)	Sale price (pound)
1669	222	0.54	120	-
1671	264	0.08	20	0.80
1673	44	1.14	50	1.19
1678	4713	0.04	207	-
1679	340	0.11	36	0.07
1682	7	0.19	13	-
1685	12070	0.20	2422	0.63
1686	5055	0.07	371	0.22
1688	1666	0.11	177	0.26
1689	26200	0.03	781	0.25

²¹ *ibid*, p.64-65.

²² G.F. Hudson, Europe & China; A Survey of their Relations from the Earliest times to 1800, p.260, London, 1931.

²³ K. N. Chaudhuri, The Trading World of Asia and the English East India Company: 1660-1760, Appendix 5, p.538, Cambridge University Press, London, 1978.

1690	38390	0.04	1723	0.29
1691	12228	0.04	471	0.34
1692	6374	0.20	1255	0.22
1697	8921	0.91	8901	0.91
1699	13082	0.12	1581	0.74

total 129576

1701	121417	0.15	17638	0.26
1702	43625	0.21	9125	0.32
1703	19395	0.16	3072	0.48
1704	19974	0.24	4750	0.82
1705	2523	1.08	2718	0.57
1706	460	0.10	47	0.97
1713	158107	0.06	9746	-
1714	213499	0.11	24416	-
1717	397532	0.09	35085	-
1718	542443	0.07	38000	-
1719	516105	0.08	39174	-

total 2035080 | 0.09 183771

The tea imported into England was not all directly bought in China. According to W. Milburn's Oriental Commerce published in 1813, 6661 lb. of tea was imported from Surat in 1687 and 1688 combined; from Amoy and Madras 25,300 lb. in 1689; from Surat and by individuals' 41471 lb. in 1690.²⁴

The Dutch VOC probably bought all its tea in Batavia from

²⁴ Cited from Forrest, p.37.

the Chinese junks before the 1720s. The commercial intercourse between China and Batavia had been established almost as soon as Batavia was established. Up to end of the 17th century there was a Chinese settlement composed of about ten thousand Chinese in Batavia.²⁵ The Chinese junks started to sail from Amoy, Ningpo, Canton, Macao in December by the north monsoon to Batavia, loading the cargoes of tea, white alum, raw silk, silk fabrics, porcelain and amongst other things. The turnover of the trade with the junks in Batavia during the first decades of the 18th century generally displayed a surplus in favour of the Dutch, ranging from 100,000 to 500,000 fl. The tea transported by junks was not only for selling to the Dutch who later shipped it to Europe, but also for the Chinese settlement in Batavia.²⁶ From 1690 to 1718 an average of fourteen Chinese junks annually arrived in Batavia, but the tea they brought there was only sufficient to load one tea ship for the Netherlands.²⁷

Until the early 18th century the quantity of tea consumed in Europe was still not significant. Not only because the tea-drinking

²⁵ Hang Wenying, Chen Zengwei and Chen Anni, He-shu Dong-yin-du Tong-zhi Shi-qi Ba-cheng Hua-qiao Ren-kou Fen-xi (Analysis of Chinese settlement in Batavia in the period of the Netherlands East India Company), p.87, Nanyang Research Institute, Xiamen, 1981.

²⁶ Femme S.Gaastera, De geschiedenis van de VOC, Leiden, p.114.

²⁷ J. de Hullu, "Over den Chinaschen handel der Oostindische Compagnie in de 1e dertig jaar van de 18e eeuw", in Bijdragen tot de Taal-, Land-en Volkenkunde van Nederlandsch Indie(BTLV), Vol.73, p.42-42, The Hage, 1917.

habit before the early 18th century had still not been popularly adopted by Europeans, but also because tea was too expensive for the common people. In 1684 a (high grade) pound of tea cost 80 fl. in Amsterdam.²⁸ The price at the tea auction in London was £0.97 for one lb. Up to 1719 the English prices of tea were 10-19 shillings per lb of green tea and 13-19 shillings for Bohea tea.²⁹ Such prices were very high when compared to the salaries of ordinary people who earned three-pence, or a groat a day.³⁰ When tea prices sharply decreased in 1720s-1730s, tea had taken the place of coffee as the most popular beverage in England.

Because of the increasing demand for tea in Europe, and China being the only place to obtain tea, the European East Trade Companies competed with each other in sending their vessels to China for supplies. Since the first voyage in 1698 to Canton, the French merchants organized a China trade company (La Compagnie de la Chine) in 1700 to engage in the trade, especially with China. Since 1716 a ship was sent annually on average from France to Canton, while from 1711 the EIC regularly sent its ships to China. The portuguese and Spanish kept their trade with China through their colonies. In 1722 the Ostend merchants joined together with the Ostend Company with a charter authorized by the Emperor Charles VI to engage in the China trade. In 1729 the Danish East Company was established, three years

²⁸ Valentijn, Oud en Nieuw Oost-Indien, Vol.1, p.190, Dordrecht-Amsterdam, 1724-1727.

²⁹ Kristof Glamann, Dutch-Asiatic Trade: 1620-1740, p.222, The Hage, 1958.

³⁰ G.A. Sembrook, English Life in the Eighteenth Century, p.219, St Martin Press, New York, 1955.

later the Swedish India Company was created, both also participated in the competition for the tea trade. Up to the 1760s the Dutch kept ahead in this competition, although later the English went ahead. From the last decade of the 18th century onwards, the EIC dominated the trade in China tea. It was only in 1784 that the first American ship came to Canton for the purchase of tea: in the short space of ten years, the Americans became the second largest tea transporters.

Dutch trade in Chinese tea

Unlike other European companies which sent ships directly from Europe to purchase tea in China, prior to 1757, the Dutch bought most of their tea from Chinese junks coming to Batavia, or sent vessels from Batavia to Canton for tea purchase.

Tea did not become an important commodity in the Chinese junk trade in Batavia until 1690s. As a rule the Chinese junks left China in December each year and arrived in Batavia in the January. In order to fit the Dutch market for sales in November-December, the VOC arranged the so-called "after-ships" to load the tea, so that, they were also called "tea ships". These ships were to leave Batavia for Europe in the February or March. However, because the tea purchase and loading occasionally took more than one month, or some of the junks arrived in Batavia later than January or February, not all the tea brought by Chinese junks could be loaded in the tea ships. In such cases the surplus of tea was to be loaded on the ordinary homeward-bound fleet in the autumn and arrived in the summer of the following year. According to Glamann, half the quantity of the tea purchased in Batavia was transported by the tea ships, and

half by the ordinary ships.³¹

Number of ships arrival in Batavia in 1681-1750³²
(average per annum)

years	Chinese junks*	Portuguese ships	total
1681-1690	9.7	1.8	11.5
1691-1700	11.5	1.6	13.1
1701-1710	11	2.9	13.1
1711-1720	13.6	5.9	19.5
1721-1730	16.4	9	25.4
1731-1740	17.7	4.8	22.5

* There were no Chinese junk arrivals in 1718 and 1721.

As tea prices in the European markets were so high compared with the prices in Batavia and Canton, the tea trade was very profitable, many of the VOC's servants were personally involved in the tea trade.

Price fluctuation in Holland:*
Fl. per Dutch pond

Years	Bohea tea	Green tea

³¹ Glamann, p.307-308.

³² Lonard Blussé, Strange Company: Chinese Settlers, Mestizo women and the Dutch in VOC Batavia, p.123, Leiden, 1986.

1714-19	4.60-8.44	3.25-5
1720-29	2.09-3.78	1.21-4.11

English prices of tea in October 1719*
Shillings:Pence per English lb.

Bohea tea	13 s 6 d.--20 s
Green tea	9 s 2 d.--20 s

Ostend prices of Bohea tea in 1725-28*
Fl. per Dutch pond

1725	2.7	1726	2.58	1728	3.97
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Cost-prices of Bohea tea at Batavia in 1717-33*
Fl. per Dutch pond

1717-1719	2.51-1.58
1720-1721	2.79-1.94
1722-1729	1.66-0.90
1730-1733	1.67-0.35

Source, K.Glamann, p.222-226, p.310.

* Chinese taels of silver are converted into Fl.
at 1 tael=3.47 Fl.
Chinese piculs are converted into Dutch ponds
at 1 picul=125 ponds

In the years at the end of the 17th Century and the beginning of the 18th century, about 750 piculs of tea were brought to Batavia each year, one third of which was sold to the Company, one third to the servants of the Company and the remainder to local consumption.³³ Although the authority of VOC repeatedly issued the orders to forbid the illegal tea trade by the servants from 1685, however, it resulted in little effect.

The increasing demand in European markets and the competition with Ostend Company produced a rapid increase in the quantities of tea ordered by the directors of the VOC in the 1720s. In 1715 they had ordered only 60,000-70,000 ponds of tea, in 1719 the order was increased to more than 200,000 ponds, but by 1728, 600,000 ponds were ordered, and the following year, it was raised to 1,000,000 ponds.³⁴

Here the VOC could benefit from double profits from the trade with Chinese junks in Batavia in the beginning of 18th century. When other Europeans travelled to China to buy tea with bullion and specie, which were the most marketable commodities in Asiatic trade, the VOC used Indonesian and Indian goods instead of purchasing tea with silver. They actually made more profits from the sale of tropical products to Chinese merchants than on the merchandise they purchased from them. Among the tropical products the VOC could offer Chinese merchants, the most important was pepper. The VOC's contracts for pepper with the princes of Bandam and Palembang in 1700 resulted in a surplus, which could not be sold in India, so a large quantity

³³ L. Blussé, p.125.

³⁴ Glamann, p.220-221.

of this was sold to Chinese junks.³⁵ In the first decades of the 18th century, such trade brought a surplus of 100,000-500,000 Fl. in favour of Dutch. Whereas, when other Europeans benefited from selling the tea they had bought mostly with silver, the VOC could made double profits from its trade with the Chinese junks, namely, the profits from selling pepper to Chinese and tea to Europeans.

When the Chinese government realised just how prosperous the VOC's trade with Chinese junks in Batavia was becoming, it proclaimed a prohibition on the Chinese junks from sailing to South China Sea. In 1717 the emperor Kangxi decreed, "Beyond the sea, Batavia is the anchorage for the ships of Red-haired Barbarians(Dutch); Luzon is the anchorage for the ships of Western Ocean country(Spain). In both places bandits are numerous. Our people of the interior wishing to gain profits usually remain there. We must prevent this."³⁶ Once the Chinese junks were no longer permitted to come to Batavia, the VOC had to buy the tea transported by the Portuguese from Macao at much higher prices than they had been paying to the junks. Although this prohibition was formally lifted in 1727 by the petitions of Fujian local authority,³⁷ the Chinese junks had actually resumed sailing to Batavia in 1723.

³⁵ *ibid*, p.216.

³⁶ Qing Shi Lu(Documental chronicles of Qing dynasty), Yongzheng reignperiod, ch.58, p.32a-33a.

³⁷ See the memorials of the Gao Qizuo in 1727, the Governor-General of Fujian and Zhejiang provinces. In Zhu-pi Yu-zhi(Collection of the emperor Yongzhen's edicts), Vol.46, the year of 1727.

Numer of junks arriving in Batavia with ports of origins³⁸

years	total	Amoy	Ninpo	Canton	others
1721-25	46	21	16	2	7
1726-30	79	43	17	8	11
1731-35	88	46	12	23	7
1736-40	82	55	6	15	6
1741-45	41	27	4	8	2
1746-50*	37	27	2	8	-
total	373	219	57	64	33

* The figures of 1746 and 1747 are missing.

Sales of tea in Holland by the auction of the VOC 1721-29³⁹
(in Dutch pounds)

year		year	
1721	94917	1726	192247
1722	238611	1727	200912
1723	295142	1728	204062
1724	186007	1729	157003
1725	249074		

³⁸ Based on Overgekomen Brieven en Papieren series, VOC archives, cited from: L. Blussé, p.146.

³⁹ Glamann, p.225.

We don't know exactly how much tea was brought by the Chinese junks into Batavia annually. It seems to have reached its peak in the 1730s. According to Mr. James Naish, the chief of the Council of the EIC' supercargos to Canton, the tea arriving in Batavia in 1730 in twenty junks from Zhoushan, Amoy and Canton, and six ships from Macao, was about 25,000 piculs; Among these 5,500 piculs was for the local consumption, the other was for shipment to Europe.⁴⁰ In 1732 about 30,000 piculs of tea had been imported by Chinese junks into Batavia.⁴¹ At the beginning of the 1730s, the Dutch private traders in Batavia purchased tea on a greater scale than the Company's purchase. In answer to a query from the Governor-General and Council to the 17 directors, the size of the private tea trade was given. The quantity of tea imported by the private traders to the Netherlands was about 20,000 piculs on average per year. Half of this quantity was considered as "private tonnage" of the servants of the Company, the second half was smuggled.⁴² In the same period the Company only bought about one third of the quantity of the private traders. It was estimated that the annual supplies of tea by the Chinese junks was about 30,000 piculs.⁴³

⁴⁰ Morse, Vol.1, p.197.

⁴¹ L.blussé, p.136.

⁴² Glamann, p.239.

⁴³ Memorie boek van pakhuismeesteren van de thee te Amsterdam, 1818-1918, en de Nederlandsche theehandel in den loop der tijden, p.35, Amsterdam N.D. cited from: Glamann, p.240.

Tea purchased by VOC at Batavia (average per annum)⁴⁴

years	piculs	value(rixdollars)
1701-1710	400	-
1711-1720	745	46215
1721-1730	3439	184003
1731-1740	6048	149023
1741-1750	810	16347
1751-1760	0	0

Although the junk trade in Batavia was prosperous, the 17 directors was not satisfied with the quantity and quality of tea from Batavia when considering their competition with other European rivals. They took a decision to carry out the direct trade with China and send ships to Canton for the purchase of tea. Between 1728-1734 eleven ships were sent from the Netherlands directly to Canton, two of them were wrecked on their departure, while the other nine ships brought tea, porcelain, silk, textiles back and made great profits.

Years of departure/return and profits
of the nine ships to Canton⁴⁵

years	names of ships	net profits(fl.)
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⁴⁴ Based on Overgekomen Brieven en Papieren series, VOC archives. cited from: L.Blussé, p.137.

⁴⁵ De Hullu, ibid, p.116.

1728/29	Coxhorn	324471
1729/31	Duifje	212175
1730/32	Leidiun, Coxhorn	423114
1732/33	Knappenhof, Ypenrode	451703
1732/34	Leidium, Voorduin	565550
1734/35	Noord-Wolfsbergen	357446

total 2334459

The major cargo of these nine ships consisted of 1,350,000 ponds of tea to the value of fl.1,743,945, which shares 73.9% of the total value of the return cargoes.

Value and percentages of tea in the purchases of these nine ships(fl.)⁴⁶

years	total value	tea value	% of tea in total
1728/29	284902	242402	85.1
1729/31	234932	203630	86.7
1730/32	524933	330996	63.1
1732/33	562622	397466	70.7
1732/34	448349	336881	75.2
1734/35	304405	232565	76.4
total	2360141	1743945	73.9

⁴⁶ Jörg, Appendix 8, p.217. The specification of the year 1734 was unknown in Jörg's book, I used the figures of the average of last years' figures instead of it.

Although the direct voyages From Amsterdam to Canton seems to have been profitable, the Chinese merchandise had to be purchased with silver because there were no marketable Dutch commodities for the Chinese market. Since the Company had a great shortage of bullion, and the crews and merchants of the ships proved to be prone to smuggling, as well as the continued opposition from the Batavia Government and some other powerful figures in the VOC, the decision to abandon the direct trade with China was made by 17 directors in 1734. Instead of the direct voyages, the 17 derectors stimulated two developments, sending two ships from Batavia and encouragement of the junk trade. In the following years the China trade via Batavia prospered and the profits were at first higher than the direct trade from Amsterdam to Canton,⁴⁷ the Chinese junks brought more tea to Batavia, which then sent to the Netherlands by private individuals in the Company's ships. In 1747 three extra ships beyond the normal three for the Company's trade were sent from Batavia to Canton to purchase 15,000 piculs of tea for private individuals.⁴⁸

However, both the junk trade in Batavia and the Dutch ship's trade in Canton declined respectively in the 1740s and 1750s. Firstly, the Chinese junk trade declined after 1740 onwards, the massacre of the Chinese in Batavia in this year killed almost all the Chinese in Batavia downtown. This massacre of the Chinese not only reduced the population who consumed tea, but also resulted in the destruction of the Chinese tea trade network in Batavia. The Chinese

⁴⁷ J. de Hullu, "De Instelling van de commissie voor den handel der Oost-Indische Compagie op China in 1756", in Bijdragen tot de Taal-, Land-en Volkenkunde van Nederlandsch Indie(BTLV), Vol.79, 1923, p.253.

