A HUNDRED YEARS

of

ECONOMIC RELATIONS

between

CHINA and GREAT BRITAIN

1834—1934

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" China is now part of the family of nations. Her problem is the problem which presents itself equally to every other nation."

— E. R. Hughes.

" The study of China's international economic relations meant until but yesterday the study of British trade, British shipping, the British business community, and British investments in China."

— C. F. Remer.

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CHAPTER I

Introduction

The first chapter of this thesis describes the general purpose of writing it and may be taken as an introduction to the following chapters. In this chapter my main work falls into three parts. The first part describes how all the following chapters are to be written; the second part deals with the contents of the treatise; and the third part is devoted to giving a bird's view of some economic aspects of Britain at the dawn of the nineteenth century. Before dealing with the third part, an attempt will be made to state some characteristics of the economic relations which have been established during the past hundred years from 1834 to 1934 between China and Great Britain. The general trend of these relations as a whole which strikes one as most noteworthy is that they present a problem fundamentally different from that between any other two countries of the East or between any two states of the West.

An attempt is made here to put together in a simple and intelligible form, some of the main facts which can show us the general trend of the economic relations between China and Great Britain during the past hundred years. This work, it is hoped, will deal with the subject chiefly from the analytical standpoint and exclusively from a historical point of view. It appears desirable that this subject should be examined in a thorough and detailed way, in order that we may obtain a clear and general view of Anglo-Chinese economic relations which have been so inextricably intertwined ever since China entered into treaty relations with Britain.

In Britain, economic relations with China have hitherto received but scant and cursory attention on the part of economists even though

the importance of this subject has grown by leaps and bounds in the last fifty years. So far as I am aware, no previous attempt has been made to do this in a single volume. On the Chinese side, an attempt has usually been made to view relations with Britain solely in their bearing on the interests of diplomacy, in which the analysis and explanation of their commercial relations have been unavoidably and sketchily involved. As far as I can find no book has been written in Chinese dealing with this subject.

I began this investigation in the hope that it would provide material in a comparable and simple form. Even in a simple presentation of the subject, I have to be careful not to omit any facts or factors which are essential to a proper comprehension of the economic relations which have been established between China and Britain. But in the effort to compress a long and complicated story of a hundred years into reasonable space, I must perforce devote most of my attention to broad movements and pass lightly over unimportant details. This task entirely depends upon an independent criticism of the materials provided.

My studies during the past years have resulted in the acquirement of a considerable amount of information. This information will be brought together, and as far as possible systematised; while economic theory of foreign trade and foreign investments will be employed in a study of the causes and consequences of the export of capital and the development of trade. I shall also make an attempt to establish statistically some facts which show the amount of British capital invested in China, and the value of the trade between the two countries.

Although the statistical information is not unavailable for carrying this study further, it is not sufficient to allow me to form

a complete investigation as to the relation of the movements of 'invisible' goods between China and Britain with the balance of payments between them, and the effect of changes in the gold price of silver upon their trade and the connection of the importation of British capital into China with the advance of their trade.

The scope of my present study is too narrow; for it is limited to some aspects of the economic relations between two states in the modern world; and, even in this narrow field, the collected material is not in a satisfactory form for comparison, and the statistical information is inadequate.

Tables of figures which have to be as far as possible available will be taken as the bases of the general analysis of the material to work out some estimates of British investments in China, and of the valuation of their trade, because they can express some real information. But, owing to numerous technical difficulties, my estimates will be more likely to indicate the probable course of changes in the field of Anglo-Chinese trade and to throw light on the trade movements in some principal goods between the two states.

Again, in order to illustrate many various points regarding the economic relations between China and Great Britain, the official records of the two countries should be of practical use and these records fortunately are sufficient to afford data upon nearly all the subjects embraced.

Also, in China the Department of National Economics has established recently a bureau of publication, including the systematic compiling and translating of information, some of which could be used for the inquiry into Anglo-Chinese economic relations, and these will be expected to bring to light some topics that are concerned with the

apparent condition of my study.

This task has usually been left to historians who may lack a sober and dispassionate estimate in dealing with it. If the inquiry which it is proposed to pursue in the following pages were connected with national emotion or prejudiced opinions, or if the results were made to rest for confirmation upon deductions drawn from such prejudiced work, very little independent and practical judgment could be expected to attend this study.

It will thus be necessary to emphasize objectively when an attempt is made to study British interests in China and the benefits interchanged. In a world in which complete objectivity is impossible, the social scientist should try to be as objective as he can. This is my conviction which enables me, it is hoped, in dealing with China's economic relations with Great Britain, to look for the facts, to bring them together in a systematic arrangement, to analyze them critically, and to draw conclusions from them with the assurance that these conclusions will be in accordance with the main principles of international economics. In this subject, I, therefore, hope, by assembling the facts indicated in the following pages, to try to move from the past to the present and from the gateway of the present to look out upon the horizon of the future.

As indicated, my study of this subject is primarily one of the economic aspects in the relations between China and Britain. It involves both national and international questions. Britain is a political unit; China is a political unit. Between them there appeared and still appears the existence of economic intercourse which is the main product of the interplay of their foreign affairs even though their economic conditions are reviewed as isolated phenomena.

My present study is then one of both private (economic) and public (diplomatic) relations between two countries. It would doubtless be well to take the latter as a starting point and utilize it as a basis for considering related phases of the former. The primary and extensive importance of the former is worthy of emphasis. But the two can seldom be dissociated because the word 'relations' is to be taken into account and all the elements of the facts between the two countries, whether diplomatic or economic.

Relations between China and Britain have been carried out through political channels, as the creation of Anglo-Chinese relations was due to Britain's claim on her trade with China. This was remarkably enforced by her foreign policy. It has been said that British trading in China is entirely political". But, the result of their diplomatic touches was an economic issue. In dealing with this subject I have to consider relations between them, first from the diplomatic angle, and, then from the economic angle. In fact, relations between the two countries during the hundred years 1834-1934 were those of politico-economics. What we shall involve in this subject is limited to the factors of economics as the word 'economic' actually defines the whole scope of my study.

The economic relations between China and Britain naturally fall into two broad branches, namely trade and investment. There is no justification for limiting the economic relations between two countries to the exchange of goods. The interchange of capital, funds and service, the so-called invisible imports and exports, always forms a great stream alongside the flow of goods; and though it might be relatively insignificant it cannot be disregarded. In the widest sense, the scope of investment covers not only the movements of

tangible goods across national boundaries, but also those of capital funds and even of personal service. But we now have to regard 'trade' as a dependent term from general investment because trade usually plays a greater part in the economic relations between any two countries. I propose then to consider Anglo-Chinese economic relations during the hundred years period under some general headings of inquiry, namely:-

1. Movements of goods; i.e. trade between China and Great Britain.
   - A. Imports and exports.
   - B. Treasure movements.
   - C. Shipping engaged in the carrying trade.
2. Movements of capital; i.e. British investments in China.
   - A. Business investments.
   - B. Government obligations.
   - C. Other services.