⁴⁸ Jörg, p.28.

brokers and other key figures had been either killed or banished.⁴⁹ In the 1740s the supplies of tea by the Chinese junks dramatically decreased, the Company purchased only one seventh of the tea from Chinese junks on average per annum compared with the previous decade. The tea trade in Batavia came to an end in 1750s. Secondly, the sales of the tropical products by the Company encountered strong competition in Canton with the EIC, which resulted in the reduction of prices and decline in profits. The VOC no longer had a monopoly on these goods in China's market. The English carried more tropical products like pepper and tin, copper, which had even been brought to Canton by Dutch ships, from India and Further India to Canton in competition with the Dutch trader. In 1738, the English ship Prince of Wales was dispatched three months before the others in order that she might take in a loading of pepper at Banjarmassin, her stock on arriving at Canton consisted of 3112 piculs of pepper, 50 tons of lead and 16,000 dollars in silver.⁵⁰ Thirdly, the quality of tea and speed of shipping were a vital element of profits. There had long been complaint that the tea brought by Chinese junks to Batavia were the remains of the tea unsold in Canton, and the ships from Batavia to Canton had often arrived in Europe behind their European competitors. In 1751 the two additional ships laden with "ordinary Bohea tea" arrived in the Netherlands, the sale prices were 40-50%

⁴⁹ For example, Chinese Captain Ni Hoekong, the most important merchant in porcelain and tea trade in Batavia, was banished to the island of Ambon. See, B. Hoetink, Ni Hoekong, Kapitein der Chinezen te Batavia in 1740, in BTLV, Vol.74, 1918, p.501.

⁵⁰ Morse, Vol.1, p.262.

below those of competitors.⁵¹ Those elements mentioned above resulted in the decision to resume direct trade with China in 1757.

In order to prepare for direct trading the 17 directors established a "Chinese Committee", which was granted the authority to make decisions and take any necessary steps related to this trade. In 1757 two ships, the Slooten and Spaarzaamheid, were sent from Holland to Canton. Unfortunately, the Spaarzaamheid became stuck in ice because of the hard frost, only the Slooten reached Canton. The total value of its return shipment was fl.570,727, 49% of which tea was, namely fl.279,901.

In the following years, 3-4 ships on average per annum were sent from Holland to Canton. The Dutch China trade benefited from the "Seven Years' War" (1756-63). During this war period, fewer English and Scandinavian ships arrived in Canton, while only one French ship arrived in China in 1757,⁵² the Dutch encountered less competition in Canton and consequently made more profits. In 1757-1763 the Dutch Canton trade made a annual profit of 134.9% on average. In 1758 the Dutch purchased fl.777,409 of tea in Canton and made 196 % gross profit.⁵³ In the period 1660-1680s, although there were fewer Dutch ships than the English, their tonnage of each ship was larger and carried more tea than the English.

Comparison of numbers and tonnages of English

⁵¹ Jörg, p.34.

⁵² Louis Dermigny, La Chine et l'Occident, le Commerce a Canton au XVIIIe siecle, Vol.2, 523, Paris, 1964.

⁵³ Jörg, p.81, p.212.

and Dutch ships in Canton in 1761-1780⁵⁴

Years	English ships			Dutch ships		
	numbers	tonnages	average	numbers	tonnages	average
1761-65	66	32580	493.6	15	12450	830
1766-70	74	36653	495.3	19	17300	910.5
1771-75	89	45751	514	21	17400	830.5
1776-80	100	59884	598.8	20	17350	867.5

However, when other European countries revived their China trades after the "Seven Years War", the gross profits of the Dutch China trade decreased to 76.2% on average in 1765-1780.⁵⁵ When the "Fourth Anglo-Dutch War" broke out in 1880, three of the four Dutch ships which left Canton in January 1781 were captured in Saldanha Bay, the fourth was set on fire and sank on the spot. In order to continue the profitable China trade the VOC sent the ships under a neutral flag, three Prussian vessels in the name of an Amsterdam merchant were hired by the VOC and dispatched to Canton in 1782, but two of them were lost on the way. In the following year two French ships were hired in same way. The war with the English resulted in the lack of sufficient capital to expand the tea trade in Canton while the demand for tea was growing in Europe, and the English were rapidly increasing their purchase of tea in Canton. Moreover, the worst setback but not the last, was the end of tea smuggling to

⁵⁴ Dermigny, Vol.2, p.522-523.

⁵⁵ Jörg, p.212-213.

England. A great deal of the tea shipped by the Dutch was then smuggled into England when the EIC could not meet the home demand for tea. During the mid-18th century 4-7.5 million pounds of tea were smuggled into England annually from the coasts of France, Holland and Scandinavia.⁵⁶ In order to counter smuggling the British parliament passed the "Act of Commutation" in 1784, by which the taxes on tea were reduced from about 100% to 12.5%. But the EIC could not ship sufficient tea itself to meet the domestic demand in the few years after 1784, and this allowed the Dutch to take advantage of the situation and supply tea to the EIC on a large scale.⁵⁷ The Dutch then gradually lost its largest market in Europe, and from 1788 onwards, the quantity of tea transported from Canton by the Dutch to Europe decreased dramatically. In 1788 the Dutch purchased 31,347 piculs of tea in Canton, which was still on the purchasing level of

⁵⁶ W.A. Cole estimated the total illicit sales of tea in Britain were a good deal less than seven million pounds a year. On the eve of the Commutation Act illegal sales of tea probably amounted to somewhere between four and six million pounds a year. W.A. Cole, Trends in Eighteen-Century Smuggling, in Economic History Review, 2nd series, Vol.10, p.405, 1957-58. According to Dermigny, the quantity smuggled to be about seven and a half million pounds a year. Dermigny, *ibid*, Vol.2, p.673-674.

⁵⁷ A group of Amsterdam merchants under the name of the firm J.J. Voûte en Zoonen controled half of the tea export from the continent into Britain in 1784. In the following year they controlled almost all the tea from the continent for the market of Britain. Over the years of 1784-86 these merchants sold 8,000,000 pounds of tea to British, which supplied almost 40% of the tea markets in Britain. See: Broeze, p.134.

the previous decade, in 1793 this number was reduced to 17,130 piculs. In the same year the English purchased 148,931 piculs of tea(148,250 piculs by the EIC and 681 piculs by the private traders from India), which was almost two times more than the quantity of 1783, the year just before the "Act of Commutation".

Quantities of tea purchases by English and Dutch
in 1787-1794 (piculs)⁵⁸

years	Dutch	English*
1787	41162	161727
1788	31347	144905
1789	38302	130575
1790	9964	162114
1791	15385	95226
1792	22039	112971
1793	17130	148931
1794	30726	169456

* Including the EIC and the country traders. But the latter purchased only 11,387 piculs of tea for the indian markets in 1787-1794.

In 1795 the French invaded Holland and the Bataafse Republic was established, then the war with Britain broke out and resulted in a halt of the trade with China. In 1798 the VOC, one of the largest trading companies ever to exist for 197 years in the world, was

⁵⁸ Morse, Vol.2, Chapter XLII-L, p.136-256.

dissolved and all its rights and obligations were taken over by the State. The first Dutch ship was sent after the war to Canton in 1802 and purchased 2,290 piculs of tea.⁵⁹ It seems there were two ships in Canton in the same year, which probably belonged to the Dutch.⁶⁰ In the following year the war broke out again and no ships could be sent to China. Before 1795 Holland's domestic tea market was about 20,000-25,000 chests of tea, this market was gradually supplied by the Americans since the Dutch China trade could not continue during the war years and the political upheaval. The tea supply for the Dutch market was almost completely controlled by the Americans until 1809. Once the Netherlands was freed from French occupation, one of the most important decisions made by William I, the king of the Netherlands, was to restore the tea trade. In 23 March, 1815 a tea trade company(de Nederlandsche Geocroijeerde Maatschappij voor den Chineschen Theehandel) was established. In the same year two Dutch ships appeared in Canton, one of them brought 92,000 dollars of silver, but purchased only 5,131 piculs of tea.⁶¹ The Dutch could offer neither bullion nor marketable merchandises except Leiden wools and swallowest for tea, they were not able to compete with the English and Americans, who smuggled opium into China and earned sufficient in that way for the purchase of tea. It seems that the tea trade was no longer profitable for the Dutch. In the following year

⁵⁹ This Dutch ship was for the count of the Bataafse government and did not come back the Netherlands. See, Broeze, p.172.

⁶⁰ In 1802 the ship Henrietta under the Prussian flag had a Dutch supercargo, the Hamburg ship also had a Dutch supercargo. Morse, Vol.2, p.389.

⁶¹ Morse, Vol.3,p.228.

two Dutch ships were sent to Canton. Although there were 61 Dutch ships arrived in Canton in 1816-1833, the tea transactions occurred only three times, and altogether 28,991 piculs of tea were purchased, according to Morse.⁶² In 1830 the Dutch decided to cease transporting tea from China, and those who had been supplied with tea by the Dutch now turned to offering tea to Holland, the Dutch Chinese tea trade finally came to an end.

Dutch tea purchases in Canton(1729-1830)⁶³

Years	Ships	Quantity(piculs)	value(fl.)
1729-33	8	2985	1511391
1734-40	11	6474	2358582
1741-48	29	15133	5735903
1749-55	31	21074	10616287
1756-62	21	16441	8200179
1763-69	25	28546	13473714
1770-77	33	34818	13793822
1778-84	16	18720	8786535
1785-91	28	30625	16419490
1792-98	9	9985	
1799-1806	1	286	
1807-13	-	-	
1814-20	4	1521	

⁶² Morse, Vol.4,p.185, p.223, p.325.

⁶³ Sources: The figures of the first and second columns come from Dermigny, Vol.2, p.521-525, p.539 and Morse; the figures of the third column come from Jörg, p.217-220, calculated by author.

1821-27	8	1713
1828-33	51	7668

English Trade in Chinese tea

By the end of the 17th century tea had become fashionable in England. But it was still a luxurious commodity and was only consumed by the wealthy class. We don't know the real reason for the English favouring the particular merits of tea, which became the national drink not later than 1740s. It was said the reason that tea had supplanted coffee in this country is the English impatience with the arts of cooking, coupled with the comparative ease with which tea can be prepared for use.⁶⁴ Due to the English liking for tea drinking and the reduction of tea prices because of the competition between the European Indian Companies, England became the largest tea market in Europe from the beginning of 18th century. At first silk was the most prized exchange commodity in the English China trade. In 1716 three ships of EIC called at Canton and two of them were mainly loaded with tea.⁶⁵ Since by then tea had taken the lead in the EIC's investment in China's commodities. Tea was the only available article which could be used universally and was profitable without competing against the home manufactures of any European maritime

⁶⁴ C. H. Denyer, "The Consumption of Tea and other Staple Drinks", in The Economic Journal, Vol.3, No.9, p.39, March, 1893.

⁶⁵ The ship "Stringer" was filled with too much tea that she had to ship some on the board of the "Susanna", which had carried 1,565 piculs of tea. Morse, Vol.1, p.157.

nation. Tea and porcelain(used as ballast and tea-drinking wares) were almost the only remaining outlet for keeping the East India voyages a paying proposition.⁶⁶ The rapid and vast expansion of the China tea trade resulted in the creation of new East India Companies.

The Ostend Company was set up in 1717 by the decree of the Emperor of Vienna, although it was actually for the benefit of his Netherlands subjects, the Danish East Company was established in 1729 and the Swedish India Company was created in 1732. The new companies together with the existing ones, such as Dutch and French Companies, did not have large enough domestic markets for tea, and all of them re-exported their tea to other European countries: England was the most important destination for such re-exportation. The EIC, since it was chartered with the monopoly of China trade, therefore had to compete with other Companies not only in the share of tea purchasing in China, but also in the share of the domestic market for tea. In 1720 the Court of the EIC issued instructions to the supercargoes of the four ships dispatched to Canton, that they should get to Canton before the Ostenders and try to secure or contract for all the procurable tea, and so deprive the Ostenders of tea. However, the English ships arrived at Canton after the two Ostend ships, and the Ostenders had naturally purchased all the tea they required, so that the English could only buy tea at a high price and poorer quality.⁶⁷ Although the Ostend Company was disbanded under the pressure of the English, Dutch, French and Prussian governments in 1732, the new-established companies in Scandinavia and the old

⁶⁶ Christian Koninckx, The First and Second Charters of the Swedish East India Company(1731-1766), p.241, Belgium, 1980.

⁶⁷ Morse, Vol.1, p.162-163.

continental Companies like VOC, and the French Company, competed with the EIC in purchasing tea in Canton and especially in the English tea markets by smuggling tea into England. Prior to 1784 duties on tea legally imported into Britain amounted to 65%-125% of the original cost.

Rate of tea duty(percentage of the net cost)⁶⁸

Years	%	years	%
1726-30	84	1761-65	93
1731-35	110	1765-67	95
1736-40	125	1768-72	65
1741-45	119	1773-75	101
1746-50	76	1776-80	103
1751-55	84	1780-84	110
1756-60	84		

With much lower import taxes and larger ships than the British which resulted in low freight and the other charges, the continental Companies could ship large quantities of tea into England by illegal methods and easily dump it on English markets.

Bohea tea prices in Canton and Europe⁶⁹

Years	Canton	Amsterdam	Hambourg	London

⁶⁸ Cole, p.399.

⁶⁹ Dermigny, Vol.2, p.551.

1719-25	31.2	2.74		
1726-33	20	2.43		
1734-40	13.7	1.31	30.05	
1741-48	13.9	1.16	32.58	3.45
1749-55	16.3	0.89	24.64	2.86
1756-62	15.8	1.04	26.39	3.12
1763-69	17.2	1.12	23.70	2.69
1770-77	13.9	0.93	19.29	2.41
1778-84	13.4	1.10	21.98	2.46

* Canton: a picul and taels, Amsterdam: a Dutch pound(=494 gr.) and fl., Hamburg: a lb.(=484 gr.) and shillings, London: a lb. and shillings.

When these Companies shipped tea from China, it was usually sold at auctions in their own countries, then the part of tea destined for England from each country followed special routes to particular areas of Britain. The Dutch shipped tea from Amsterdam to the south England, the French started from Lorient, Nantes and later from Roscoff, to the east, south and west England. The Swedish and Danish customarily smuggled tea from Gothenburg and Copenhagen to the west and east coast of Scotland as well as to Ireland.⁷⁰ In the early 1740s three million pounds of tea were smuggled into Britain annually, which is three times the level of legal sales.⁷¹ After the Seven Years' War the British market for tea was expanding because

⁷⁰ Hoh-cheung and Lorna H. Mui, Smuggling and the British Tea Trade before 1784, in American Historical Review, Vol.74, p.50.

⁷¹ Cole, p.397.

of its expanding economy. In 1763-1769 the EIC's sales of tea increased by 23%, but the tea imported into Europe increased by 51%, a large part of which was smuggled to Britain and its colonies. In 1769-1784 the tea from Canton to Europe rose from 10,300,000 lbs to 13,400,000 lbs annually,⁷² this radical increase in imported tea was aimed primarily at the British market. In 1773 the British government once lowered tea duty in favor of the American Colonies, in the hope of persuading them to take the legitimate teas of the EIC instead of the contraband teas from French and Dutch ports,⁷³ but it could not stop the American desire for independence. It has been estimated by W.A. Cole, that the total illicit sales before 1784 were a good deal less than seven million pounds,⁷⁴ which were considerably more than English imports and about 60% of the total import by the continental companies in the 1770s and the early 1880s.

English versus Continental Tea Exports from Canton
1719-1784(in piculs)⁷⁵

Years	English exports		Continental exports	
	Mean	%	Mean	%

⁷² T.S. Ashton, Economic Fluctuations in England, 1700-1800, p.153-154, Oxford, 1959.

⁷³ Morse, Vol.2, p.114.

⁷⁴ Cole, p.405.

⁷⁵ Dermigny, Vol.2, 539.