In a description and analysis of the above points, the following significant theories regarding them should be noted. Roughly speaking, foreign trade is merely the carrying out of the principle of the division of labour.(1) All exchange is a sign of such division,(2) and is an advantage to both parties, for otherwise the exchange would not be made.(3) It is a systematic exposition of the positive doctrine which has been largely confined to the British Classical School and its followers. The central proposition of this theory is the doctrine of comparative cost, expounded by Ricardo, J.S. Mill, Marshall, Bastable and Taussig.(4) Their argument is what Torrens called the territorial division of labour. Many authorities then made more important contributions to this theory of comparative costs of production.

Accordingly, each country tends to specialize in the production of those commodities for which it is best fitted, and which it can produce at a lower absolute cost than can be done elsewhere. This is known as the law of comparative costs, which, as applied to foreign trade, shows that a country tends to specialize in those commodities, in the production of which it has the greatest comparative advantage.

Contrary to public idea, exchange of goods between two states can be carried on not only in the form of trade but in the form of investment. Capital is generally measured in terms of money, but it also consists of goods, as well as accumulated wealth. It then follows that a nation can increase its foreign investments by supplying loans, or by sending goods abroad.

In the investing of capital by goods or by funds, the reasons for the export of them from an investing country to another conutry are primarily economic, as the investing country prefers the investment that yields it the largest income. Economic considerations thus play a part in determining the direction of investment.(5) But political considerations also weigh with investing countries in inducing them to lay out capital in particular ways. On the one hand, capital, exported from one country to another, creates the conditions for the establishment of their commercial relations, and on the other hand, whether as a direct or as an indirect investment such capital makes possible capitalistic exploitation.

Whether the movements of goods between Britain and China have been linked with the principle of comparative advantage and whether the exports of capital to China from Britain have been far from capitalistic exploitation are not easy to say. It will be better to examine what are the characteristics of the economic relations

between them, and then form a judgment.

In dealing with the general characteristics of the economic relations between China and Britain, there are three points which we must make clear:

Firstly, Anglo-Chinese trade is the trade between an agrarian country and an advanced country in industry and commerce.

Secondly, economic relations between them are the relations between a silver-using and a gold-using country.

And, thirdly, their relations rest on a creditor-debtor footing.

In Britain, there is a limited arable area, in which agriculture was developed far beyond the point of diminishing returns. Her domestic production of food and meat thus became insufficient for the growing and prospering urban population. Also the rapid expansion of her industries naturally led to an increasing demand for raw materials, such as cotton and silk, which owing to varying climatic conditions, are limited to certain countries. Food stuffs and raw materials have therefore constituted by far the major portion of the total volume of her overseas trade during the hundred years period under consideration.

China is a vast country in which a large population depends mainly upon agriculture. Chinese agrarian population has been estimated at about 70% of the total population. But in England there is only about 20% of the total population in the rural districts, and about 6.8% of the total population engaged in agriculture. Thus, in China crops are of greater importance than commercial products, and consequently, commercial relations with the outside world are more important to a highly industrializated state such as Britain than to an economically self-sufficient state, such as China.

In China's foreign trade, silver has been the accepted means of payment, and its price has been the important variable factor in her foreign exchange. In Britain, a single gold standard was established early in the nineteenth century, and this helped the expansion of her trade, besides favouring the development of London as an international market.

In China as in the rest of the world, the silver situation has raised many complicated issues, which we need not discuss here, while the gold standard in Britain was no longer maintained after the Great War. In 1931 when Britain went off the gold standard, China insisted on abandoning its silver-tael standard, and adopting a new monetary policy with a view to tying the rate of her foreign exchange with sterling value abroad. The hindrance of different currencies in trade between a gold-standard and a silver-standard country such as China and Britain would thus be removed forever.

As China has not yet become an industrial country, and as an effect of the continued falling of the gold price of silver, her business involved in foreign trade has been disastrous, and she has become increasingly indebted to most of the countries trading with her. It may be said that in China, as in Britain, there has been a uniformly unfavourable balance of trade. But compared with the so-called 'visible' and 'invisible' items in China's foreign trade with those in Britain's overseas trade, we find a great difference between the excess of imports over exports in the foreign trade of the two countries. Obviously, Britain has been a characteristically importing country, and imports into Britain have shown a continuous increase. But to Britain, this unfavourable balance of trade was not a sign of indebtedness, for, on the other hand, she was a creditor country, as

she was one of the great investing countries of the world. While she served the world with visible and invisible goods, she received in return steadily increasing interests and earnings from countries in which she had invested.

China has had huge adverse trade balance, but unlike Britain, she has not had a number of invisible exports except the annual remittance from overseas Chinese and the money which foreigners spend in maintaining their diplomatic, military, commercial and missionary enterprises in China.

Even in her trade with Britain, China, according to the trade records either of the Chinese customs administration or of the British Board of Trade, has not had any favourable balance of trade since the year 1890. During the years before 1890, the balance of trade between China and Britain was usually favourable to China. But, as a matter of fact, Britain, since the year during which China was thrown open to trade with her, has been usually enjoying income-producing features, such as interest and indemnity from China, earning from shipping, insurance, banking and other services operating in China. These invisible goods exported from Britain to China have not only offset her unfavourable trade balance, but on the contrary, have turned her into a creditor nation.

During the present century, the adverse balance of trade has been steadily against China in her trade with Britain as well as in her trade with the rest of the world. British investments in China, which have been reckoned as requirements for making her balance of payments with Britain, then increased to a greater extent as we can see in the following chapters.

Such, then is the economic panorama in China. However, as

cursorily reviewed above, the general trade and characteristics of her trade relations with Britain will be obvious, and naturally have adverse effects upon all economic relations between them for the hundred years period.

When the nineteenth century opened its first quarter, Britain was concerned with China's future development as her economic welfare in the Orient was closely bound up with the properity of the Chinese. A far-sighted policy of mutual economic cooperation was therefore adopted by the British and then enforced in their relationships with China for the hundred years period with which this treatise deals.

The history of Anglo-Chinese economic relations opens with the early Victorian Age 1834 and ends with the year 1934 when China stepped into another new period. Throughout this hundred years period, the world system of economic life has undergone a great change. In the early years of Queen Victoria's reign, it was already touched by the coming change. The main part of this treatise dealing with Anglo-Chinese economic relations during 1834-1934 would be best prefaced here by a short historical sketch of Britain's economic development, to form a background for the chapters which follow, and also in justifying Britain as being the country most suitable to open China to trade with the rest of the world.

When the young Queen Victoria came to the throne of the British Empire the mysteries of the great Chinese Empire in the East had not been revealed. Britain during the early years of the Victorian Age, was on the eve of prosperity and she had already become 'the workshop of the world'.

At the dawn of the nineteenth century, Britain was an industrial country using world-staples in order to become a nation of shopkeepers,

and at the same time her goods had been transported to extreme parts of the world. This was due to the fact that at that time her industrial supremacy was unchallenged and in the world's carrying trade her position as a great ocean-carrier was predominant.

Obviously, Britain's industrial supremacy was founded on her magnificent natural resources, and her predominancy in the world's sea-borne trade was due to her position as the world's greatest shipbuilder. The industrial structure in Britain had its roots in the so-called 'Industrial Revolution', which took place first in England, and which led to an extensive increase in her commercial expansion. This growth of industrialism in Britain would have been impossible without the freedom of trade. With the acceptance of economic liberty, British capital expanded with immense rapidity.

Great Britain is indebted to Adam Smith for her early possession of free trade, which has been the key to British activities in the world's economy. It was no accident that the economists, the exponents of the Manchester School, based their doctrine upon Adam Smith's theory to work out as their outstanding dogma the supreme faith in the Laissez-Faire System, which brought British capitalism into full swing.

In Britain, the year 1860 saw the crowning of the edifice of economic liberalism of which the exponents of the Manchester school had been the builders. From that year until to-day, British economic policy has been transformed from a passive to an active one, and Laissez-Faire principles which had been applied for seventy years were abandoned and active interventionist policy was introduced by the British Government.

As we know, even during the second quarter of the nineteenth century, the British people were not given maximum liberty to pursue

their own policies in international economic relations. But the way to economic liberalism in Britain had been prepared and Smith's "Wealth of Nations" had furnished full guidance to the economic activities of Britain. She then made considerable progress in her industrialism, and thus reached a high development in world commerce. Her wealth derived from industrial products and her 'free capital' derived from profits of trade were ready to flow into new fields of development, and at this time, China came upon the scene in British overseas trade.

The Year, 1834.

In the previous paragraphs, designed as an introduction to my study, I have presented a general picture of the economic background at the dawn of the nineteenth century and have outlined the broad general plan of my study. Before breaking it up into chapters with a view to going more into detail about the vicissitudes of the economic relations between China and Great Britain and the various factors or reasons which moulded their economic course at different periods, an attempt should be made to show the reasons for beginning my detailed study of their relations with the year 1834. The history of Sino-British economic, even diplomatic, relations from 1834 naturally divides itself into eight more or less well-defined periods, and the years at the commencement of these periods naturally constitute a new era in their relations. That I arbitrarily take the year 1834 as the one with which to begin my detailed study does not mean that an important cleavage before 1834 withnessed a basic change in the communication between East and West. But in the process of their intercourse, there were some outstanding events and features which had consistently accelerated that process. A study of their relations before and after

that period undoubtedly, constitutes a new chapter and a year has to be chosen, not unreasonably, as marking the commencement of the new era in the history of their relations. Some considerations are probably required to explain clearly why the beginning of the new era was taken as 1834.

(1) It must, in the first place, be remembered that time does not admit of rigid delimitation and there is no starting point in historical events as beginnings must merge into ends. Chinese foreign relations had begun to develop with the opening of the sea route to the Orient and British commerce in China might be said to have already leapt into importance when the great East India Company secured a foothold in China and first successfully traded direct with China. But changes in the character of the Sino-British relations became so prominent in the year 1834 and in the following years that we cannot argue even on a priori ground. The year 1834 was not merely the starting point of British commercial relations with China but an important landmark in the history of the Far East, particularly in the history of Chinese foreign relations.

The Nineteenth Century is the Century of the predominance and world-wide influence of the small islands on the outskirts of Europe namely the British Isles, which forced China to open trade with her as well as with other Powers. The year 1834 is the year which may be marked as the starting point of the movement of official communication between China and the rest of the world. There are several events of widely different nature, each of which had its effect in the adoption of this year as the starting point of the period under consideration.

The beginning of the Nineteenth Century and the Coronation of Queen Victoria, and the close of the Nineteenth Century and the death

of the Queen, mark a definite epoch. Victoria was a great Queen, and a long period of ever increasing prosperity at home, of gradual, uninterrupted, pacific transition from the old to the new society, of peace and security for her foreign relations, constituted the so-called Victorian Age. This Age, was one of unprecedentedly rapid change and development, prominently in the Oriental relations of Britain. The year 1837 saw the accession of Victoria and two years later Britain represented Europe in a direct contact with China. It was in the Victorian Era that the field of action, where British foreign policy was most obviously successful, was in the Orient. The event of Britain's first war with China, contrary to the wishes of Britain at that time, started a diplomatic relationship of China with the rest of the world, which has continued to be an important element in Chinese affairs down to modern times.

The East India Company, before 1834, enjoyed the monopoly of British commerce in the Far East, and the Company exerted its influence to maintain unimpaired, the already existing commercial rights. All British trade with China was under the control of the Company. All the British independent traders had been allowed to do business in China only under the licences of the Company which was responsible to the Chinese for them. The independent trade vessels, known as 'country ships' only carried on business under the Company's permits.

In 1834, the monopoly of the Company was abolished and Chinese trade was opened to all British merchants who wished to send their ships to China. Furthermore, on the expiry of the Company's charter, the British Government was faced with the necessary of undertaking its own responsibilities in China,and the Government of Great Britain embarked upon a policy which,by bring the two Empires into direct con-

flict, was to usher in a new era in the relations between China and the West.

The years after 1834 formed a period of contact between East and West and the year 1834 also marked the opening of a new era of conflict which gradually ripened into war. From a general point of view, the fundamental conflict between the West and the East had to come, for it was between two civilizations which had grown up separately and independently. From the British point of view, it is natural that she found it impossible to open up communication with China by diplomatic action and conflict inevitably found expression. The hostilities were terminated by the treaties upon which British relations with China have since depended. From the Chinese point of view the meeting with the British in commerce was inevitable. Foreign trade in China was therefore a step leading to a diplomatic conflict. In any case the springs of their conflict had their sources before 1835. After 1835 the conflict continued to grow, and it came to a head over the question of the importation of opium. Unfortunately, the beginning of a rapid change in China was brought about by a war the pressure first coming from Great Britain.

Before 1834 there was a period in which the Chinese political and economic organization opposed with a passive resistance the insistance of the Westerner. The years after 1834 formed a period in which China could no longer avoid meeting and being influenced by the West. She could no longer remain isolated; the way back to her old tradition was closed. She had been forced to adopt many external features of Western civilization as she wished to bring her political organization into harmony with Western ideas.

Foreign trade was a path, however narrow, to more general

relations between China and Britain. Since her commercial influence had become prominent in the world, Britain had taken a leading part in the development of Chinese trade relations with the West. The real opening of China to foreign intercourse did not occur until the early Nineteenth Century. China had for centries remained a self-sufficient country. The traders of the West had nothing to offer her in exchange for products. There was no demand for Western goods, and thus trade had been one-sided. Only after China entered into treaty-relations with Britain did her foreign trade start to expand, and only after British free traders had gained a real foothold after 1834, did the Chinese demand for Western manufactured goods begin to grow.

(2) Except for the historical events above-considered, the second of the reasons for beginning the detailed study of the economic relations between China and Great Britain with 1834 is that useful material is available from that time.

Before China entered into treaty-relations with Britain, there was no such term as 'foreign trade' because she never recognised it even though many commercial ships coming from the West visited her coasts early in the Eighteenth Century. From the time of the establishment of the Chinese Maritime Customs System in 1860 annual reports of trade have been published. But in Britain, while great assistance was obtained from the available publications of State Papers, there were none unfortunately which went as far back as the years before 1835.

It is fortunate for this study that the age of Blue Books began with the Nineteenth Century. The printing of reports and other documents, printed by order of the British Parliament, first appeared in 1681; but the first publication of Blue-Books was openly made in 1801. Also in 1836 the official practice of selling Parliamentary

Papers to the public began. Therefore, even British people have very slender evidence from which to estimate the material welfare of their country before the reign of Queen Victoria, and British economic information, really, only became trustworthy after the year 1834.