1719-25	6819	53.50	5854	46.50
1726-33	8239	43.69	10615	56.31
1734-40	10399	30.61	23571	69.31
1741-48	14863	24.08	46844	75.92
1749-55	22983	26.10	65059	73.90
1756-62	24577	32.44	51169	67.56
1763-69	50547	39.19	78428	60.81
1770-77	52262	34.05	100619	65.95
1778-84	58365	37.44	97087	62.56

The passage of the Commutation Act in 1784 was an abrupt turning-point for the history of English tea trade. This Act reduced tea duty drastically from more than 100%, to 12.5% of the net cost, the duty could be wholly recouped on the exportation to Ireland and America, the EIC was authorized to hold a monopoly on imported tea.⁷⁶ Compensation for duties paid on the whole re-exportation was in 1789 extended to Jersey, Guernsey, Gibraltar and any port in Europe at which a British consul was stationed.⁷⁷ The most

⁷⁶ By the section 5 of the Commutation Act, the EIC was required to import sufficient tea for for sale at prices not exceeding the prime cost, the freight and charges of importation, the lawful interest of capital and the common premium of insurance. Morse, Vol.2, p.114-116; Hoh-cheung Mui and Lorna H. Mui, The Management of Monopoly: A Study of the English East India Company's Conduct of Its Tea Trade, 1784-1833, p.xi, Vancouver, 1984.

⁷⁷ Morse, Vol.2, p.117.

significant result the Commutation Act brought to the English tea trade was to prevent tea smuggling into Britain, the reduction in tea duty resulted drastic reductions in tea prices, and a rise in the tea consumption.

Index number of tea prices and tea consumption of per head in Britain

Years	average price (1725=100)	Annual Consumption per head(lbs)
1726-30	95	0.10
1736-40	80	0.17
1746-50	67	0.41
1756-60	58	0.62
1765-67	53	0.64
1773-75	41	0.76
1776-80	43	0.68
1780-84	45	0.66
1787-91	25	1.16
1796-1800	22	1.39
1816-20	28	1.24
1835-39		1.43

Sources: The average price and the annual consumption before 1784 from Cole, p.399, the annual consumption after 1787 from B.R. Mitchell and P. Deane, Abstract of British Historical Statistics, p.355-356, Cambridge University Press, 1962.

Since there was little difference in tea prices at the

auctions between England and the continental countries, the tea smuggling was no longer profitable. In the few years just after 1784, the EIC could not provide sufficient tea from Canton for domestic consumption, thereupon she purchased tea from the continental merchants. In 1785-87 the EIC, beyond purchasing 56,159,000 lb. in Canton by itself,⁷⁸ bought 25,000,000 lb. of tea from the continent. In this way the Company removed from the smugglers their source of tea supplies and could estimate the domestic market demand.⁷⁹ Meanwhile, any more ships were sent to China.⁸⁰ From 1786 onwards the EIC purchased larger quantities of tea in Canton annually than that of all the continental countries together.⁸¹ In

⁷⁸ Morse, Vol. p.111, p.119, p.136.

⁷⁹ Hoh-cheung and Lorna H. Mui, The Commutation Act and the Tea Trade in Britain 1784-1793, in Economic History Review, Second series, Vol.16, p.235.

⁸⁰ In 1785-1790 149 vessels were dispatched to Canton in comparison with 58 ships in 1779-1784. Dermigny, Vol.2, p.523.

⁸¹ In 1786 the EIC bought 157,116 piculs of tea, the continental countries bought 84,805 piculs.

Tea purchases in Canton in 1786(piculs)

EIC	E.C.M.*	American	Dutch	Danish	Swedish	French
57116	175	8864	44774	15190	13110	2867

total 242,096

* The English country merchants from India.

1790-1794 the EIC had totally dominated the tea purchase trade in Canton and bought an average of 136,433 piculs annually, which is about 74% of the tea exported from Canton. The continental countries bought 36,022 piculs annually, which is about 20% of the tea from Canton.⁸² Since 1795 only Swedish and Danish merchants in the continental countries still maintained the regular voyages to Canton, but fewer ships were sent from these two countries than before, and they were no longer able to afford the tea purchase on as large a scale as usual. The only competitor with the EIC in the tea purchase in Canton was America, which had come to Canton since 1784 and quickly became the second largest buyer of China's tea after 1795.

English, Continental and American tea export from Canton
in 1785-1833 (average per annum)

Years	English*	%**	Continental	%	American	%
1785-91	137255	63.47	66578	31.23	9451	4.43
1792-98	148807	72.20	33942	16.64	21335	10.45
1799-1806	206697	71.49	29431	11.37	47995	16.89
1807-13	210423	86.67	0	0	28415	11.90
1814-20	236287	75.78	3551	1.19	57047	19.22
1821-27	249954	69.79	3105	0.93	80918	24.24
1828-33	257158	64.70	16685	4.06	86816	24.64

Source: Morse, Vol.2, p.119.

⁸² Morse, Vol.2, p.180, p.184, p.193, p.205, p.256.

* The numbers of English include the EIC and the country merchants, although the latter exported only 2-5% of the quantity exported by the former.

** The percentage of the total quantity of the tea from Canton.
Source: Dermigny, Vol.2, p.539, p.542.

Although the block on the channels for smuggling tea into Britain weakened the position of the continental countries competing with the EIC in Canton, it was the shortage of bullion that finally led the disappearance of various European companies trading with China.⁸³ Before 1790 all the western countries primarily carried bullion to Canton for tea purchase because they were shortage of the type of goods which were marketable in China. The Dutch could always bring some products from the tropics to Canton as part of their payment for tea, but before the 19th century all the European companies, including the EIC, had for several decades shipped silver coins to Canton for the purchase of tea. No matter from which channels the European companies obtained their silver coins, the source of almost all the bullion was Spanish America. The outbreak of the Spanish American revolts from 1811 resulted in fifteen years unrest and many silver mints and mines being destroyed, so dramatically reducing the supply of silver to Canton by the hand of the European companies.⁸⁴ When the continental companies had

⁸³ In 1807-1814 no continental ships appeared in Canton. In the 30 years of 1795-1824 there were only 68 ships arrival at Canton from continental Europe, comparatively, 1,296 English ships called at Canton in same years. Morse, Vol.2, p.266-Vol.4, p.89.

⁸⁴ Silver production in Spanish America reduced from 17,787,582 teals per annum in the last decade of the 18th century to 7,262,844 teals per annum in the 1820s.

difficulties in offering a fair and acceptable exchange for their tea, they had to withdraw from the China trade. At same time the English found a profitable solution in India: although the Chinese showed little interest in the British merchandise, they were lured into accepting opium, which was readily available to the British from their Indian possessions.

Opium was carried into China as early as the beginning of 18th century,⁸⁵ the Portuguese merchants based on Macao practised the early transportation of opium into China. The plan to send opium from Bengal to China was first suggested by Colonel Watson in 1767 to a council of representatives of the EIC held in Calcutta, and it was advocated by Mr. Wheeler, an officer and influential member of the company. This plan was adopted by the Company as a happy

Production of silver in Spanish America, 1790-1829

years	quantity(taels)	index(%)
1790-99	177875808	100.0
1800-09	166106802	93.4
1810-19	89859837	50.5
1820-29	72628440	40.9

(1 British pound=3 teals of silver)

Source: W.E.Cheung, Trade and Finance in China:1784-1834, in Business History, Vol.12, No.1, p.49, 1965.

⁸⁵ Xu Ji-she, Song-kan Xian-sheng Wen-Ji(Literatural collection of Mr.Xu Ji-she), ch.1, p.7.

expedient towards raising revenue for supporting the British Indian Government.⁸⁶ Since then about 200 chests of opium had been transferred annually from Bengal to China by some Portuguese merchants, who also brought their own opium from Turkey. The opium trade grew rapidly under the management of the EIC. In 1794, the English succeeded in anchoring a ship laden exclusively with opium. Although the EIC had prohibited the sale of opium in 1796 in response to the Chinese government's prohibition on opium imports, it didn't prevent the English private merchants from larger scale smuggling. In the last decade of 18th century the opium smuggled into China came to about 2,000 chests per annum. Ten years later this amount rose to 4,400 chests. Up to the eve of the Opium War the opium smuggled into China reached as much as 35,455 chests per annum, which were sold at about \$ 700 in silver dollars per chest.⁸⁷ Because the EIC monopolized the legal trade with China and the Chinese government forbade the exportation of silver, the English private merchants had to remit the vast profits from their illegal opium trade back home by utilizing the banking services of the EIC. The Company's banking services issued the bills for them which could be drawn in London or in India, in return the private merchants offered a liquid capital to the Company for the purchase of tea. When the EIC monopolized the source of opium from India, the continental companies were not able to compete in the opium trade with the English, which in turn led to the monopoly of the British on tea trade in Canton. Only the Americans, who could obtain opium from Turkey, and later, from India,

⁸⁶ M.D. Nathan Allen, Opium Trade, Lowell Mass., 1853, republished in 1973 by Milford House Inc., p.12, Boston.

⁸⁷ Morse, The international Relations of the Chinese Empire, Vol.1, p.238-240.

still enjoyed a small part of the tea trade in Canton.

The opium trade was so profitable that it could afford to provide substantial sums for the Company's purchase of the Chinese cargoes since the first decade of 19th century. From 1805 onwards the EIC took an official policy to send no more bullion to Canton, in return the EIC shipped silver from Canton to London in the following years.⁸⁸ From the 1820s the value of the opium trade had far exceeded the value of tea purchased by the EIC in Canton, it exceeded even the whole investment of the EIC.⁸⁹ In the 1830s the silver shipped out from China by the English was on the large scale of 4-6 million dollars per annum.⁹⁰ Then began a period during which the Chinese opium addicts were subsidizing the British tea drinkers!

⁸⁸ In 1807 and 1708 the EIC sent separately 3,377,070 dollars and 1,140,000 dollars from Canton to London. Morse, Chronicle, Vol.3, p.54, p.57.

⁸⁹ Opium trade and the EIC investment in Canton(taels)

years	opium trade	EIC investment
1821-22	6236106	5652108
1825-26	5706296	5322125
1829-30	9045129	5629015
1832-33	11499856	6025100

Sources: Morse, Chronicles, Vol.4, p 388; Greenberg, p.220.

⁹⁰ John Phipps, Practical Treatise on the China and Eastern Trade, p.168.

The growth of the opium trade resulted in not only a total change in the character of the British trade with China, but also the rising power of the English private merchants. Based on the theory of free trade these influential private merchants sharply criticized the conservatism of the EIC, its incapability and backwardness of operations on the auctions, shipping, remittance of profits and coping with competition from America.⁹¹ Their only purpose was to prevent the EIC's monopoly on the tea trade and silver exchange markets at Canton. The opposition of the private merchants resulted in ending of the EIC's operation in the China trade altogether in 1833 when the British Parliament refused to extend its monopoly.

After 1833 the tea trade was handled solely by the private merchants, and the amount of tea shipped from Canton increased steadily in response to the domestic demand in the following years before the Opium War.

English tea importation in 1834-39

years	quantity(piculs)	value(pounds)
1834	240278	3364000
1835	316643	4433000
1836	363995	4880000

⁹¹ The EIC was criticized for failing to compete with the Americans by its conservative tradition. Although the ships built by the EIC were much larger than those of Americans and with 107-133 crews in safety, comfort and luxury, but not for the speed and efficiency, they simply could not compete with the little American ships which could make two voyages to their one. Forster Rhea Dulles, The Old China Trade, p.116, New York, 1930.

1837	301355	4876000
1838	291749	4001000
1839	305098	3817000

Sources: In the first column the figure of 1835 cited from the same year's value calculated at the last year's price, the figure of 1837 cited from Chinese Repository, Vol.9, p.192, the other figures all cited from Chinese Repository, Vol.12, p.517, 1843; the figures in the second column cited from Mitchell, p.291.

Opium financed British tea consumption, but tea also brought to England 3,300,000 pounds in taxes annually in the last years of the monopoly, which was one tenth of the total revenue, and represented the entire profits of the East India company.⁹² In order to defend their "right" of opium exchange for tea the British started the Opium War against China in 1840. After the war the Chinese government had to accept all the trading conditions imposed by the British. British tea trade in China had come into a new era.

American trade in Chinese tea

The habit of tea drinking in the favour of the British American colony as early as the last quarter of the 17th century. However, when the European companies were concentrating on trade with the Chinese ever since the Portuguese arrived in Canton in the early years of 16th century, the Americans were still excluded from the China trade before 1784 because the British mercantile regulations

⁹² Greenberg, p.3.

had prevented the Colonists from trading in the Orient. However, by the time of the signing of the Treaty of Paris in 1783, seafaring men of the new nation possessed sufficient ocean-going vessels with which to extend foreign trade.⁹³

The first American ship Empress of China with Major Samuel Shaw as supercargo and John Green as captain sailed from New York on 22 February, 1784 and reached Canton on 28 August in the same year. This ship of about 360 tons was built in America and manned by forty-three persons.⁹⁴ The principal trading cargoes of this ship consisted of furs and 473 piculs of ginseng collected by the ship's surgeon, Dr. Robert Johnston, from the mountainous interior of Pennsylvania and Virginia.⁹⁵ Its return cargo was 3,022 piculs of tea and some other Chinese products.

The composition of the cargoes on the Empress of China

	items	quantity(piculs)	value(teals)
Inward	Cotton,	316	3160
	Lead	476	1904
	Pepper	26	260

⁹³ Carl. L. Crossman, The china Trade: Export Paintings, Furniture Silver & Other Objects, p.1, Princeton, 1972.

⁹⁴ The letter by Samuel Shaw, the supercargo of the ship Empree of China, to Mr. John Jay, the head of the office of foreign affairs at Washington. Chinese Repository, p.219-220, September, 1836.

⁹⁵ Jean Gordon Lee, Philadelphians and the China Trade, 1784-1844, p.25, University of Pennsylvania Press, 1984.

	Camlets	1270(pieces)	45720
	Skins(furs)	2600(pieces)	5000
	Ginseng	473	80410

			136454
Outward	Tea, black	2460	49240
	Tea, green	562	16860
	Nankeens	24(864 pieces)	362
	Chinaware	962	2500
	Woven silk	490(pieces)	2500
	Cassia	21	305

			71767

Source: Morse, vol.2, 95.

The net profit of this voyage was estimated at \$ 30,727 or 25% of the original investment. The successful experiment of the Empress of China resulted in the process of creating the second largest China tea transporter since the end of the 18th century. In 1786 five American ships, among which was the Empress of China, arrived in Canton and shipped 8,864 piculs of tea to America.⁹⁶ Unlike the English whose China trade was monopolized by the EIC, each of the American ports established its own commercial connections with China and developed its own characteristic trading methods in the early Sino-American trade. The ships of Philadelphia loaded silver and ginseng and took the voyage around the Cape of Good Hope. The ships from Salem, Massachusetts carried the products of New England, such as salt fish, rum, timber, and sold them along the coast of Indian

⁹⁶ Morse, Vol.2, p.119.

Ocean, before proceeding to China. The ships from Boston frequently followed the route around the Cape Horn to northwest coast of North America for furs and brought them to Canton.

In response to steadily growing consumption, the American tea purchasing business in Canton rapidly increased after 1785. The United States took advantage of its political neutrality, especially in the years of the Napoleonic Wars, and replaced the European continental countries as the second largest tea purchaser in Canton. From 1795 onwards more than ten American ships arrived in Canton annually. In 1805 the American tea trade reached its peak during the Napoleonic Wars, when as many as 42 ships reached Canton and exported 87,771 piculs of tea.⁹⁷ The Americans not only shipped tea from Canton to the United States, but also to Europe and Canada. Part of tea destined for other countries was reexported from the United States, part went directly to its final destination. In 1796, of the 11 American ships at least one loaded tea for Hamburg.⁹⁸ In 1803 one half of the tea imported into the United States was reexported. In 1804-1807 about one third tea imported was reexported to Europe. After the 1812 the proportion declined to one fourth or even one tenth because much tea was shipped directly by the Americans to Europe. The tea markets of Holland and Canada were dominated by the Americans until the 1820s.⁹⁹

⁹⁷ Morse, Vol.3, p.2.

⁹⁸ Morse, Vol.2, p.278.

⁹⁹ Yen-ping Hao, p.28.

American ships and exports of tea at Canton¹⁰⁰
(per annum)

years	ships	quantity(piculs)
1784-91	4.25*	66535
1792-98	9.14	21335
1799-1806	30.88	47995
1807-13	22.33*	28415
1814-20	27.43	57047
1821-27	33.57	80918
1828-33	43	86816
1834-39	35.17	109589

*In 1785 and 1813 there was not American ship to Canton.

Sources: The figures of 1784-1833 are from Dermigny, Vol.2, p.523-525, p.539; the figures of 1834-39 are from Dulles, p.211, Appendix: the column of the tea exports to United States.