Furthermore, British trade with China was thrown open on the expiration of the East India Company's Charter in April, 1834. Previous to 1834 no distinction had been made in the British Customs House records between the exports to India and those to China, nor was this deficiency of information supplied by the statement of the amount of shipping employed in the trade, because a great part of the trading intercourse of British subjects with China was carried on through the intermediate ports of India. Since 1834 the value of British manufactures exported to China and that of Chinese products imported into Britain have been declared separately from those made to India.

(3) A third reason for beginning the detailed study of Sino-British economic relations with the year 1834 is that the period before that year has already been dealt with by Dr. H.B. Morse.(6)

Dr. H.B. Morse, late of the Chinese Maritime Customs, has provided an exhaustive account of the East India Company's trade with China, drawn from the India Office records and elucidated by the author's special knowledge of Chinese administration and commercial practice. His book of four huge volumes describes in full for the first time, the rise and development of British Far Eastern trade which was the necessary complement to British trade not only in India but also in China.

Morse dealt with the period in which all British trade while hindering freedom of trade, remained in the hands of the East India Company. This period was terminated by the expiry of the Charter of

the Company, and the period under his consideration ends therefore with the year 1834. He has recounted, with a wealth of proof, the period of the East India Company's trading with China. As in my view, no reliable data of that period has as yet been found, we cannot make further investigation on the subject Morse has dealt with.

Because of historical events, practical reasons and the work of Dr. Morse, I, therefore, decided to make no attempt to carry the detailed study of the Sino-British economic relations back to the years before 1834.

Chapter I

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Chapter II

The Opening of British Trade to China

1834-1842

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CHAPTER II

The Opening of British Trading to China

A. The Historical View

1. A Cursory Sketch of Early Foreign Trade in China.

An historical event is only a process. Without a fair knowledge of the past, the present may be viewed entirely out of focus. This is my justification for taking such a cursory sketch of early foreign trade in China as my starting study.

a. The Europeans Who came to China before the British.

For more than two thousands years, Chinese products such as silk had reached the Roman Empire and Rome became known to China also. But in point of fact, East and West did not touch hands actually. Since that time the silk of China was the lure of all European traders and spread the fame of 'Cathay' as far as Western Europe. Since the book of Ser Marco Polo made known some facts of China to Europe, a great impetus was given to the adventurers of Europe; and some followed Polo's track trying to seek China by land. Until the Fifteenth Century however the land barriers between East and West being insurmountable, the way to China had to be found by sea.

It was the lure of China that led Columbus, Vasco Da Gama, the two Cabots and the others to search for the powerful Empire of Cathay by sea; but they actually in so doing made other discoveries, for example, America. The first of the Western Maritime Powers to open direct relations with the Chinese Empire was the Portuguese whose sailors voyaged to China in 1516. In 1557 they settled at Macco. Next came the Spanish, and then the men of Holland. They all preceded the English trading into China.

b. The Dawn of English Commercial Relation with China.

Until the middle of the Sixteenth Century, the Chinese had scarcely heard of the existence of an Anglo-Saxon nation in the West; but early in the Seventeenth Century, Britons learned something about the name of 'tay' - - i.e. tea - - through their trading with Japan, where the English opened trade earlier than in China. And that the English first turned their thought to China might find its proof from a letter, dated 16th July, 1596, from Queen Elizabeth to the Emperor of China. The letter was granted in favour of English ships which were equipped with a view to opening up trade relations with China. This expedition proved unfortunate, the ships being lost on the outward-bound voyage.

Even although the letter failed to reach its destination, in it the vital sentence of 'the greater increase of mutual love and commerce between us and our subjects' (7) marked the dawn of English commercial and diplomatic relations with the Great Empire of the East.

From this time on, the history of English trade with China is the history of the East India Company, known as the old company, attempting to open trade with China. From the time of Weddell's arrival at Canton in 1637 to the time of the union of the two East India companies in London, several attempts were made by the Company to establish and re-establish factories somewhere in China, but without success at last. Sometimes the Portuguese or the Dutch put every obstacles in the way of British trade and occasionally English traders were excluded from trading by the edicts of the Chinese Emperors. This is a period of 'trial and failure' on the dawn of British trading with China.

2. The Early Period of the British Trade at Canton.

In the early period of the foreign trade in China, the history of British trade in China is the history of the English East India Company trading at their Canton factories, and it will not be dealt with in

detail for it would be impossible to discuss here the vicissitudes of the Company; but it is necessary to confirm some characteristics of the Company's trading with China.

a. The East India Company at Canton.

For a century, England had sought China in vain and it was not until 1715 that the East India Company secured a foothold at Canton; they were officially forbidden to trade elsewhere in China. At Canton it resolved to establish a factory with a permanent organization, headed by a selected committee of supercargoes, exercising administrative as well as commercial functions. The committee had wider powers of arrest and seizure both of persons and ships contravening the Acts of British Parliament, under which they enjoyed their privileges. The policy of the Company seemed to be far more concerned with the possibilities of China as a market for British manufactures; and with Canton as that market.

The monopoly of the East India Company. At the time China became known to England, the Eastern trade by sea-route was already in the hands of a Company which monopolised the trade with all countries East of Persia. It was from this Company that the British Empire sprung. It was the Company which placed British trading with China on a regular footing. From the year 1698 the privileges of the Company rested on a Statutory basis. From time to time these privileges were reserved, confined, or strengthened by fresh Acts of Parliament. By the Act of 1813, the Company were deprived of the sole right of trading with India, but the monopoly of the trade with China, and of the trade in tea generally, was carefully preserved, whilst the Company's administrative powers and political functions were left unimpaired. Until 1834, the Company maintained its monopoly of the China trade intact; it was

fortunate in obtaining privileges from the British Government of trading in China and also in the Far East.

(a) By way of making the monopoly of the Company more secure, the entire tea trade, within the limits of its Charter, from the Cape of Good Hope to the Straits of Magellan, was rigidly reserved. In the home market its monopoly in the matter of sales of tea was supreme except that the limits of prices were carefully defined by law.

(b) Trade between China and India was allowed to be carried on by British subjects and natives of India, under the licence of the company. These were independent trading vessels, known as 'country ships', over which the Directors of the Company exercised a real and effective authority and wide power of control.

(c) The direct trade, mostly in fur and tea, between Britain and Canton, or between the coast of America and Canton, was occasionally carried on by British ships to which licences were granted by the Company.

b. Early Trade confined to Canton.

Canton, a great commercial metropolis of South China, 80 miles from the sea, on the Pearl River - - here somewhat broader than the Thames at London Bridge - - has been the limit of ocean navigation and the meeting point of river and sea trade. It has had longer relations with the outside world than any other port of China, as it was reckoned as an ideal sea-port and was regularly visited by European traders early in the Sixteenth Century. The population of Canton, while keeping always in touch with Europeans, obtained European ideas more rapidly than any other centre of China. Their contact with Europeans really commenced early in A.D. 1517. After the continued advent of European trade on a great scale, the life of the population

of Canton, and of the cities adjacent to Canton, was as centralized as its commerce, with which indeed it had an intimate connection.