Sinseng seems to have been the principal export brought to Canton by the Americans.¹⁰¹ In 1786 the Americans carried 340 piculs of ginseng to Canton, and in 1788, 1789 and 1790, they brought

¹⁰⁰ Sources: The figures before 1833 come from Dermigny, Vol.2, p.539; the figures after 1833 cited from Dulles, p.210. The pounds are converted to piculs in 133.3lbs=1 picul.

¹⁰¹ Lee, p.25-26.

1,065, 2,055 and 399 piculs of ginseng separately.¹⁰² When ginseng became poor trading article in Canton in the following years, the furs from northwest America superseded ginseng as a trading commodity. The profits on the fur trade were tremendous. A piece of seal fur costing about fifty cents could be sold in Canton for five dollars in the early 1790s. Although the prices of the skins fluctuated widely, the average price of a piece was about two to three dollars. In 1793 Captain W. Stewart of the Eliza collected 38,000 skins at a cost of \$ 16,000. Three years later the supercargo of the Neptune sold 8,000 skins at three dollars a piece.¹⁰³ From 1790 to the early 1830s, Americans sold various kinds of furs, such as seal, otter, rabbit, fox skins to China totaling \$US 15-20 million in value.¹⁰⁴ Since the 1820s the fur trade in Canton diminished, the Chinese desire for furs decreased on the one hand, while on another hand, the Americans engaged more in the opium trade, which was much more profitable than fur trade. When the Americans largely expanded the trade with China after the first decade of 19th century, the cargo of merchandise was insufficient to purchase Chinese commodities, thereupon, a great deal of bullion was shipped to Canton. In most of the years between 1805 to 1839 bullion was about

¹⁰² Morse, Vol.2, p.119, p.152, p.174,p.180.

¹⁰³ Dulles, p.83.

¹⁰⁴ Yen-ping Hao, Chinese Teas to America--a Synopsis, in Ernest R. May and John K. Fairbank ed., America's China Trade in Historical Perspective, p.22.

35-80% of the value of exports to China.¹⁰⁵

Compared with other westerners, the American merchants were less concentrated on tea for their China trade. Tea accounted for 65-91% of the EIC's imports from China in 1760-99,¹⁰⁶ and 86-93% in 1800-33.¹⁰⁷ To the continental companies tea comprised no less than 75% of their imports from China in 18th century, while it comprised 36% of chinese exports to the United States in 1822 and 65% in 1837.¹⁰⁸

American merchants were considered by the Chinese government as one of the principal sources of Opium smuggled into China.¹⁰⁹ Although the legitimate trade with China returned a handsome profit to the Americans, the more profitable opium trade proved irresistible to them when the fur trade ceased to be an important factor in American-Chinese trade, and since the 1820s the Americans were searching the seas for anything which might be carried to China in place of bullion. Because the English monopolized all the opium grown in India, the American traders dealt in opium from Smyrna, Turkey to Canton with their fast clippers in rivaling the British since 1805.

¹⁰⁵ Dulles, p.210; Yan-ping Hao, p.23.

¹⁰⁶ E. H. Pritchard, The Crucial Years of Early Anglo-Chinese Relations 1750-1780, p.395-396, Washington, 1936.

¹⁰⁷ Morse, Vol.2-4.

¹⁰⁸ Yan-ping Hao, p.14, p.16.

¹⁰⁹ Qing-dai Wai-jiao Shi-liao(QDWJSL, Chronicle of diplomatic documents of Qing dynasty), Daoguang reignperiod, ch.1, p.10.

The opium source was limited to the Americans, while the English had full access to it. The American opium trade with China seems to have been no more than 5% of their exports to China before 1833. In 1818-33 the Americans exported \$4,925,997 opium, or an average of \$307,875 per annum, while the British exported \$104,302,948 of opium or an average \$6,518,934 per annum.¹¹⁰ After the Parliament opened the British ports to the ships of all nationalities in 1834, the Americans did not hesitate to attend the opium auction in Calcutta. However, the English dominated not only the source, but also the market for opium, forcing the American merchants to carry as much as half the value of their total exports for purchasing the Chinese goods even although they had already been engaged in the opium trade for almost thirty years.

Russian trade in Chinese tea

The Russians began to consume tea as the national beverage only at the end of 18th century although it had been introduced to Russia almost as early as it was to western Europe. The Treaty of Nerchinsk in 1689 allowed "the subjects of either countries may freely come and go on both sides for their commercial business if they are provided with traveling licence(Lu-piao)".¹¹¹ However, when the Russian traders began to make regular trips to China, first to Peking, and later to Kyakhta, the Chinese merchants were not allowed to go beyond the border.

The Sino-Russian trade in the 18th century was a caravan

¹¹⁰ Dulles, p.148.

¹¹¹ Qing-chao Wen-xian Tong-kao(QCWXTK), the notes on the documents of Qing dynasty), ch.300, p.785

trade, which was characterised by barter transactions. The most important items of the China trade was controlled by the government of Peter the Great. In 1697 the Tsar's edict was proclaimed, the collection and sale of sable and silver fox pelts shall henceforth depend entirely on the will of his Majesty. For the control of the China trade, a Siberian Office was established in Moscow to organize and protect the state-owned caravans bound for China. With its own head merchant serving as the agent, each caravan was assisted by a government commissioner, four tax officers and 100 Cossack soldiers under the command of an officer.¹¹² In 1693 the first state caravan was dispatched with government goods to the value of 41,900 rubles and private goods of value of 113,620 rubles to Peking, since then the Russian caravans regularly went to China usually once every three years. Their destinations were firstly to Peking and then the border city of Nerchinsk, where the Chinese caravans brought silks, tobacco and tea for Russian pelts. From 1693 to 1730 there were 13 Russian caravans to Peking, meanwhile, among the fifty Russian "envoys" visiting Peking who were allowed by the Qing government to trade in the capital, only three were sent by the Russian government.¹¹³ The regulation of the caravan trade once every three years, and not more than 200 merchants could not satisfied the demand of the Russian merchants, and the Qing government was anxious at the appearance of more and more Russians in the capital. Therefore both governments concluded the treaty of Kyakhta signed on 21 October. By this treaty, Kyakhta was chosen to be the principal

¹¹² Sladkovskii, p.20.

¹¹³ *ibid*, p.22.

border trading centre.¹¹⁴ It was located just on the border and both merchants and administrative officials built houses on their own side. The Russians called this town Kyakhta and the Chinese called it Mai-mai Cheng (trade town). Since then the Russian caravans came to Kyakhta instead of Peking, Kyakhta had played a crucial role in the Sino-Russian trade for about 130 years until 1850s.

On the Russian side the private merchants had never really been prevented by their government from trading with China, private trade had played a much more important role in the China trade than the government caravans since the 1730s, although the edicts of the state monopoly of pelts trade were reaffirmed in 1731 and 1734. The state caravan trade was inefficient and could not answer the needs of the growing demand of either commodities. In 1762 the Russian government formally lifted the restriction on private trade and the government caravans came to an end.¹¹⁵ On the Chinese side the merchants trading with the Russian caravans were those mostly from Shanxi province, "they transported tobacco, tea, silks, cotton cloths and assorted wares from Zhangjiako (Kalgan) to Kyakhta to barter for various furs and blankets."¹¹⁶ Those wishing to trade in Kyakhta must apply for a licence (bupiao) from the local authorities. On the licence the items and quantities of the goods, the merchant's name, wherefrom and destination should be filled in. When the merchants arrived Uрга (Ulaanbaatar) on the way to Kyakhta, the licences and

¹¹⁴ Zhao Ershun and Ke Shaomin, Qing Shi Gao (QSG, draft of Qing history), volume of foreign relation, p.3-4, Peking, 1927.

¹¹⁵ *ibid*, p.49.

¹¹⁶ He Qiutao, Shuo-fang Bei-Cheng (SFBC, the geographical information of north China), ch.37, p.18, 1881.

goods must be checked by the Uрга's local authority, then they would be issued with new passes. When they arrived at Kyakhta the passes must be checked by the Qing officials of the trade administration before they dealt with the business.¹¹⁷

Before the last decade of 18th century tea was still the second item of the Russian imports from China and consumed mainly by the Siberian people, although both Russian Europeans and Siberians were growing in tea consumption. The leading sort of Chinese tea into Russia was "brick tea", which was infused with rye-meal, mutton fat and salt by the Siberians. Between 1762-1785 4607 piculs of black tea and 3,387 piculs of green tea were annually imported into Russia.¹¹⁸ In the beginning of the 19th century the loose leaf tea overtook the brick tea. From 1792 onwards tea became the first item of the Russian imports from China, in this year the value of tea totalled 540,236 rubles, accounted for 22% of total trade. Up to 1802 the value of tea reached to 1,872,604 rubles and accounted for 40% of total trade.¹¹⁹

The Sino-Russian trade was a barter form of trade carried out by the caravans of both sides which all had to travel long distances from the commodity-producing areas, before reaching the border for barter. On the Russian side the caravans started from Moscow, followed a route through Yaroslavl, Vologda, Ustyug, Solikamsk, Verkhoture, Turinsk, Tyumen and Tobolsk, Tara on the

¹¹⁷ He Qiutao, p.20-21.

¹¹⁸ Clifford M. Foust, Muscovite and Mandarin: Russia's Trade with China and Its Setting, 1727-1805, p.358, University of North Carolina Press, 1969.

¹¹⁹ *ibid*, p.358-359.

Irtys River to reach Yenisei, and from there went overland along Lake Baikal to the Shilkhta River, then on to Kyakhta. This journey took about one year. On the Chinese side, the Xige(merchants from Shanxi province) from north China, came to Fujian, the Pekoe-tea producing area in spring, where they purchased tea and transported it by the land route. They followed the route through Jianxi, Hupei, Henan to Zhangjiako, where their storehouses for the goods to the Russia were located. This route is different from the traditional route of commodities and tributes.¹²⁰ Probably, it was because that the road from Fujian to Zhangjiako was more than five thousand li(1li=0.5 kilometre) and the spring tea must be reached as early as possible for the next journey of 4,300 li from Zhangjiako to Kyakhta, because the land route was quicker than the water route through the River Yangtze and the Keizer Canal. Zhangjiako was the transfer centre for the goods for border trade in Kyakhta. The Qing government set up a tax office in Zhangjiako, all the goods for Urga and Kyakhta were to be levied with taxes and the caravans applied for their licences there too.¹²¹ The Chinese caravans followed three from Zhangjiako to Kyakhta, all the east, middle and west routes started from Zhuangjiako, and all joined in Urga, where the caravans were checked and issued with new licences.

The Russian consumption of China tea had increased rapidly

¹²⁰ The traditional route for the goods transportation from Fujian to Peking is: by the post road connected Fujian and Jiangxi to the Lake Boyang, from Boyang along the River Yangtze to enter the Kaizer Canal to Tongzhong in Hebei province, then disembarked and transported the goods by carts to Peking or other cities nearby.

¹²¹ Chou-ban Yi-wu Shi-mo(CBYWSM, the documental chronicle of the foreign affairs), Tongzhi reignperiod(1862-74), ch.15.

since the end of the 18th century. In 1798 the tea import from China was 12,729 piculs, ten years later, it almost doubled. In the 1820s the tea import reached to 38701 piculs annually, in 1837-39 the tea imported rose to 54,486 piculs annually.¹²²

Import of tea from Kyakhta(piculs)*

Year	Black Paihao tea	Green tea	Brick tea	total
1798	3901	1816	7012	12729
1799	5370	2277	6531	14178
1800	8135	2273	8523	18931

* Russia poods are converted into piculs at 3.69 poods=1 picul
Source: Sladkovskii, p.57.

Average annual import of tea from China(piculs)

year	1802-1810	20383
	1811-1820	25985
	1821-1830	38701

Source: Sladkovskii, p.63.

The other continental countries' trade in Chinese tea

When the demand of tea increased in Europe from 1720s onwards and the EIC and VOC tried their best to expand their imports

¹²² Chinese Repository, Vol.14, 1845, p.280.

of tea, more European countries participated in the tea trade in Canton. Ostend, French, Prussian, Danish, Swedish, Spanish, Austrian ships early or later appeared in Canton. Among them the Ostend, French, Swedish and Danish tea trades were in comparatively large scales.

In 1718 P.J.Cloots, a banker from Amsterdam, took the first direct voyage with some other merchants in a ship, under the flag of Hapeburg Emperor Charles VI from Ostend to China.¹²³ With the return-cargoes, the principal part of which was 170,000 pounds of tea, they made 189% profit from this voyage. In 1720 three ships were sent to China. On December 19, 1722 the Ostend merchants joined together with the Ostend company with a charter granted by the Emperor Charles in order to compete with EIC and VOC in Asiatic trade. With its faster ships, and by purchasing higher-quality tea than the VOC, the Ostend Company made an average 140% net profit on the China trade.¹²⁴ The largest investment of the Ostend ships was silver, the value of return-cargos from China were 55.7% for tea, 34.9% for silk, 8% for porcelain and 1.4% for the others.¹²⁵ From 1719, the year that the Ostend merchants began to import tea from China into Europe, to 1728, the Ostend merchants were the largest

¹²³ F.J.A. Broeze, "Het einde van de Nederlandse theehandel op China", in Economisch-en Sociaal-Historisch Jaarboek, p.128, published by Het Nederlandsch Econmisch-Historisch Archief, 's-Gravenhage, Martinus Nijhoff, 1971.

¹²⁴ C.J.A. Jörg, Porcelain and the Dutch China Trade, p.322, Martinus, The Hague, 1982.

¹²⁵ K.Degryse, De Ostendse Chinahandel(1718-1735), in Spiegel Historiae, Vol.8, No.12, p.682, 1973.

importers of China tea in the European continent, and only next to the EIC.

China tea transported into Western Europe
(1719-1728)¹²⁶

Countries	Quantity(lb.)	Quantity as % of total
English(EIC)	7051483	41.8
Ostend	7048109	41.78
Dutch	2194732	13.01
French	575253	3.41
total	16869577	100.00

When considering only the period of 1725-1728, the years that the Ostend Company operated, 58.23% of the China tea in European market was transported by Ostend merchants.¹²⁷

In order to defeat the strong challenge of the Ostend Company, VOC and EIC, the two largest European Asiatic trading companies, formed an alliance with France and Prussia, together they brought pressure on Charles VI and the latter had to suspend the charter granted to the Ostend Company for seven years. When England and the Netherlands recognized the succession of Charles' daughter, the Ostend Company was disbanded in 1732, which was one of the

¹²⁶ K.Degryse, *ibid*, 682.

¹²⁷ *ibid*.

conditions for the recognition.¹²⁸

The banishment of the Ostend Company from its trade in China tea did not ease up the competition, besides the EIC, VOC and French company, the Danish and Swedish also participated in this competition at the end of 1720s and beginning of 1730s.

The first French voyage to Canton occurred in 1698, two years later, the French China trade company (La Compagnie de la Chine) was established to organize the trade, particularly the tea trade with China. Since 1716 one ship on average was sent annually from France to Canton. Since the 1730s onwards two to three French ships came to Canton primarily for tea. The French ships arriving in Canton increased to about three to four annually in 1760s-1784 when the tea was smuggled into England on a large scale. Since then this number reduced to one or two annually. The Napoleonic Wars stopped the French trade with China and no French ships appeared in Canton since 1793.¹²⁹ Until 1826 the French ships appeared in Canton again, but they could not compete in tea trade any more with the British and Americans. Although there were 21 French ships came to Canton in 1828-33, they shipped not more than 20,000 piculs of tea.¹³⁰

The Danish East Company was established in 1729 and the Swedish India Company was created three years later in 1732, these

¹²⁸ Jörg, p.21.

¹²⁹ The exception were 1802 and 1803. One French ship Brought \$50,000 in specie and arrive in Canton in 1802, on its cargo for home-bound, there was 2,652 piculs of tea. The French ship arrival in 1803 was from and to Malila. Morse, Vol.2, p.389, p.401.

¹³⁰ Dermigny, p.539.

were primarily aimed at the tea trade with China. In 1730 the first Danish ship arrived in Canton. Before Denmark had entered into the China trade, some Dutch supercargoes were employed by the Danish East Company in the early years of the China trade.¹³¹ In 1734 one Danish ship came to Canton and brought back 7024 piculs of tea.¹³² The first Swedish ship arrived in Canton in 1732 and brought back 531 piculs of tea.