Thus it has come about that, because of its geographical position, historical issue and the natural intelligence of its population, Canton became necessary as a good port for Europeans trading with China. It also seemed to the Chinese Emperor of that time the concentration of the foreign trade of China in one place would be easier from the point of view of control.

In 1757, therefore, an Imperial Edict was issued prohibiting all foreign trade to other ports and at the same time making Canton the sole port to which all foreign merchants were appointed to do their business. Also, Macao, on the west side of the entrance to the Canton River, became a great international gathering centre, as Canton and Macao are within easy reach of one other.

It was at Canton that British attempts were made for a long time to open up trade and for all foreign merchants to carry on their trade more easily at the opening of each trade season. It was at Macao that all ships called on arrival and from whence they took their departure. When the foreign traders returned from the Canton factories, they, not being allowed at Canton over the winter, had to wait the coming of the next trade season at Macao.

c. Trade at Canton.

Since the time of the limitation of the trade to Canton, the activities of British trading to China were confined at Canton. Before entering upon the Canton scene, we must first see what were the commercial organizations governing the trade between Great Britain and China.

Until 1834, the two groups of traders at Canton, one a group of

Westerners and the other a group of Chinese, were the sole means not only of trade but of communication in general between China and the countries of Europe and America. In the old Canton regime, the factory represented the pure foreign side; the Hong system represented the pure Chinese side. Monopoly was, therefore, met by monopoly. On the side of the British, who had come to be the most important traders among the Westerners at Canton, the trade was already in the hands of a monopolistic corporation, as already mentioned, the British East India Company. And on the side of the Chinese, stood a monopolistic association of merchants under official sanction, regarded as an integral part of the commercial system at Canton. This is commonly called the Co-hong system corresponding to the gild system or hanse in the West. I shall now deal with the system of factory and Hong seperately and in detail.

d. 'Foreign Factories in Canton.

The word 'factory' is to be understood as meaning the place of business of a factor. In Canton the factory was the counting-house, ware-house, treasury, and residence of the foreign traders during such time of the year as they were allowed to remain at Canton. The factory was the property of the Hong merchants, and was rented to the foreign traders. By the factory-system, the foreign traders, living ordinarily at Macao, came to Canton to attend to the business of their ships, and while during the winter season of their trading, they lived in the factories; at Canton when their ship's business was finished, they were supposed to return to Macao.

For the control of the foreigners, and their business at Canton, regulations were made by the Canton officials, and were added to from time to time. These regulations remained in full force up to the

very last of the factory days.

The merchants of the different nationalities might establish thirteen factories, nine of which were called by the names of their nationalities; but the others, not.

e. 'Co-hong' System of Canton: Its Merits and Its Limitations.

In the early period of English trade with Canton, the English were at liberty to make their bargains with any Chinese merchants resident at Canton. But long established custom had sanctioned a mode of trade at Canton. The agency with the country-merchants was gradually confined to a few individuals, and these individual Hong-merchants became little more than brokers between the European and the country merchants. The system of Hong came to be the sole medium through which the foreign trader could enter into trade relations with the Chinese Empire. All business transacted by foreigners by other than this system became contrary to law, except in one instance, namely, with regard to licensed shopkeepers. The number of these was thirteen in the later days, and in one single street, which was separated by a gate from the rest of Canton-city, only being open to the wharf on the banks of the river where the foreign factors were situated.

In the development of the Hong-system, an absolute monopoly of all dealings with foreign traders at Canton, the only one open-port and the most valuable staple, was granted to a body of licenced merchants; while in return for this privilege, their duties were considerable. They were responsible to the government for the good-begaviour of foreigners, and for the custom duties on the whole trade, so that, directly or indirectly, they were concerned in the whole foreign intercourse. The establishment of the Hong-system brought the Canton officials no direct contact with foreign merchants.

The Hong merchants occupied an offical position as the recognized intermediarries between all foreigners and the Chinese officials. The functions or intermediums of the Hong were thus diplomatic or political as well as commercial. After the Hong-system was fully established and its functions were carried on in full swing, the local authorities naturally did not concern themselves with such matters as foreign affairs. The international usage of the Modern West being entirely unknown in the Far East during the time the country had been closed to outsiders; foreign trade in China was of course not the business of local officials. But the officials at Canton, who could exercise an influence on foreign affairs, may be generally mentioned here as the most important ones in those times. One was the Governor of the Province, the capital city of which is Canton. He was also called the Viceroy at Canton. He was supreme in civil matters within his jurisdiction and was ultimately responsible for maintaining law and order. The other was Hoppo, the controller of Customs for the port of Canton, who received a direct Imperial appointment and was then quite independent of the Viceroy. The Hong-merchants were required by him to act as security for the payment of the customs duties, and brought him into touch with the foreign traders. But his post, that of collector of the customs duties, was not actually abolished until 1904 when its functions were transfered to the Viceroy.

(a) The merits of the Hong-system.

The system of the gild-merchants was established as a body corporate in 1720, and in 1745 its position was reaffirmed. From this time on, it was found that it was the easier and the better way of keeping the foreign traders in touch with the Chinese merchants through the Co-hong as the Hong-merchants were considered as brokers

through whom all foreign traders could buy teas and silks, and could sell their products, for which an early market then existed. They were to constitute the intermediary in trade between the inland traders of China and the foreign traders who did not, during their first arrival at Canton, obtain a more intimate knowledge of the Chinese trade. Their constitution was sanctioned by the local officials and the dealings of Hong with foreigners were strictly regulated in 1760. Here it may be percived that inasmuch as the establishment of this system was beneficial to the foreigners in their early trade with the Chinese, it must be hurtful to the Hong-merchants who were security for the foreign ships in transacting their business and from whom the officials exacted presents.

(b) The limitations of the Hong-system.

At the end of the Eighteenth Century, the Hong-system was firmly established and the Hong-merchants were already given an absolute monopoly of all dealings with foreigners. Their privileges remained for sixty years.

Limitations appeared in many respects. In the first place, as the Hong-merchants were to assume sole control of the foreign trade their privileges were regarded as their vested interests. The Co-hong was an instrument by which they tapped the foreign trade and exacted from it a private income. They became the milkers of the foreign trade. The Hong-system served as the channel through which was transmitted the wealth in which they expected to share largely with the local officials of Canton.

In the second place, as they were to serve as the sole intermediary for communications between the Government and the foreign traders, they were looked upon by the foreigners as coils

tightening around them. The Hong was a hindrance to the direct communication between the officials of Canton and the trade supervisors of Britain in later days.

In the third place, as they were to ensure due obedience to the orders of the Government they were held responsible for the payment of irregular duties and of rigid exactions by the officials. This resulted in their being frequently in debt to the country-traders and the foreigners, and they were constantly on the verge of bankruptcy.

And in the last place, as no debt was allowed in the regulations of Co-hong and also as the payment of debts was demanded by an Imperial Edict of China, they had to re-pay their debts, otherwise, they were liable to suffer severe punishment at the hands of the Chinese Government. But these debts due by the Hong-merchants to the foreign traders, were incurred either in the ordinary course of trade or in the way of loans of money, which were made by foreigners attracted by the high rates of interest. The debtors were in a position of special hardship, as rates of interest were too high, from 12 to 20 per cent. Up to 1836, the claims presented amounted to $12,738,768. The record of the sum due from Hong-merchants to the East India Company from 1806-1810 was £421,928 ($2,185,000). Such heavy debts could not be wiped out so that it became common that several firms of the Hong became bankrupt. While the debts were settled by the Hong as a whole the funds for settling these debts had to be raised from impositions on foreign trade. Their trade with foreigners provided the means of meeting these losses; these special emergencies were made to furnish an occasion for imposing special taxes, which, once imposed, were not subsequently removed. This method remained as a chief grievance of British traders in their early trade into China.

In the former days, if was the Co-hong system from which the foreigners were not only to make a living but to accumulate a modest fortune, and a body of Chinese merchants was put in a position to make large profits. But in the latter days, it was the Co-hong system by which the foreign trade was provided with a guarantee fund for debts and the Chinese merchants were useful as a fairly safe and regular means of filling officer coffers.

f. The Influence of British in the Early Trade of China.

Up to 1834, the history of Chinese foreign relations is the history of the relations between the Co-hong and the Europeans in the factories at Canton. In these two traditions of the trade with China, British trade played the greater part. In considering their relations, therefore, we must limit our purview to the English factory. The following reasons show why the British took the leading part in the factories:

First, while Great Britain was entering into commercial relations with China, she was the victor in the European competition for commercial and colonial expansion which marked the Eighteenth Century. At the beginning of the Nineteenth Century, the old European exclusive companies had disappeared by natural process of decay, or, through the political troubles which devastated Europe from the time of the French Revolution, the Portuguese, Spanish and Dutch were all obliged to give way to Britain, and then the mass of trade with the East was under English control, viz., that of the East India Company. Since its trade was greater in volume than all the other together, it was in the forefront of the battle in the constant disputes on questions of trade, law and government.

Secondly, during the Napolean War, the only two flags much in

evidence in Chinese waters were the British and American, because Great Britain mistress of the seas and neutral America was enemy of none. But the American trade to China was mainly on a specie basis. It, as a whole, did not expand, because of the lack of any banking facilities at that time. The English trade in China was fed to an increasing extent by the importation of opium and raw cotton from India and the exports of silk and tea to Britain.

Thirdly, anything which might alter the attitude of the Hong or of the officials would be likely to affect seriously the prosperity and stability of the Company's commercial relations. But the Company had the evident advantage of stability in dealing with the Hong and Chinese officials. The Directors of the Company had done good work in putting the relations between the Hong merchants and the English factory on a more friendly footing. Their trade was then carried on under tolerable conditions. And the Company's representives were the only persons among the foreign communities, who were able to command the services of competent interpreters. They then took the leading part in bringing before the Chinese officials the views of the whole of the foreign merchants. A body of British merchants in their factories was then the only representive foreign body to champion the cause of foreigners in general.

Fourthly, the British, undeterred by the failures of several attempts, had sought some ways of access to the unknown wealth of the markets of China. At last they successfully attempted to establish their trade at Canton. They have had long records of trade in China. In the early years of the Nineteenth Cenyury, the attitude of Chinese officials changed for the worse; the number of foreigners increased rapidly, and internal changes in the Co-hong itself precipitated a

crisis. But the British could use their commercial influence and long-established trade to meet future circumstances over which they had little or no control. When the British Government had evolved gradually in attempting communications with China they had prepared a convenient way for their Government already.

g. The Reasons of the Opening of British Trade to the Far East.

The Co-hong and the factory system grew up side by side. The relations between Great Britain and China were the relations between a body of Chinese merchants and merchants of the East India Company. This kind of system had endured for about a hundred years but not long before 1834 the situation became impossible; and then their relations no longer remained unaltered. In 1834, the Charter of the British East India Company was on the eve of expiration; the British Parliament had refused to renew it. The monopoly of trade in the Far East was abolished. The reasons of its abolition may be summed up as follows:-

(a) In maintaining Britain's position as a great mercantile nation, the trade with China should be throw upon to the public. The moving force behind Parliament was the large party, composed of traders and theorists, who advocated free trade on the ground that free competition was necessary as the profits of the Chinese trade were decreasing and the declared value of the annual trade of the Company was on the decline.

(b) In the exportation of British manufactures, open trade was more free than a monopoly such as that enjoyed by the Company. Of course it would be, in the British view, a national advantage if large quantities of woollen goods could sell in China. In accordance with hostile critism, the Company, in order to fill its supercargoes' coffers, was more concerned with the importation of Indian opium to

China, and the exportation of tea to Britain, than with the possibility of China as a market for British goods.

(c) In competition with the American traders the removal of the monopoly was the only means of supporting the private British merchants. In the first quarter of the nineteenth century, the Americans alone could claim to be considered as rivals of British traders. They were free traders and they had greatly extended their general carrying trade with Europe and the Far East. In Britain, foreigners enjoyed the benefits of free trade from which other British subjects were excluded by the terms of the Company's Charter. In the exclusion of British shipping for the trade between China and Continential Europe, if the Company did not touch the business itself, it would be left entirely to the foreigners.

(d) In a series of growing disputes with the Chinese and owing to diplomatic difficulties, the position of the Company at Canton became critical and had been shaken by the attacks of public opinion in England. The British Government felt obliged, therefore, to make the attempt to put its relations with China upon a new basis; light was then thrown on British trade relations with China by the end of the monopoly of the Company, which may be considered as the closing event of the early period of trade.

3. The Advent of the New Era of the Early Trade.

From 1835 a veritable new era of British relations, commercial and diplomatic, with China set in. If we look backward and then forward, we at once see that the year 1834 marked the termenation of the peaceful policy by which the British opened trade with China. In the years after 1835, the relations between Great Britain and China entered into phases of striking changes in many important respects.

a. The Failure of British Official Communication with China.

In 1834, on the expiry of the East India Company's Charter, the British Government decided to take over the responsibility and appointed three superintendents to act as the British Government agents at Canton. Lord Napier was the first appointed. His arrival at Canton renewed the formal opening of British official relations with China. Before the coming of Napier, Lord Macartney had arrived in 1793 and Lord Amberst in 1816. Both had been sent to Peking as British Embassies, with a view to securing some commercial interest in China. Because they declined to pay high marks of respect to the Chinese Emperor, their missions proved fruitless. Lord Napier was despatched with the hope that the establishment of direct relations between the two governments might lead to better trade conditions, but he experienced a similar difficulty in his official communication with the local government at Canton. An end was put to his life in 1834. Hence it appeared that the peaceful time had come to an end and thus was laid the foundation of much future trouble which required twenty years for its settlement.

The reasons for its failure.

Let us examine the reasons for the failure of British official communication with China. There are three points of view, worthy of our notice.

(a) From the Chinese point of view there was a wrong impression as to the use of trade as a means for securing diplomatic influence. During the time of her closed-state, China was described as a self-sufficient country. The officials of Canton therefore regarded commerce as petty affairs which should be directed by the merchants themselves, and they were not permitted to have private intercourse

by letters with outside foreigners. So when Napier commenced his task he insisted on the direct communication with Peking, even by force. The mistake was therefore made of sending no real notice of his appointment to Peking, and of failing to make clear his relations to the Government rather than to the merchants.