So both the EIC and the continental companies faced the same fact that there was little demand for European products in China when they engaged the China trade. This problem prompted the companies to seek out other markets all along the route to collect silver, the only marketable merchandise in Canton. From the beginning of the sixteenth century most of the silver in Europe came from the silver mines in central and South America which was carried by the Spanish silver fleets. The Swedish Company sought silver in Cadiz, where the Spanish silver ships initially arrived and therefore the price of silver was lower than anywhere else in Europe, by selling their own most important products-wood, iron and tar. When the return-cargoes, the bulk of which was tea,¹³³ were sold in Europe, the large

¹³¹ K. Glamann, The Danish Asiatic Company, 1732-1772, in Scandinavian Economic History, Vol.8, No.2, p.130, 1960.

¹³² Morse, Vol.1, p.229.

¹³³ Proportion of tea in total cargo on board of Swedish Company ships on homecoming(tons)

years	total cargos	tea	%
1739-50	7198.059	4703.052	65
1751-58	6945.802	6021.832	87

profit allowed from Chinese goods formed the basis of the company's profit and made the small Swedish Company to compete with the large companies like the EIC and VOC.¹³⁴ The Danish Company exported ironware, timber, canvas, tar, cordage, red lead and powder, which were sold along the coasts of Europe and India on the voyage to China.¹³⁵ Meanwhile, the company exported silver money from Denmark, which resulted in increasing amounts of paper money being used domestically, and increasingly imported silver from abroad because the price of silver abroad was lower.¹³⁶ In the 18th century all the European companies, except the VOC, carried bullion to China for tea. The Swedish and Danish China trade were based on silver exchanged for tea.¹³⁷ The French imported a little wine and

1759-67 6873.293 5808.238 85

Source: C.Koninckx, p.471.

From 1770s to 1790s this proportion was even more higher than before.

¹³⁴ Jan Kuuse, Trade between Sweden and the Far East from the 18th century to the present-with special emphasis on the role of the Swedish trading houses, Bengt Johansson, ed., The Golden Age of China Trade, p.32.

¹³⁵ Glamaan, *ibid*, p.116.

¹³⁶ *ibid*, p.119; p.121.

¹³⁷ For example, in 1776 the Danish and Swedish brought 80 and 70 chests of silver(1 chest=£1,000=3,000 teals) and exported 18,730 and 22,868 piculs of tea from Canton separately. The tea price was 14 teals on average per piculs in this year. the value of tea was almost as same as silver. Morse, Vol.2, p.12, Dermigny, Vol.2, 548.

brandy as well as products from their colonies, between 76-87% of the Chinese goods was paid with silver.

Compared with that of the EIC, the continental ships, especially those of the Swedish and Danish, tended towards being larger and larger since the vast expansion of tea trade in 18th century, each of them carried much more tea.

Comparison of continental companies with EIC
(Tons on average per ship)

Year	English*	Dutch	French	Swedish	Danish
1737	480	598	575	550	700
1751	470	788	900	795	950
1763	499	875	900	1063	1030
1777	784	850	847	1174	1202
1787	739	810	757	1296	1230

* The ships of the EIC, the English private ships engaged little tea trade.

Source: Morse, the figures of 1737 and 1751 come from: Vol.1, p.261, p.292; the others from Dermigny, Vol.522-523.

The quantity of imports by these continental countries mentioned above was much larger than they actually consumed, most of tea was therefore reexported to other countries. The Danish sold large quantities of tea to Hamburg and Amsterdam and

Switzerland,¹³⁸ the Swedish sold tea also to Germany and Holland. However, most of the tea imported from China by the continental companies was smuggled into Britain and British America.¹³⁹ From the 1740s to the beginning years of 1780s, the quantity of tea smuggled from continental countries to Britain was from three million to seven million pounds.¹⁴⁰ The passage of the Commutation Act in Britain in 1784 rendered tea smuggling unprofitable and the tea imports by the continental companies dramatically declined. The Napoleonic Wars resulted in the disappearance of the Dutch and French from the tea trade. Shortage of silver prohibited the Swedish and Danish from competing with the English and Americans, in 1830s the continental countries generally withdrew from tea trade.

Conclusion

For one hundred years after tea was introduced into Europe, it was still considered a luxury commodity, and a less important item among the merchandises from China. The competition among the European companies resulted in a dramatic reduction of tea prices, which stimulated the increasing consumption and in turn, led to more importation. Since the 1720s tea became the most important commodity imported by the Europeans in their China trade. Before the Opium War the most of China's tea was exported by sea to western Europe, while the Russians consumed tea from their border trade with China in large

¹³⁸ Glamann, *ibid*, p.137, p.144.

¹³⁹ Morse, Vol.1, p.295.

¹⁴⁰ Cole, p.379, p.405; Dermigny, Vol.2, p.673-674.

quantity only at end of the 18th century. The primary tea market in Europe was Britain, the continental companies imported tea from China and smuggled a large part of it into Britain. The Dutch kept ahead in this competition in the tea trade among the Europeans before 1760s. After that, although the EIC imported more tea than any other European company, the continental companies together imported much more tea than the English. Until the passage of the Commutation Act and the discovery of opium as a form of the payment for tea, the English controlled the purchase of tea, the other Europeans gradually withdrew from the tea trade since they had neither a large domestic tea market nor sufficient silver for purchasing tea. Only the Americans, who engaged in the opium trade and could still carried silver to China, could hold a comparatively small share of tea trade in Canton.

Chapter IV

Tea, Silver, Opium and War: From Commercial Expansion to Military Invasion

Sino-Western relations in 18th century mainly found their expression in a particular mode of commercial transaction in Canton. The structure of the western trade with China was based on silver and colonial products from India and the Malay archipelago, like silver, cotton, pepper, lead. These commodities were exchanged for Chinese tea, silk and porcelain by the mediation of the so called Hong trades. As long as the trade structure was kept in balance the westerners were able to make large profits and commercial relations remained the same. When the trade structure fell out balance as, for instance, through a shortage of silver or the prohibition of opium smuggling, the western powers resorted to force. The discontinuation of the traditional Sino-western trade because of an imbalance in the trade structure eventually did not lead to the decline of trade, but to military conquest: the Opium War in 1840. This War enabled the westerners, headed by English, to revamp the structure of their trade with China on their own terms and forced the Chinese government into acceptance. Since then the process of the Western expansion into China was characterised by commercial expansion, military show of force and political control. In this chapter I like to analyze how the traditional structure of Sino-Western trade lost its equilibrium and study the changing character of European expansion into China as a result of this imbalance during the period of 1740-1840.

The central Position of Tea in the Sino-Western Trade

Before the 20th century, tea played a dominating role in

Sino-Western trade. Tea was, in fact, "the god to which everything else was sacrificed".¹

Although tea was first introduced by the Dutch into Europe as early as the beginning of 17th century, it took more than a hundred years before it became a significant import commodity from China. Before the 1720s, for both the English and Dutch traders tea was still far less important than silk and other articles. In 1704 the outward going cargo of the English ship Kent from Canton was valued at a total of 127,000 taels of silver. The 470 piculs of tea on board were valued at 14,000 taels, or only 11% of the total cargoes value in comparison to 80,000 taels' of wrought silks.² In 1715 the English ship Dartmouth was sent to Canton with a stock of £52,069, of which £5,000 was invested in tea.³ But in the following year, 1716, tea began to increase in importance as an article in the Sino-British trade. In the two English ships' cargoes leaving from Canton, there were about 3,000 piculs of tea, valued at £35,085, and probably constituting more than 80% of the total value of the cargo.⁴ The consumption of tea in Northern Europe dramatically

¹ Earl H. Pritchard, The Crucial Years of Early Anglo-Chinese Relations, 1750-1800, Washington 1936, p.163.

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H.B. Morse, The Chronicles of the East India Company Trading to China 1635-1834, vol.1, Oxford 1926, p.144.

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Morse, Chronicles, Vol.1, p.148.

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The total cargo of the ship Susanna was invoiced at 54,000 taels of silver, the 1,565 piculs of tea carried along were valued at least at 45,000 taels. See, Morse, vol.1, p.157; K. N. Chaudhuri, The Trading World of Asia and the English East India Company,

increased, and for all European companies Chinese tea became the most important and profitable export item. From the 1720s onwards the value of tea exceeded more than half of the total value of the exports from China by the EIC in most years. In the 1765-1774 period the value of tea constituted 71% of the total value of the average annual exports. In the years of 1785-1794 this proportion even rose to 85%.⁵ Although the exports of porcelain, lacquered wares, silks and other Chinese goods still continued in response to the "Chinoiserie" fashion, the EIC preferred to leave this trade to the "privilege tonnage" of its captains and officers, and concentrate on the tea trade.⁶ Since the early years of the 19th century the value of tea always exceeded 90% of the total value of the exports by the EIC from China. In the last years of its monopoly, tea became the only article that the EIC exported from China.

Proportion of tea in the EIC's total value of
the exports from China(1722-1833)

Year	total value (taels)	tea quantity (piculs)	and value (taels)	percentage of total value(%)
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Cambridge 1978, p.538.

⁵ In the years of 1765-1774 the total value of the exports from China by the EIC was an average of 1,508,107 taels of silver annually, the tea value was 1,071,570 taels. In 1885-1894 the total value was 4,231,107 taels at an annual average, the tea value was 3,617,337 taels. Pritchard, Crucial Years p.395-396.

⁶ Michael Greenberg, British Trade and the Opening of China 1800-42, p.3, Cambridge, 1951.

1722	211850	4500	119750	56
1723	271340	6900	182500	67
1730	469879	13583*	374311	73
1733	294025	5459	141934	48
1736	121152	3307	87079	71
1740	186214	6646	132960	71
1750	507102	21543	366231	72
1761	707000	30000	653000	92
1766	1587266	69531	1370818	86
1770	1413816	67128	1323849	94
1775	1045433	22574	498644	48
1780	2026043	61200	1125983	55
1785	2942069	103865	2564701	87
1790	4669811	159595	4103828	88
1795	3521171	112840	3126198	89
1799	4091892	157526	2545624	62
1817	4411340	160692	4110924	93
1819	5786222	213882	5317488	92
1822	6154652	218327	5846014	95
1825	5913462	209780	5913462	100
1833	5521043	229270	5521043	100

* This figure cited from Chaudhuri, Trading World, p.538.
Sources: the figures of 1761-1799 cited from Pritchard, Crucial Years, pp.395-396; the others cited from Morse, Chronicles, Vol.2-Vol.4.

The tea trade was so profitable to the EIC that every precaution was taken to defend its monopoly of the tea supply to Britain. From 1815 onwards the EIC made a average profit of over

£1,000,000 per annum.⁷ It drew over 90% of its commercial profits from tea,⁸ one tenth (£3,300,000) of England's total annual revenue brought into the British Exchequer came from the EIC's tea trade in the last years of the monopoly.⁹

The Dutch China trade in the 18th century was based mostly on the demand for five groups of Chinese commodities: tea; porcelain; raw silk; textiles including nankeens and silks; drugs and miscellaneous, such as China root, galingale, rhubarb, lacquerwork, gold and so on.¹⁰ Up to the 1740s most of the tea required to satisfy the Dutch demand was supplied by the Chinese junks to Batavia. In the first decades of the 18th century the Dutch made a yearly profit from the Chinese junk trade ranging from 100,000 to 500,000 fl.¹¹ Because the VOC was not satisfied with the quantity and quality of the tea supplied by the Chinese junks, it sent seven ships directly from Holland to Canton in 1728-1734. Two were wrecked on the journey, the other nine ships carried 1,350,000 pounds of tea

⁷ A.J. Sargent, Anglo-Chinese Commerce and Diplomacy, Oxford 1907, p.51.

⁸ Pritchard, Crucial Years, p.163.

⁹ Greenberg, British Trade and China, p.3.

¹⁰ C.J.A. Jörg divided the goods shipped from Canton into six groups, the sixth group comprising the ballasts like lead, iron, sappanwood, tin, these goods were not produced in China. Jörg, Porcelain and the Dutch China Trade The Hague 1982, p.217.

¹¹ Kristof Glamann, Dutch-Asiatic Trade, The Hague 1958, p.215.

to the value of fl.1,743,945, which represents a 73.9% share of the total value of the return cargoes, resulting in a net profit of fl.2,334,459.¹² In 1734 the direct trade between Holland and China was abandoned because of a shortage of bullion. Instead, the directors of the VOC decided to send two ships annually from Batavia to Canton for tea purchase and, meanwhile, to promote the Chinese junk trade. After the Chinese massacre of 1740, in which almost all of the Chinese population of Batavia was murdered, the Chinese junk trade declined, and in the 1750s the Chinese tea trade in Batavia came to end. The VOC resumed direct trade with China with its own ships from 1757 onwards. From the 1720s to the 1790s when the Dutch withdrew from the China trade, tea also composed the chief commodity in Dutch exports from China. In most years of this period tea comprised 70-80% of the total value of the return shipments from Canton for the Netherlands, and in some years this proportion rose to more than 85%.

Proportion of tea in the value of Dutch shipments from Canton(1729-1793)

Year	Total value(fl.)	tea value(lb.)	Proportion(%)
1729	284902	242420	85.1
1730	234932	203603	86.7
1736	365036	201584	55.3
1740	1075001	590328	54.9

¹² J. de Hullu, "Over den Chinaschen handel der Oostindische Compagnie in de dertig jaar van de 18e eeuw", in Bijdragen tot de Taal-, Land-en Volkenkunde van Nederlandsch Indië(BTLV), The Hague 1917, Vol.73, pp.42-43.

1746	1228130	875529	71.3
1750	1366760	960403	70.3
1756	2067312	1351450	65.4
1760	1803274	1614841	89.6
1766	2584402	2087036	80.8
1770	2405232	1777256	73.9
1776	2451597	1723870	70.3
1780	2471829	1738936	70.4
1786	4538034	3342391	73.7
1790	683971	367316	53.7
1793	2714789	2150192	79.2

Source: Jörg, p.217-220.

The first American ship Empress, which sailed to China in 1784, carried back 3,002 piculs of tea, costing 66,100 taels of silver and representing 92% of the total outward cargo from Canton.¹³ However the Americans did not concentrate as much on the tea trade as the Europeans in the same period. In 1792 six American ships exported cargoes valued at 317,270 taels from Canton, 11,538 piculs of tea valued at 165,440 taels,¹⁴ amounted to 52% of the total value of the cargoes. When in 1804 the Americans exported cargoes valued at 2,766,240 taels from Canton, tea was valued at

¹³ Morse, Chronicles, Vol.2, p.95.

¹⁴ Morse, Chronicles, Vol.2, p.204.

1,411391 taels, being 51% of the total value.¹⁵ In most years of the 1800-1830s period, the tea constituted in general 30-40% of the total value. In 1837 the value of tea began to exceed 50% and rose to about 65%, in 1840 the Americans bought 19,333,579 pounds of tea, which amounted to 81% of the total value of their purchases from China.¹⁶ Silk, which had been an important item in the China trade was greatly reduced from the value of 948,849 taels of silver in 1821 to 205,036 taels in 1840.¹⁷ By then the American China trade was almost completely concentrated on the tea trade.

Tea also played a significant role in the China trade of the other continental companies. However, because the passage of the Commutation Act of 1784 in Britain resulted in a halt to tea smuggling from the continent into Britain, and because of a shortage of bullion, the continental companies withdrew from the China trade one after another since the second half of the 1780s. As a result the trade in Canton was dominated by the English, and shared in a small part by the Americans. At the eve of the Opium War some 350,000

¹⁵ From the beginning years to the 1830s the price of tea in Canton fluctuated between 23-26 taels of silver per picul. Here I take 24.5 taels as the average price in this period. The figures of tea quantity and total value of exports were cited from The Old China Trade by Foster Rhea Dulles, New York 1970, p.210, Reprint from the first edition of Boston 1930.

¹⁶ Timothy Pitkin, A Statistical View of the Commerce of the United States of America, Hartford 1816, (reprinted in New Haven 1835), p.301.