(b) From the British point of view, the ignorance, pride, isolation, and audacity of the Empire of China caused several missions of British embassadors to fail. The Imperial court of China did not concern itself with such trivial matters as commerce and in any case foreign trade at Canton was the business of local officials. The local rather than the Imperial officials were responsible for the vexatious restrictions on intercourse with foreigners. Lord Napier was thus placed in a difficult position but he had grasped the situation. He could not deal wisely with it as his hands were so tied by instructions from England and he resolved on a policy of quiescence. After his death matters in Canton went from bad to worse.

(c) From a historical point of view, the non-success of diplomatic missions of England was due to the supreme authority claimed by the Imperial Court of China and to the fear of foreign intrusion felt by the common people living in the influence of tradition. From time immemorial China had been a centre of enlightenment to the countries in her immediate vicinity, most of which were content with the relation of vassal to suzerain. According to the oldest tradition of China, other nations came to buy Chinese valuable productions; but of these nations China had no need. Then the foundation of all difficulties between China and Britain was the unwillingness of China to acknowledge the great nations of the west as her equals, when Britain came in touch with her. British merchants in China claimed

no freedom to deal with the Chinese as according to the practice of European Commerce. The British merchants and the officials were subjected to the treatment of such haughty language as "Barbarians", the meaning of which in Chinese is actually the uncivilized people.

Whether the cause of the failure of British diplomatic intercourse with China was mismanagement by the British or the audacity of the Chinese must remain a matter of opinion or bias. But a valuable opportunity for promoting mutual understanding between China and Britain was missed, and indeed extra reasons for misunderstanding between them thus accumulated.

b. Summary of British Merchants' Grievances.

While there was satisfaction with the trading results, there was, at the same time, much complaint of certain specific matters which made British merchants at Canton feel the humiliation of their position. Their complaints may be briefly summarised as follows:

(a) The restriction of trade to the one port of Canton was the principle complaint against the Chinese.

(b) The freedom to trade with whomsoever they will was denied to the traders in the factories.

(c) A special grievance was the misapplication of taxation which was supposed to meet officials' exactions.

(d) The tax was not heavy but the unknown amount of impositions was especially burdensome.

(e) The uncertainty of recovery of debts due by Chinese merchants was one of the chief grievances.

(f) The strictness of the rules by which the life in the factories was regulated and that foreigners were not allowed to remain in Canton all the year was their pressing complaint.

(g) The question of criminal jurisdiction again and again threatened to upset commercial relations.
(h) Most important of all, they were prohibited to make representation to any officials except through the members of the Hong, and they were treated as, and officially styled as, 'barbarians'.

This was a long list of their grievances which accumulated year by year. Matters at Canton were then in a critical state; and indeed the situation became more grave day by day, and even without the presence of any unfortunate event the relations between Britain and China had taken on a hard and hostile aspect already.

c. The Question of the Opium Trade.

This question proved a much debated one and had produced some grave consequences in many respects in China. Before taking up this question, it will be well to deal briefly first with its historical facts.

(1) The Increased Importation of Foreign Opium to China.

Many years previous to 1834 opium had been introduced into China by Westerners as a drug for medical purposes. The drug was imported only on a small scale from early times. Before 1773 the importation never exceeded 200 chests a year. It gradually increased until the hundreds became thousands, and the thousands tens of thousands, and it continued to expand from an annual average of 4,000 chests in the period 1787-1830 to an average of 30,000 chests in 1836-1839.
From these growing figures of importation, it was seen that on the one hand there was a large increase in the consumption of foreign opium as opium-smoking in China was no longer regarded as a remedy in disease but as a luxury or a vice-habit, and on the other hand, there was an increased activity on the part of the foreign dealers in opium in China

as its trade had been under the patronage of the 'Joan Company' of India, and profits derived therefrom had soared more and more in amount.

(2) The Growth of Smuggling of Illegal Traffic in China.

From an early date the Imperial Court of China deprecated the consumption of opium and aimed at its repression. Up to 1800, opium was never sanctioned as a legal article in Chinese markets. The Edicts against opium appeared distinctly and frequently in the Government records of China. Under prohibition and concealment, the importation of opium was only carried on by smuggling in which Chinese and foreigners engaged to foster this trade for their treasury. There were large numbers of boats, British-owned or under British control employed in the illicit trade between India and China. The British subjects engaged in the illicit traffic removed the opium ships to Lintin, an island lying at the mouth of the Canton River, and north-east of Macao, which from that time became the centre of the smuggling trade. It was here that the Chinese opium merchants established a depot of 'receiving' or 'store-ships', and to disguise themselves in delivering opium to the buyers on shore. When the natives declined to carry the drug in, plenty of British merchants carried it in themselves in their own schooners manned by lascars. During that time there was great exposure of the corruption of the Chinese officials who took part in the illegal trade, their eyes being closed with bribes. For this reason, in spite of prohibition; the opium traffic continued to be carried on without any attempt at concealment.

(3) Chinese Anti-opium Policy.

The splendid though unsuccessful effort of the Imperial Court of China to extinguish the opium traffic must now be briefly recounted

from the Chinese side. The old enactments against the illicit traffic remained without effect. The result was an expansion of the illicit traffic and the growing consumption of foreign opium. China became the only market for the world opium. Up to 1800, the question of the export of silver had arisen. The balance had turned against China because the smuggling trade was carried on entirely by exchange of silver for the drug, in consequence of which, China was being drained of her bullion. This drain of silver caused alarm to the Chinese financiers of that time for they saw that the extension of the illegal trade would cripple the country. In order to save the people from debauchment and officialdom from corruption, strict commands were sent the Canton authorities to exterminate the practice by cutting off the source of the evils and then serious attention at Canton was paid to the edicts. The natives were throughly cowed and withdrew altogether from their old practice of smuggling but the edicts put forth from time to time seemed inoperative to foreign eyes. We cannot deny that the facility and security of the illicit trade during a long course of years was calculated to deceive foreigners as to the real sentiments of the Chinese Government. Successive edicts from 1800 to 1827 had reached Canton; but the offenders were not molested. They did their work as usual. It was not until 1838 when foreign importers of opium were directly attacked that a change came over the scene. In 1839, when the Imperial Special Commissioner Lin was appointed to Canton with a view to putting a final end to the iniquitous traffic, the Government then showed a spirit of determination. On his arrival, he compelled the surrender to his Government of 20,291 chests of opium, worth over two million pounds sterling all India-grown opium. This opium was entirely destroyed by fire. He was morally within his

right in seizing that opium, though his method of doing so is open to objection. To a great extent, his action insisted on the removal of the source of the smuggling trade and effort was made to extinguish a terrible vice at any cost and risk. But the British merchants in China took the interference in extreme dudgeon, who believed that non-molestation for a long course of years actually gave them a right to break the law; and they complained of its enforcement as an intolerable grievance.

(4) Opium Policy of the British Government.