¹⁷ Dulles, Old China Trade, p.118.

piculs of tea exported from Canton annually was valued at about 9,450,000 dollars of silver, which composed about 70% of the total value of the merchandise shipped from China.¹⁸

Silver: means of payment for tea

When the Europeans thirst for tea greatly increased and the European Eastern trading companies competed with each other in the China trade, they all faced the same problem: how to finance the tea trade? There was hardly any market in China for European made products! The Celestial Empire in the 18th century was economically based on a combination of agriculture and family unit produced handicrafts. With its vast territory, abundant products, high-quality handicrafts and considerably developed domestic market, the Chinese could produce most of the daily necessities themselves and searched for other necessities like tropical products they could not produce in nearby markets. Even by the beginning of 20th century the situation of high self-sufficiency still had not much changed much. Robert Hart, the General Director of China's Customs Service in the late 19th century, wrote, "the Chinese have the best food in the world, rice; best drink, tea; and the best clothing, cotton, silk, fur. Possessing these staples and the innumerable native adjuncts, they do not need to buy a penny's worth elsewhere."¹⁹ The high self-sufficiency and low purchasing power of the Chinese resulted in very limited markets

¹⁸ Yao Xiangao ed., Zhong-guo Jin-dai Dui-wai Mao-yi Shi Zhi-liao 1840-1895(Sources of the History of Foreign Trade of Modern China, 1840-95), Vol.1, Peking 1962, p.258.

¹⁹ Greenberg, British Trade and China, p.5, cited from Robert Hart, These from the Land of Sinim, London 1901.

for the European manufactures in China. This explained for the cold attitude of the court towards foreign trade. The Emperor Qianlong(reigning in 1736-1795) said, "the Celestial court possesses all things in prolific abundance and lacks nothing within my territory. The reason that I permit foreigners to come to trade in my country is only because I wish to display my kindness to the people from remote regions".²⁰

However, there is an exception to this rule of self-sufficiency: China's demand for silver for currency purpose. As Adam Smith said the demand for silver has two components. When wealth increases, the demand for silver as a currency also increases in order to increase the circulation of a greater quantity of commodities; Wealth also leads to the acquisition of more luxury items and curiosities.²¹ In the case of China, the demand for silver was primarily based on the first component mentioned by Adam Smith. Silver was not extensively produced in China, and until the 18th century copper coins had always been the primary currency in China for more than thousand years. The inconvenience of using low value copper coins in circulation severely obstructed the evolution of a market economy. In 1378 the Ming government issued paper money(Da-Ming Bao-chao) to solve the crisis which occurred when the copper mines were becoming exhausted, while the volume of trade was growing to a large scale. Because more paper money was issued than the market needed, its value plummeted 10% of its original value in the twenty years after it was issued. In the last decade of the 15th

²⁰ Qing Shi Lu(QSL, the Documental Chronicle of the Qing Court), Qianlong reignperiod, ch.603.

²¹ Adam Smith, An Inquiry into the Nature and the Causes of the Wealth of Nations, New York 1937, p.188.

century this paper money was almost abandoned from circulation, and silver played a more and more important role as a currency. The Ming government tried in many ways to search for alternate silver sources,²² but did not succeed because there were few silver mines to be found in China. Although the Portuguese, Spanish, and Japanese brought abundant silver and silver coins into China mostly for the purchase of silk from late 16th century to beginning of the 18th century,²³ this supply was far from the satisfactory considering the huge demand for silver in so a vast country. The shortage of silver made its use as a currency so expansive that its purchasing power was double that of silver in the Song and Yuan period(960-

²² The Ming Emperor even dispatched eunuchs to the provinces to promote the search for silver mines in late 16th century. Zhang Xie, Dong Xi Yang Kao(Notes on the trade with Eastern and Western Oceans), ch.8, 1617, reprinted in Peking 1981 ed., p.155.

²³ According to my calculation, all the silver flowing into China in the late Ming period(1567-1643) probably amounted to 350,000,000 silver dollars. Most silver came from Japan: about 250,000,000 dollars, some 75,000,000 dollars via Manila, from Spanish America; the Portuguese probably carried 33,500,000 dollars from Europe to China. Zhuang Guotu, "Lun Ming-ji Hai-wai Zhong-guo Si-chou Mao-yi"(The Overseas Trade of Chinese Silk in the late Ming Period, 1567-1643), in Zhong-guo yu Hai-shang Si-chou Zhi-lu(China and the Maritime Silk Route), a collection of the papers presented to the International Seminar on China and the Maritime Routes of the Silk Route in Quanzhou, organized by UNESCO, Fujian People's Press 1991, pp.36-48.

1367).²⁴ When tea replaced silk as the most important Chinese export commodity, silver continued to play a central role in the exchange. No other nation in the world but the Chinese was so eager for silver.

Even in ancient Roman times the West had found it necessary to provide bullion in order to purchase silk and spices.²⁵ Since the late 16th century, first the Portuguese, and then the Spanish, continued to provide silver for Chinese goods. When the English became the largest tea purchasers from the 1760s onwards, followed by the Americans from the last decade of the 18th century, these two countries carried the major part of the silver flowing into China.

As with the other European companies the EIC's silver source originally came from Spanish America. The silver coins shipped to China were usually packed in chests containing each about four thousand coins. In the first trip to Canton in 1637 the English brought 62,000 reals of eight.²⁶ At the beginning of the 18th century when the Sino-English trade was still conducted on a small scale, the Chinese trade was only one twentieth of the English-Indian

²⁴ Chüan Hansheng, Song-Ming Jian Bai-yin Gou-mai Li de Bian-dong Ji-qi Yuan-yin(The Fluctuation of Purchasing Power of Silver from Song to Ming and its Causes), in Xin Ya Journal (Hong Kong), Vol.8, No.1, pp.157-186.

²⁵ H.A. Crosby Forbes, John Devereux Kernan and Ruth S.Wilkins, Chinese Export Silver 1785 to 1885, Museum of the American China Trade, Massachusetts 1975, p.22.

²⁶ Morse, Chronicles, Vol.1,p.21, p.307.

trade as a market for British products.²⁷ From 1708 to 1712 the English exported £5,000 in merchandise and £50,000 in bullion to China annually.²⁸ In most years from the beginning years to the mid-18th century, silver comprised more than 90% of the stock of the EIC' ships to China.

Proportion of silver in stock of EIC ships
to China(Taels)²⁹

Year	Stock goods	silver	Percentage of silver in stock(%)
1677	2110	4778	65
1681	31350	37500	54
1682	43797	84000	66
1698	75000	60000	44
1699	16425	79833	82
1704	14898	139452	90
1707	8343	63000	88
1709	7905	93000	92
1717	9636	99000	91

²⁷ Sargent, Commerce and Diplomacy, p.49.

²⁸ Sargent, Commerce and Diplomacy, p.49.

²⁹ This table shows the proportion of silver in the stock, here I only selected the figures of ships stocks which could be known both things of the value of the goods and bullion. The rate of conversion £1=3 taels; 1 dollar=0.72 tael.

1919	8064	96000	92
1721	5439	132000	96
1723	8664	102000	92
1729*	12951	480000	97
1731*	12747	657000	98
1733	30000	105000	78
1735	2568	144000	98
1738	3360	120000	97
1747	7407	105000	93
1749	1845	90000	97
1751*	70476	412800	85

* Three ships together in 1729, four ships together in 1731, five ships together in 1751.

Source: Morse, Chronicles, Vol.1, p.307-313.

From the table above we can estimate that the proportion of silver was about 90% of the total value of stock on the ships to China in 1700-1753. According to the same source, of the 178 English ships sailing to China in 1700-1753, we know some 65 ships carried 7,099,068 taels of silver at an average 109,226 taels per ship. Therefore we may estimate that the 178 English ships brought 19,440,000 taels of silver to China in 1700-53.

For the years 1758-62 the figures of exports to China were 174,000 taels in merchandise and 219,000 taels in bullion annually.³⁰ After the 1760s the EIC expanded its exportation of metal such as lead and tin, and raw cotton to China, while the proportion of silver in the stock sharply decreased. However, because

³⁰ Sargent, Commerce and Diplomacy, p.49.

the trade with China, especially tea purchase, rapidly increased, the absolute quantity of silver exported into China still increased. In 1760-70 the proportion of silver in the English exports to China remained stable at about 50%. Up to the period of 1795-99 this proportion was reduced to 13%.³¹ However, because the China trade greatly expanded and the value of the imports to China reached 5,373,015 taels per annum, the annual import of silver to China was still as much as 739,974 taels on average.

Silver imported by EIC to China 1760-1823

year	taels	year	taels
1760	765414	1787	1912320
1761	216000	1788	2094878
1762	322410	1789	1321920
1763	528609	1790	2106041
1764	338781	1791	172800
1765	1690479	1792	518400
1766	1930593	1796	120960
1767	620040	1797	626965
1768	521427	1798	1326830
1769	489186	1799	1623171
1770	822044	1800	421442
1771	879630	1801	77920
1772	574872	1803	1376886
1773	81452	1804	795062
1776	394016	1815	1048272

³¹ Pritchard, Crucial Years, p.394, 396, 399.

1777	230400	1816	2452511
1778	90720	1820	1898863
1783	8460	1823	659998
1786	2062080		

12566793 total 33,121,032 taels

Sources: 1760-1799, from Pritchard, Crucial Years, p.399; 1800-1823, from W.E. Cheong, Mandarins and Merchants, Jardine Matheson & Co. a China Agency of the Early Nineteenth Century, Bangkok 1979, p.19.

If we consider the average amount of 219,000 taels per annum in 1758-62 as the average amount per annum in 1754-1759, then we arrive at the figure 1,314,000 taels, which was the amount of silver the English brought into China. Therefore, we can estimate about 53,875,032 taels of silver was brought into China in 1700-1823 by the English. Since 1823 the English carried no more silver into China.

The Dutch undoubtedly brought a large quantity of silver into China in the 18th century, however, compared with others, they were the only westerners who did not almost totally depend on bullion for tea purchase before the 1760s. Although there existed occasional direct trade between Holland and Canton, the Dutch China trade in the first half of the 18th century was mostly a trigonal trade through Batavia. Since the Dutch possessed tropical products from their colonies like pepper, tin, spices, which were marketable in China, they tried to insist on the principle of barter trade. In the period of the Chinese junk trade in Batavia, the Dutch seem to have been quite successful. They paid primarily with the tropical products for the tea brought by the Chinese junks to Batavia. However, when the demand of tea in European markets rose dramatically the Dutch had to

carry bullion from Europe or other factories to Batavia in order to pay for the purchases. From the beginning of the 1700s to the 1730s, the VOC shipped no less than fl.3,000,000 per year of bullion from Holland to Batavia. In 1722-28 the amounts reached a climax with annual consignments of fl.6,800,000-7,900,000.³² In 1728-34 nine ships were sent directly from Holland to Canton, their consignments composed almost only of bullion, which was 96% of the total value of fl.2,533,359.³³ Instead of this direct method of trading the directors of the VOC decided to send from 1734 onwards two ships first to Batavia, then on to China. In order to purchase goods for these two ships the Board of Directors reserved a sum of fl.600,000 annually.³⁴ Part of this bullion was invested in purchasing tropical products in Batavia for selling in China. Toward the end of the 1730s the Dutch sold about 500,000 pounds of pepper a year in Canton. In the 1740s the sales of pepper reached 1,500,000-2,000,000 pounds, and in the 1750s the sales reached a peak of 3,000,000 pounds a year,³⁵ this amount was worth about 180,000 taels of silver and almost equal to the value of tea bought by the Dutch in the same years. The Dutch tea trade in Batavia declined after 1740 because of the massacre of the Chinese in Batavia, and because the shipping from Canton via Batavia to Europe could not compete with other European ships in speed and the quality of tea they carried. Furthermore, the

³² Glamann, Dutch-Asiatic Trade, p.69.

³³ Glamann, Dutch-Asiatic Trade, p.69.

³⁴ Jörg, Porcelain, p.27.

³⁵ Glamann, Dutch-Asiatic Trade, p.243.

sales of tropical products in China faced strong competition from the English. Therefore the VOC decided to resume the direct trade between Holland and China in 1757. Because the Dutch had no home produced goods which were marketable in China, the VOC, like the other European companies, had to conduct the bulk of its trade in silver and to finance each ship with fl.300,000 in silver coinage.³⁶ From then on the Dutch participated along the same lines as the other Europeans who poured silver into China for the purchase of their tea.

Silver imported by VOC to China in some years
in 1776-1788³⁷ (taels)

year	ship	amount	year	ship	amount
1776	4	444000	1780	4	183000
1777	4	153000	1786	5	410000
1778	4	393000	1787	4	480000
1779	4	348000	1788	4	318000

From the table above it can be seen that each of the Dutch ships carried on an average 82,697 taels of silver or fl.286,959 (at the rate 1 tael=fl.3.47) to China, this was almost equal to fl.300.000 which the Board of the VOC decided upon to finance each of the ships going to China after 1757. From 1757 to 1794 135 Dutch

³⁶ Jörg, Porcelain, p.35.

³⁷ Zhuang Guotu, "Shi-ba Shi-ji Zhong-he Hai-Shang Cha-ye Hao-yi"(Sino-Dutch Tea Trade in 18th Century), in Hai-jiao Shi Yan-jiu(Studies on the Chinese Maritime History, 1992, No.1, p.56.

ships sailed to Canton.³⁸ If the figure fls.82,697 can be considered as the average quantity of silver that each of the Dutch ships brought to China, then we arrive at the figure of **11,164,095** taels for the quantity of silver that 135 Dutch ships brought to China in 1757-1794. If we assume that half of fl.600,000, with which the Board of the VOC annually financed two ships sent to China, with a stop in Batavia from 1735 onwards, was carried to Canton in silver coinage, then each of them brought fl.150,000 or fls.43,228 to China. Because in the 1735-1756 period 85 Dutch ships sailed to Canton,³⁹ then we arrive at a total of **3,674,380** taels silver, which the Dutch brought to China in 1735-1756. In 1728-1734 nine ships sent directly from Holland carried **702,855** taels of bullion.⁴⁰ From the above figures we arrive at a total figure of **15,541,330** taels, which was probably the amount of silver brought by the Dutch to China in the period of 1728-1794. In the 1720-1795 period the Dutch shipped fl.220,146,000 of bullion or **63,442,651** taels of silver from Europe to Asia, about one fourth of this amount found its way into China.⁴¹

³⁸ Jörg, Porcelain, pp.197-201. According to Dermigny, the figures of Dutch ships were 128. Louis Dermigny, La Chine et l'Occident. Le Commerce à Canton au XVIIIe Siècle, 1732-1833, Paris 1964, Vol.2, pp.522-523.

³⁹ Jörg, Porcelain, pp.196-197; According to Dermigny, this figure was 83, Dermigny, Canton, pp.521-522.

⁴⁰ Glamann, Dutch-Asiatic Trade, p.46.

⁴¹ Value of goods bought from China and exports of bullion from Europe to Asia by the Dutch(fl.1,000)

 year value of purchases exports of bullion

In comparison to the English and Dutch, the other Continental Europeans, and here we refer mainly to the French, Swedish and Danish, had their own characteristics in the China trade. Firstly, they did not possess such marketable colonial products as cotton, pepper, lead, tin and so on, so that their means of payment for tea depended ever more on bullion. Secondly, their ships were much larger than those of the EIC but about the same size as those of the Dutch. It means each of their ships carried more silver into China and brought more tea back Europe than the average EIC ships.

Comparison of the European ships
 carrying silver and tea⁴²

1720-1730	300	8000
1730-1740	4800	16800
1740-1750	11500	13900
1750-1760	18300	23600
1760-1770	24800	37900
1770-1780	24400	35900
1780-1790	26300	40000
1790-1795	6600	13400
total		117000=33717549 taels
		220146=63442651 taels

Source: Femme S. Gaast, De geschiedenis van de VOC, Walburg Pers 1991, p.135, p.147.

⁴² Morse, Chronicles, Vol.2.

year	English*		French		Danish		Swedish	
	ship	tea silver	ship	tea silver	ship	tea silver	ship	tea silver
1776	8	1820 150	5	42893 132	3	18730 80	2	22868 70
1777	9	49962 77	7	27332 128	2	15737 31	2	21387 65
1780	12	69445			3	17560 96	3	30817
1781					3	30889 90	2	30100 55
1782	13	92130 3	8	31735 195	3	24030 94	3	36592 218
1786	29	157116 716			2	15190 59		
1787	29	82150 664	3	12967 238	2	19980 149	2	21682 129
1788	26	141218 728					2	19407 77

	126	633839 2338	23	114926 693	18	142116 599	16	182853 616

* The column of the English only refers to the EIC, because very little silver and tea were carried by English private merchants. Tea(piculs), silver(chest, 1 chest=3000 taels)

The above table show that in the 1776-1788 period, in each of the ships carrying chests of silver to China and piculs of tea to Europe, the French carried on an average 30 chests of silver and 4997 piculs of tea, the Danish about 33.3 chests of silver and 7,895 piculs of tea, the Swedish 36.2 chests of silver and 11,428 piculs of tea, and the English 18.5 chests of silver and 5030 piculs of tea. The ships of these continental countries were of equal size to those of the Dutch in the second half of the 18th century and the specifications were not very different. Assumed that from the 1720s onwards each of the continental ships carried 82,697 taels of silver

to China⁴³ (which is the amount the Dutch ships carried in the second half of 18th century), then we arrive at the figure of **38,536,802** taels of silver for the 466 ships of other continental countries sailing to Canton in 1719-1799. Since the beginning of the 19th century very little silver was brought by the continental countries into China, because they could use the facilities of the English bill exchange service.

Although the Americans entered the China trade as late as 1784, they soon became the second largest tea exporters from China as well as the largest silver importers into China. The Americans also had furs and ginseng to offer as marketable in China. In the last fifteen years of the 18th century, the Americans abundantly shipped furs and ginseng to Canton, which were probably almost valuable enough for the payment of tea and other Chinese merchandise. The American fur trade in Canton met with competition by the English, until the sources of furs were exhausted in the first decade of the 19th century. When the continental Europeans withdrew from the China trade because of the Napoleonic Wars, the Americans were able to pour abundant amount of silver into China to expand their own China trade. They sold manufactures from Europe in the Spanish American ports, then carried the proceeds in silver via Cape Horn Cape to Canton to purchase Chinese products like tea, silk and porcelain. In 1805-1840 the Americans shipped altogether **61,484,400** taels of silver, or 1,607,899 taels in average, per annum.

Silver in American Exports to China(1,000 dollars)

⁴³ In the second half of the 18th century the continental ships were larger than before, but the proportion of silver in the value of the cargos to China was lower than before.

Years	Total exports	silver	% of silver in total
1805	3842	2902	76
1806	5127	4176	81
1807	4294	2895	67
1808	3476	3032	87
1809	808	70	0.8
1810	5715	4723	83
1811	2973	2330	78
1812	2771	1875	68
1813	1453	616	42
1815	572	-	-
1816	4220	1922	46
1817	5703	4545	80
1818	6777	5601	83
1819	9057	7414	82
1820	8173	6297	77
1821	4291	3391	79
1822	5935	5075	86
1823	4636	3584	77
1824	5301	4464	84
1825	5570	4523	81
1826	2567	1653	64
1827	3864	2525	65
1828	4481	456	10
1829	1355	602	44
1830	742	80	11
1831	1291	367	28
1832	1261	452	36
1833	1434	290	20
1834	1010	376	38

1835	1869	1392	74
1836	1194	414	35
1837	631	155	25
1838	1517	729	48
1839	1534	993	65
1840	1010	477	47

total 80395

Sources: The figures of total imports in 1805-1815 are from Dulles, Old China Trade, p.210; the figures of the silver in 1805-1815 are cited from Morse, Chronicles, Vol.4, p.386; the figures of 1816-1840 are all from Yan-ping Hao, "Chinese Teas to America--a Synopsis", in Ernest R. May and John K. Fairbank, ed, America's China Trade in Historical Perspective, Harvard University, 1986, p.23.⁴⁴

From the above estimation we arrive at the figure of **169,437,564** taels of silver, which was brought by the European and

⁴⁴ The total value of the merchandise and bullion exported by the United States to China in 1805-1944 were differently calculated. Morse cited the calculations from The History of Early Relations between the U.S and China 1784-1844 by K. S. Latourette in Translations of the Connecticut Academy of Arts and Sciences, Vol.28, New Haven 1927. Cheong in his Mandarins and Merchants p.54 cited the same source. Dulles made an almost similar calculation as that of Latourette. Yan-ping Hao made use of the sources in U.S. Senate Executive Document 31, 19th Congress, 1st Session.

Americans to China in the 1700-1840 period.⁴⁵

The silver imported into China by the Europeans and Americans in the 1700-1840 period all originated in Spanish America. The silver production was concentrated on two areas: Upper Peru(modern Bolivia) and New Spain(Mexico). From the 1570s to the 1630s, the mines of Upper Peru supplied Spain with 65% of its registered bullion imports from the New World.⁴⁶ The mines in Potosi alone produced 254 tons of silver annually in 1581-1600, which was more than 60% of the total silver output of the entire world.⁴⁷ By the 18th century Mexico became the world's largest producer of silver. In 1803 it was estimated the mines in Mexico produced 67% of all the American silver. Since the 18th century 80-90% of the silver produced in Spanish America was shipped to Europe by the Spanish

⁴⁵ This figure did not include the silver brought by the Dutch, Danish and other continental Europeans after the beginning of the 19th century. Since then their ships still carried some silver to Canton but the amount must have been quite small, because they almost abandoned the China trade and only few ships came to Canton from these countries. Moreover most of them made use of the facilities of the English bill service and did not need to carry as much silver as before.

⁴⁶ D.A. Brading, Mexican Silver-Mining in the Eighteenth Century: The Revival of Zacatecas, Latin American Series, No.277, University of California, Berkeley, reprinted from The American History Review, Vol.L, No.4, November, 1970, p.66.

⁴⁷ A. Kobata, "The Production and Uses of Gold and Silver in Sixteenth-Seventeenth Century Japan", in Economic History Review, Second Series, Vol.18, No.2, August, 1965, p.247.

"silver ships". However, due to the rapid growth of the European-Asian trade, most of the silver from Spanish America to Europe was transferred to the East. As Charles Wilson observed, "there seems to be little reason to doubt that over long periods of time, Europe exported at least as much silver as it received".⁴⁸

Silver from Spanish America via Europe to Asia
(In millions of rixdollars per year)

Year	Production in Spanish America	Supplies from America to Europe	From Europe to the East
1550	3	3	(2-3)
1600	11-14	10	4.4
1650	10-13	8-9	6
1700	12	10-12	8.5
1750	18-20	18-25	12.2
1780	22	18-20	14.7
1800	30	23-25	18

Source: Artur Attman, America Bullion in the European World Trade, 1600-1800, Goteborg 1986, p.33.

The European China trade, especially the expansion of the tea trade from the 1750s onwards, largely depended on the supply of the European bullion exchanged for Chinese tea. Due to the continuous

⁴⁸ Charles Wilson, "Trade, Society and the State", in E.E. Rich and C.H. Wilson, eds, The Economy of Expanding Europe in the Sixteenth and Seventeenth Centuries, Cambridge University Press 1967, p.511..

flow of silver coins from abroad, the silver dollars, instead of sycee silver, became as increasingly popular currency in China, especially in the coastal regions and the commercial centres. The common medium for all the transactions at Canton was silver dollars from Spanish America. The continuous silver supply from America to Europe became the basis of the expansion of the European China trade. However, when the Eastern trade of the Westerners was dramatically growing and producing a need for more silver, the silver production in Spanish America did not increase simultaneously. From the last decade of the 18th century silver production decreased because many silver mines became exhausted. In 1811 the Spanish American revolution broke out with fifteen years of unrest which resulted in the destruction of the mines and mints, this, in turn led to the reduction of the supply of silver from America.

Production of silver in Spanish America

Year	Silver(dollars)
1650	10-13,000,000
1700	12,000,000
1750	18-20,000,000
1780	22,000,000
1790-99(per annum)	23,716,784
1800-09	22,147,572
1810-19	11,981,312
1820-29	9,683,792

Sources: 1650-80, Attman, America Bullion, p.33. 1800-29, W.E.Cheong, "trade and Finance in China: 1784-1834", in Business History, Vol.12, No.1, January, 1965, p.49.

The increasing expenses due to colonial expansion also created a need for more marketable bullion. In the twenty years following 1784 the English expanded their political commitments in India, the Wars in Mysore and with the Maharattes also strained English resources,⁴⁹ resulting in financial liabilities and a demand for more cash. In 1805 the EIC ceased to import silver from London and sent no more bullion to Canton.⁵⁰ The shortage of silver resulted in the gradual withdrawal of all the other Europeans from the China trade leaving it to the British and Americans. The former substituted opium for silver as a medium of trading since the beginning of the 19th century, the latter, besides sharing a small part of the opium trade, could still obtain silver through their friendship with the revolutionaries during and after the Spanish American Revolution.

Opium instead of silver for tea

When the continental companies had difficulties in offering silver for their tea and had to withdraw from the China trade, the English found a profitable solution in India: the Chinese were lured into accepting opium, which was readily available to the British from their possessions in India.

Opium and other narcotic commodities like laudanum, morphine and heroin are all the production of the plant Papaver somniferum called, in English, "poppy". The time and place of origin of the

⁴⁹ W.E.Cheong, "Trade and Finance in China", in Business History, Vol.12, no.1, January, 1965, p.40.

⁵⁰ *ibid.*

poppy cultivation can not be fixed, but it was known in the Middle East much earlier than in Europe.⁵¹ The use of opium spread from the Greeks since first century and the cultivation of poppy in Asia Minor grew into a industry. Arab traders transferred opium, and the knowledge of its effects, to the far corners of Asia. In the Tang period(618-907) the Arab first brought opium into China. The name Amfyun which the Arabians called opium, was adopted by the Chinese, the Chinese names referred to opium with names like A-fu-yun, Ya-pian, Ya-rong, which were all derived from this name.⁵² Before the 19th century opium was usually only used for medicinal purposes. In a Chinese Medical encyclopaedia written in 1573-1620, opium was mentioned as being "a vegetable which was rarely mentioned in the former dynasties, its price on the market is as high as gold".⁵³ Like all drugs opium is harmful when it is abused. It was said the emperor Wanli(at the throne in 1573 to 1620) was probably the first prominent victim of this drug in China.⁵⁴

⁵¹ Egypt provides the earliest records of the use and properties of poppy. In Sumerian ideograms of 6,000 years ago the poppy is referred to as the plant of joy. It probably came from Egypt. J.M.Scott, The White Poppy: A History of Opium, London 1969, p.5.

⁵² Li Kui, Ya-pian Shi-lue(Information on Opium), Vol.1, Peking 1932, p.2.

⁵³ Li Shizhen, Ben-Cao Gang-mu(Compendium of Materia Medica), vol.23, p.24-25

⁵⁴ Fu Lo-Shu, A Documentary Chronicle of Sino-Western Relations, 1644-1820, Tucson 1966, p.518, note 84.

Among the Europeans the Portuguese were the first to transport opium into China. As early as the beginning of the 18th century the Portuguese merchants based on Macao practised their opium trade on a very small scale, they exported Malwa opium from India to Canton. Before 1767 the Portuguese imported not more than 200 chests of this drug into China annually.⁵⁵ Until the English began smuggling opium in the 1760s the opium trade had hardly existed, but after the 1760s the English China trade greatly increased in the value of both imports and exports. However the exports from China increased far more than the imports to China. In 1765-66 the EIC's exports were 202% greater than the merchandise imports, in 1775-76, greater by 156%. In 1785-86, when the Commutation Act was passed and the EIC greatly increased its tea exportation, the exports were 328% greater than imports.⁵⁶ The imbalance of exports and imports resulted in a deficit in the Canton treasury of the EIC. In 1784 there was still a credit balance of Tls.214,121 in the treasury, while in the following year it had a debit balance of Tls.222,766. In 1786 the debit rose to Tls.864,307, in following year, this debit reached Tls.904308.⁵⁷ The constant pressure to balance the tea trade forced the English to find a financial solution, no matter

⁵⁵ Chinese Repository, Canton, April, 1837, Vol.5, p.546; Morse, The International Relations of the Chinese Empire, Shanghai 1910, Vol.1, p.173.

⁵⁶ Prichard, Crucial Years, p.143.

⁵⁷ Morse, Chronicles, Vol.2, p.95, 110, 118, 135.

whether it was moral or not. The plan to send opium from Bengal to China was first suggested by Colonel Watson in 1767 to a council of representatives of the EIC held in Calcutta, and it was advocated also by Mr. Wheeler, an officer and influential member of the company. The EIC adopted this suggestion initially when considering ways to raise revenue to support the British Indian Government.⁵⁸ When the debit of the Canton treasury increased the company's supercargoes asked the Governor-General for financial help. The formers suggested that opium should be delivered to Country traders upon their giving pledge that they would pay the produce into the Canton Treasury, and in return the Canton Treasury would issue them bills on London.⁵⁹ This suggestion was adopted by the Governor-General and Council of the EIC, meanwhile, an Opium Corporation was established to control the production and exportation of opium in India.

The EIC created a monopoly of opium cultivation and exportation from India, Malwa, Benares and Behar(or Patna) being the primary opium producing areas in India. Benares and Behar were directly under the control of the British government, which gave the EIC the opportunity to easily practise a oppressive system of opium cultivation. The government measured the lands for opium cultivation every year and fixed their boundaries, then annually entered into an engagement with the cultivators, through an intermediary. Through such an engagement the cultivators would receive an advance from the government and deliver the produce to the government at fixed prices.

⁵⁸ M.D. Nathan Allen, Opium Trade, Lowell Mass. 1853, republished by Milford House Inc., Boston 1973, p.12.

⁵⁹ Pritchard, Crucial Years, p.217-218.

If an individual engaged in the cultivation without having an engagement with the government to deliver the produce at the fixed rate, his property would be promptly confiscated.⁶⁰ This oppressive system enabled the government to obtain opium at only 300 rupees.⁶¹ The raw opium was delivered to one or two of the EIC's factories to be cleaned, weighed, dried and packed in each chest weighing about 140 pounds.⁶² Most of the opium from these two areas were transported down the river Ganges to Calcutta for exportation to China. In 1780 opium could be sold in Canton at the price of \$500-600, three times more than the initial cost.⁶³ After the ships of the EIC ceased carrying opium to China because of a prohibition of the Chinese government in 1799, the opium gathered in Calcutta was sold by auction to the country firms who purchased it and exported it on to China. Malwa was subject to its own government and beyond to the control of the EIC. The opium could be cultivated and sold in this area as freely as other products like rice and wheat. The Malwa opium was partly shipped by the Portuguese from Damaun and partly from native states through Bombay.⁶⁴ Because Bombay, some 400 to

⁶⁰ Chinese Repository, Vol.3, Feb. 1837, p.234.

⁶¹ Allen, Opium Trade, p.10.

⁶² Carl A. Trocki, Opium and Empire: Chinese Society in Colonial Singapore, 1800-1910, Cornell University Press, 1990, pp.51-53.

⁶³ Chinese Repository, April, 1837, Vol.5, pp.546-547.

⁶⁴ John King Fairbank, Trade and Diplomacy on the China Coast: the Opening of the treaty Ports 1842-1854, Harvard University Press

500 miles distant from Malwa, was the principal market for the Malwa opium, the EIC tried to obtain control of the Bombay area and the ports for shipments from Malwa. Although this effort did not succeed until 1830, all the opium from Malwa for Bombay must pass through certain territories of the EIC. Thereupon, the EIC was able to impose a tax called "transit duty" of 200-400 rupees on each chest of opium. Through the system of the oppressive cultivation in Behar and by levying duty on opium from Malwa, the EIC not only monopolized both the cultivation and transportation of opium in India, but also solved the financial problem of its China trade: the income from the sales of Indian opium was used instead of silver for the payment of tea.

Prior to the strict prohibition on opium proclaimed again by Chinese emperor in 1799, the Indian opium trade was carried on to some extent in the Company's ships.⁶⁵ In 1781 two ships with opium as the major cargo were sent by Bengal government, one was for the Indian Archipelago, the other with 1,600 chests was for China, which was sold at price of \$210 per chest to Sinqua in Canton. In 1794 the English succeeded in anchoring a ship at Whampoa, which was exclusively laden with 290-300 chests of opium.⁶⁶ In the last decade of the 18th century the opium smuggling into China amounted to about 2,000 chests per annum.⁶⁷ Since 1800 the Company ceased

1953, p.64.

⁶⁵ Sargent, Commerce and Diplomacy, p.53.

⁶⁶ Chinese Repository, April, 1837, Vol.5, p.547.

⁶⁷ Morse, The International Relations of the Chinese Empire, Vol.1, p.238.

to bring opium into China in response to the Chinese government's prohibition. Instead the Company sold it to the Indian country firms which were allowed, under special license, to sail between Canton and the ports of India,⁶⁸ and let them export it to China. From 1800 the opium shipped by the English from India into China remained at almost the same level on average of about 4,000 chests per annum for twenty years. From 1822 the increasing rate of opium imported into China was greatly accelerated. In this year the opium brought in from India rose to 7,773 chests, ten years later, it reached to 21,605 chests. In 1838 it amounted to no less than 40,000 chests.⁶⁹

The Americans also did what they could to improve their financial position in the China trade and compete with the English. Although they were searching every corner of the globe for anything which could be sold in Canton in order to obtain the profitable Chinese goods, they were still unable to find enough imports instead of specie to balance their exports from China. The lure of the great profits that could be made from the opium trade proved irresistible to the American merchants. Since India, where the primary source of opium was located, was tightly controlled by the English, their primary rivals in the China trade, the Americans had to search for a source of opium elsewhere. Smyrna in Turkey was the only source where the American traders could obtain opium before 1834. We don't exactly know when the Americans began to engage in opium smuggling, but not later than 1805. In this year three American ships carried

⁶⁸ Dulles, Old China Trade, p.115.

⁶⁹ Morse, *ibid.*

120 chests of opium from Smyrna.⁷⁰ Two years later the Select Committee of the EIC was already vigilant to American competition in the opium trade.⁷¹ In 1805-1808 the Americans shipped no more than 200 chests of opium from Turkey annually. In 1816 the American ship Lion carried \$110,000 of bullion and 60 chests of opium.⁷² In 1817 the importation from Turkey was 1,900 chests, in the following year, this amount was increased.⁷³ However, the proportion of opium shipped by the Americans in their total imports to China was much lower than that of the English. In 1818-1833 the American total opium imports to China had a value of \$4,925,997 or on average \$307,875 per annum, about 10% of the total imports, while the English opium imports were valued at \$104,302,948 or \$6,518,934 per annum,⁷⁴ which was almost equal to the value of the total exports from China by the EIC or the total merchandise imports of the English.

Value of the merchandise imported by the English

⁷⁰ Tyler Dennett, Americans in Eastern Asia: A Critical Study of United States' Policy in the Nineteenth Century, New York 1922, p.115.

⁷¹ Dulles, Old China Trade, p.147.

⁷² Dennett, Americans in Eastern Asia, p.115, 120.

⁷³ Morse, Chronicles, Vol.3, p.339.

⁷⁴ Dulles, Old China Trade, p.148.

into China 1817-1833 (taels, average per annum)⁷⁵

Year	Woolens	metals	raw cotton	total
1717-19	1951267	110805	4527211	6589283
1720-24	2042102	134156	2958249	5134507
1825-29	1903266	202091	4307677	6413034
1830-33	1584940	109255	4097033	5791228

Source: Morse, Chronicles, Vol.2-4. cited by Yan Zhongping, Zhong-guo Jin-dai Jing-ji Shi Tong-ji Zhi-liao(Selection of the Economical Statistics of Modern Chinese History), Peking 1955, p.11.

In 1800-1810 opium shipped by the English and Americans was 4,016 chests on an average per annum, in the following ten years, it rose slowly to 4,494 chests. In 1824 opium imported into China initially exceeded 10,000 chests and reached 12,434 chests. Since 1832 onwards this amount exceeded 20,000 chests annually and reached 40,200 chests in 1838.

Opium shipments to China 1795-1840

(Chests)

Year	From India	From Turkey	total	consumption	price(\$)
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⁷⁵ In 1818-1833 the primary merchandise imported into China by the English were metals such as tin and lead, woolens such as broadcloth, long ells, camets shipped by the EIC and raw cotton shipped by the country merchants from India. The other merchandises altogether amounted no more than 5% of the total value.

1800	4570	-	4570		
1801	3947		3947		
1802	3292		3292		
1803	2840		2840		
1804	3159		3159		
1805	3836	102	3938		
1806	4126	180	4306		
1807	4208	150	4359		
1808	4208		4208		
1809	4191	32	4593		
1810	4968		4968		
1811	4891	200	5091		
1812	4966	100	5066		
1813	4769		4769		
1814	3673		3673		
1815	4230		4310		
1816	4616	488	5106	3698	1104
1817	3692	448	4140	4128	1012
1818	3552	807	4359	5387	881
1819	4006	180	4186	4786	1211
1820	4244		4244	4770	1761
1821	5573	383	5959	5011	1761
1822	7743		7743	5822	1372
1823	8875	140	9035	7222	1197
1824	12023	411	12434	9066	874
1825	9373		9373	9621	791
1826	12175	56	12231	10025	964
1827	11154		11154	9525	1095
1828	12612	1256	13868	14388	956
1829	15542	715	16257	14715	861
1830	18528	1428	19956	20188	681

1831	16148	402	16550	16225	810
1832	21605	380	21985	21659	657
1833	19523	963	20486	19362	665
1834	21885		21885		
1835	30202		30202		
1836	34033	743	34776		
1837	34373		34373	28807	688
1838	40200		40200		

Source: Morse, The International Relations of the Chinese Empire,
Vol.1, p.238-240.

From the table above we can see that the opium smuggled into China in 1800-1838 amounted to 422,676 chests, if we assume that altogether 20,000 chests were shipped into China in last decade of the 18th century,⁷⁶ then we come to the amount of 442,676 chests, which the Westerners shipped into China from 1790-1838. If the average price was \$750 per chest, this amounts to a total sum of 239,045,040 taels.

For the Americans, opium was used partly in place of silver for the purchase of Chinese goods. When they accelerated opium smuggling after 1827,⁷⁷ they did not need to import as much silver

⁷⁶ Before 1773 opium shipped into China was no more than 200 chests annually, in the last decade of the 18th century, the opium shipped to China was no more 2,000 chests average per annum.

⁷⁷ An American opium trader estimated that in 1827-30 the Americans shipped about 1,200-1,400 chests of opium to China annually, which was valued at \$600,000-700,000. Li Dinyi, Zhong-mei Zao-qi Guan-xi Shi (The History of the Early Sino-American Relation), Taiwan 1960, pp.97-98.

as they previously had to do. In 1821-30 the Americans brought 18,974,160 taels of silver to China, In 1831-40 they brought 4,064,400 taels, which was only 21.5% of the amount of the last decade.

The opium trade offered to the English the ability to balance the China trade. They no longer needed to carry bullion to China. On the contrary, the great surplus from their opium trade even enabled them to export silver from China. As the Americans complained, the profit from opium not only provided them with a medium of exchange for tea, but it allowed them to export from Canton the silver which the Americans brought there.⁷⁸ In 1807 the Governor-General ordered the Bombay, Madras and Penang authorities to intercept all silver on its way to China and send it to Calcutta, because the Canton Committee had sufficient assets to provide for their investment. In the same year the Company imported no silver, but sent 2,431,000 taels to Calcutta.⁷⁹ In the following years the Committee continued to send silver from Canton.

Silver shipped from Canton by the EIC

Year	taels	destinations
1807	2431000	Calcutta
1808	1342600	Bengal
1809	1126553	Bengal, Madras, Penang

⁷⁸ Dulles, Old China Trade, p.147.

⁷⁹ Morse, Chronicles, Vol.3, p.54-56.

1810	926976	England
1811	834253	England
1818	288000	Calcutta
1830	1375874	London
1831	845249	London
1832	976362	Europe

Source, Morse, Chronicles, Vol.3, pp.54, 100-101, 131, 157, 331; Vol.4, pp.233, 253, 324.

Since 1812, the EIC left specie exportation to the country traders and concentrated on the bills service for the private merchants to transfer their profit.

Silver exported from Canton by the private British merchants(1817-34)

Year	taels	Year	taels
1817	2822400	1826	2939760
1818	1936080	1827	4388400
1819	619920	1828	3386160
1820	356400	1829	4792320
1821	346320	1830	3372480
1822	168480	1831	2048400
1823	1885680	1832	2761200
1824	1254960	1833	4735440
1825	3125520		

Source, Morse, Chronicles, Vol.3-4, Cited by Greenberg, British Trade, p.218.

Among the Chinese, the opium trade exerted a widespread pernicious influence. Opium had been brought into China ever since the Tang dynasty. In 1589 opium was listed on the category of medicine of imports which were formally taxed.⁸⁰ At the beginning of the Qing dynasty opium was still considered to be a medicine and taxed accordingly.⁸¹ The harmfulness of opium was known by the Qing government in the early 18th century. The first edict prohibiting opium was enacted in 1729,⁸² and since that time the sale and smoking of opium were illegal. However, because the opium trade was carried out on a small scale and constituted no serious problem until the end of the 18th century, these regulations of prohibiting opium were not severely enforced. When opium smuggling became more and more extensive and brought increasing problems to the society of China,

⁸⁰ Since the maritime prohibition was lifted in 1567, the Ming government established a maritime tax office in Haicheng in Fujian Province, the listing of taxes levied on the imports was proclaimed. The tax rate on opium(a-pian) was 2 taels for per 100 jin(1 jin=0.5 kilogramme). Zhang Xie, Dong-xi Yang-kao, ch.7.

⁸¹ When the Qing government lifted the maritime prohibition and established maritime customs, opium was still listed in the medical category of imports and taxed. Chou-ban Yi-wu Shi-mo(The documental chronicle of foreign affairs), Daoguang reignperiod, ch.4, p.1.

⁸² According to the edict, the opium traders must be punished by the same penalties as those who bought the contraband. The responsible local authorities who failed to discover the trade and transportation of opium were to be punished according to the regulations. According to Qing-chao Xu Wen-xia Tong-kao(taxes, No.23) this edict was issued in 1727, according to Guangxu Ta-Qing Hui-dian Shi-li(ch.828, laws), it was issued in 1729.

it created a growing anxiety for the emperor and his officials. Thereupon, the Qing government repeatedly proclaimed even harsher laws in prohibiting opium smuggling.

Opium rapidly became widespread throughout China since the beginning of the 19th century. In the space of thirty years opium spread to all the provinces and covered every corner of the country from towns to villages.⁸³ The harmfulness of such large-scale opium dealing was considered by the Qing government as follows.

Firstly, opium undermined the people's health and social morality. As early as the end of 1720s, Nan Dingyuan, a local official in Fujian, observed that once people took to opium, they became incurable addicts, and daily went to the opium divans at the risk of bankruptcy.⁸⁴ When since the beginning of the 19th century the addicts became even more numerous, this caused serious anxiety to the Emperor Daoguang. In 1810 he decreed to the Grand Minister, "Opium is a poison and undermines our good customs and morality. Recently the traders and addicts of opium have become numerous, the wicked traders pursue high profits on sales and purchase of opium. I will order the viceroys, governors and supervisors of customs in Fujian and Guangdong, where opium comes from, to search thoroughly for opium and cut off its supply."⁸⁵ The following year he said again, "the addicts don't spend their savings for food and clothes

⁸³ Daoguang-chao Wai-jiao Shi-liao(Diplomatic records of Daoguang reignperiod), ch.4, p.50.

⁸⁴ Nan Dingyuan, Lu-zhou Chu-ji(The first collections of Luzhou), 1880, ch.2, p.16.

⁸⁵ QSL, Daoguang reign period, ch.227, p.4.

but for opium. Not only do they destroy their own lives, but they also persuade friends to follow their example. Opium will destroy our people's morality."⁸⁶ But drug-taking not only was limited to the common people, for large numbers of the officials and clerks of yamen became addicts too, which accelerated the process of corruption against bureaucrats. It was said that 10-20% of the governmental officials in Peking, the capital, 20-30% of the local officials, 50-60% of the clerks of yamen were taking opium in the 1830s.⁸⁷

Secondly, opium resulted in a heavy outflow of silver from China. It seems that high local officials were more concerned with this problem than others, because the local officials were responsible for the collection of taxes from people and the taxes were counted in silver: the shortage of silver was therefore rapidly reflected by the increasing difficulties to collect taxes. As we mentioned above, the quantity of silver flowing into China from 1700, to the first two decades of the 19th century amounted to about 240 million taels, which promoted silver as a currency which was to play a more and more important role in the Chinese economic activities. However, in the period 1817-1833, the British private merchants alone shipped 40 millions of silver out of China. In the 1835-39 period about 22 million taels of silver found its way from China into India.⁸⁸ This directly resulted in a sharp decrease of the exchange rate of the copper coin for silver. In the early years of the 19th

⁸⁶ *ibid*, ch.240, p.1-2.

⁸⁷ Ya-pian Zhan-zhen(Sources of the Opium War), edited by China' Society of History, Shanghai 1954, Vol.1, p.505.

⁸⁸ Yan Zhongping, Selections, p.34.

century 1 taels of silver was exchanged for about 1,000 copper coins. Towards the last years of the 1830s, this exchange rate rose to about 1 to 1,600.⁸⁹ The common people earned copper coins on a daily basis, but paid in silver for taxes which amount was fixed tens of years ago. The merchants sold goods in retail and collected copper coins but paid commercial taxes in silver. Even the salt merchants, who were granted a monopoly to engage in the profitable salt trade and had always been considered as one of the groups of the most powerful and rich merchants, tried to escape from the salt business because they collected copper coins and had to pay tax in silver. Thereupon, the local officials all complained about the difficulties in tax collection.⁹⁰

Thirdly, the opium trade resulted in the decline of the commerce. Lin Zexu was the imperial commissioner sent to Canton in 1839 to prohibit opium trading. He presented a memorial of his investigation to the Emperor, stating: " daily living costs for a single common person amount to about 18 taels of silver a year, but an addict must spend 36 taels of silver on opium every year. Now China's population has already exceeded 400 millions, and if 1% of the population takes opium, more than 100 millions of silver are lost each year. Moreover, the number of addicts is much more than 1% of the population. When I asked shopowners in the commercial centres like Suzhou and Hanko, why the goods were so unsaleable, they answered that half of the money of consumers was spent on opium instead of the normal commodities." Considering that the total annual revenue of the

⁸⁹ Yan Zhongping, Selection, p.37.

⁹⁰ The memorials of the censors Xu Naiji and Huang Xijue, Chou-ban Yi-wu Shi-mo(The Documental Chronicle of Foreign Affairs), Daoguang reignperiod(1821-1850), ch.1, p.2; ch.2, p.5.

Qing government was only about 40 millions of silver, Lin Zexu came to conclusion, "If we don't take strict measures against the opium trade, China will neither have soldiers to defend the counter and nor silver left for revenue several in another tens of years."⁹¹

The suggestion of taking stronger measures against the opium trade by Lin Zexu, when he was still in the position of the Governor-General of Huguang Province, was agreed to by the Emperor. He then appointed Lin Zexu as the imperial commissioner to Canton in 1839 in charge of all the local officials and the affairs related to wipe out the opium trade. Lin Zexu struck a swift blow against the opium traffic. Firstly, he ordered the opium traders to turn over all the opium in European warehouses in March of the same year. 20,291 chests of opium were turned over to him by the English Captain Charles Elliott, who was chosen to represent the opium traders. Secondly Lin burned all the opium he confiscated in Humen nearby the coast. Lin's action displayed the firm attitude of the Qing government against the opium trade.

Opium provided one-seventh of the total income for the revenue of the British India Government and had replaced silver as a means of trading for tea which brought to the revenue of Britain £3,000,000-4,000,000 per annum. Since opium was the foundation stone of the British triangle trade between India, China and Britain, Lord Palmerston, Britain's prime Minister, promptly and unhesitatingly called for war against China, when the balance of the structure of the British triangle trade based on opium was threatened.

Conclusion

⁹¹ Lin Zexu, Huguang Cuo-gao(Collection of Memorials from Huguang Province), ch.5, p.11-12, in Lin Wen-zhong Gong Zhen-shu(Collection of the Official Articles written by Lin Zexu).

Before the industrial revolution the Europeans hardly could provide any marketable products but silver for trade with the Far East. Until the late 18th century the British could offer Indian products to a certain extent for Chinese goods, particularly for tea. However, the value of the Indian products were far and away insufficient for the purchase of Chinese goods and all the Westerners had to ship silver into China for tea. However, the British found a profitable solution in India: that is opium. Opium enabled the British to re-establish the balance of their China trade, but it brought great sufferings to China. Once it became possible for the Chinese government to establish a firm attitude and break the opium trade, the British called for war. It was not a war that was caused, as Fairbank said, by the cultural clash between Eastern and Western conceptions of economy, institutions and international order.⁹² It was simply a war which displayed the characteristics of the process of colonial expansion no matter whether it occurred in India, America or Africa: from commercial expansion to military conquest. "A war more unjust in its origin, a war more calculated in its progress to cover this country with permanent disgrace....The (British) flag is become a pirate flag to protect the infamous traffic".⁹³

⁹² Fairbank, Trade and Diplomacy, Vol.1, p.74.

⁹³ Comments by the noted tea-drinker Gladstone. Peter Lowe, Britain in the Far East: A Survey from 1819 to the Present, London, Longman, 1981, p.14.

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