We now turn our eyes to Britain. As to the trade in opium, three countries, bore the relations interdependently: Britain was the manufacturer and seller; China was the consumer and buyer; India furnished the farm. But British national responsibility for the opium trade existed from beginning to end as at no time India or the East India Company could be regarded as an independent authority. The British Government's policy was to provide the materials of a well-known smuggling trade in China. When the monopoly was in the hands of the East India Company it was but a peculiar method of taxation. For to acquire the maximum of revenue by the exportation of opium was the opium policy of that Company.

When the monopoly of the Company was removed, the British opium policy may be expressed in three phrases; repression at home; revenue from abroad and trade to make up the balance in favour of Britain. It was quite right to check the fearful prevalence of opium-eating. But it did not appear advisable to abandon so important a source of revenue, for it was nearly a million pounds sterling annually, and all from Chinese pockets. To touch the smugglers was to extinguish the revenue, as their illicit agency was an indispensable link in the

collection of that revenue. And illegal opium gave the British merchants a readier means of balancing their trade, without continuing to import specie, as during that time Chinese tea was important for British markets.

Captain Elliot was superintendent of trade in China from 1837 to the outbreak of the "Opium War". As the opposition of the Chinese Government to opium grew more determined, he suggested that the importation of opium should be legalised and despatched, this suggestion to Lord Palmerston, with the request for visits of H.M. ships of war, as 'calculated either to carry the provincial government back to the system which has hitherto prevailed, or to hasten on the legalization measure from the Court.'(8) The danger was pointed out to Palmerston in 1836, but he held that this was a Chinese affair. It was clear that the British Government did not see their way clear to act, although her statesmen did know that 'opium is made contraband by the law of China.'(9) But the India revenue hung round their neck like a mill-stone, and therefore the Motto 'let the sleeping dogs lie' became their policy. As matters drew near to a crisis, Elliot sent despatch after despatch annuoucing the urgent nature of affairs at Canton. Soon the clouds gathered thickly; and the crash came in 1839.

(5) Divergence of the British view from the Chinese view.

In 1839, the Chinese entered upon a crusade against opium and then the armed opposition of the British Government began to appear. They debated their divergent views to champion their positions. In the Chinese view, one point was indicated by Commissioner Lin's setter to Queen Victoria in which he says:(10) "Let us suppose that foreigners . . . . brought opium into England, and seduced the people

of your country to smoke it, would not . . . . look upon such a procedure with anger, ... Moreover, we have heard that in London . . . as also in Scotland, Ireland, ... no opium whatever is produced . . . . such as in Bengal Madras . . . . where the every hill is covered with the plant opium . . . . Suppose the subject of another country were to come to England to trade, he would certainly be required to comply with the law of England . . . . If your foreigners did not bring the opium hither, where would our Chinese people get it to re-sell it ? . . . ." In the British view, Lord Palmerston pointed out (11) in his letter to the Minister of China that ". . . . It knew indeed that the law was violated by foreigners who brought in opium, but did not know that the law was violated by its own officials who assisted in the importation and received sums of money for permitting it. ...." Their views were so diverse that the two countries made an appeal to force.

(6) The So-called "Opium War".

At the end of the year 1839, the situation at Canton was full of danger, as on one side was the unbending stubbornness of the Commissioner Lin who aimed at eradicating the source of the illicit opium traffic at a stroke, and on the other side, the uncompromising zeal of Lord Palmerston who dictated to Captain Elliot a strong coercive policy in support of British trade. And so things drifted on to the catastrophe. By the beginning of 1840 the two countries were at war. The state of war was brought to an end in 1842 by the signing of the Treaty of Nanking, which is dealt with in the next chapter. Now let us say a few words as to the character of the war.

The war is the first war between China and Britain, even between Far East and West. It is known in history as "the opium war". To the Chinese it was a war of such a character because there was but

one CASUS BELLI and that was opium. As shown in the extract from Lin's letter to exterminate the immoral and illegal trade was the real reason of controversy. But to the British, some protest against the phrase 'the opium war' as mis-called, because it covered Britain with permanent disgrace and gave China a great desire to get due sympathy from the Christian powers. They then allege that 'opium was its accidental cause'(12), and that there were other causes of war. 'Of the grievances, there was a long list, all calling for remedy', and from the time of Lord Napier's protest war had been hanging in the air. As a haughty court of China refused to treat Westerners on terms of equality, diplomatically, or commercially, war must have occured sooner or later even had there been no opium trade. This may be granted. One can hardly doubt that if China had tried peaceful and direct negociation with the British Government, instead of persisting in shutting her eyes to all the outside world, the issue would have been greatly different or Commissioner Lin's letter to the Queen of England, if it reached the Royal hand, could not have failed to produce a practical result. But after a review of the events narrated above, it is clear that the war which actually occurred took its rise and received its moral character from the opium trade.

The above statement is true in general. As the events turned out, the historian cannot ignore the fact that the war had its roots in many quarters. The main reasons rendering it difficult for Chinese and British were numerous and profound. Many of them have been removed by the passage of time, while on the other hand the difference of political dynamic is much greater to-day. In the first quarter of the eighteenth century, the fate of the Chinese Empire had fallen into decline, while Britain had already developed into an

economical and political centre of the first importance in international affairs. It is obvious that when they met even in the field of commerce the conflict was naturally unavoidable, not because the one had less conscience than the other, but because the one was more powerful than the other.

It therefore seems to be true in general also that the Chinese first war with Great Britain was but the beginning of a conflict between ignorant weakness and conscious strength. However, any judgment of the war would probably follow racial or national feeling. But it may be true to say that the war had decided the national and commercial relations between the extreme West and the Far East, and it ended with a treaty namely that of Nanking which did open China. It is therefore worthy of record in the history of British and Chinese intercourse. A detailed statement confirming its characteristic would perhaps be out of place here.

B. The Course of Trade between China and Great Britain

1. The General Course of Anglo-Chinese Trade before 1842.

From the earliest period to the year 1834, the history of the growth of China's external commerce, more particularly the Anglo-Chinese commercial relations, naturally divides itself into four more or less well-defined phases: 1596-1757; 1757-1800; 1800-1834; and 1834-1842.

a. The Foreign Trade of China during 1596-1757.

The first of these phases, from the dawn of the Anglo-Chinese commercial relations, came to an end in the year 1757 and may be said to have comprised a single period in the general course of Chinese foreign trade. During the first phase now under consideration, China, as a market for British produce and manufactures, can hardly be said

to have existed, and even for European manufactures, her market was strictly limited. The conditions of trade therefore are still buried in the midst of obscurity, and even in the first half of the eighteenth century, though the external commerce of China had been developed by Europeans very little is known to-day regarding it.

The chief reasons for the indifference of the Chinese towards commodities from the West had been mentioned in a letter of the Chinese Emperor to the King of England, George III, during the period of Macartney's mission in which he states "We possess all things; I have no use for your country's manufactures."(13) From this statement we can see that China remained in a state of economic self-sufficiency up to the last quarter of the eighteenth century, and that the Chinese were satisfied with their own goods. They were conservative and not without reason, as is shown in the following quotation from Sir Robert Hart's book;(14) "The Chinese have the best food in the world, rice; the best drink, tea; and the best clothing, cotton, silk and fur. Possessing these staples and their innumerable native adjuncts, they do not need to buy a penny's worth elsewhere." As China had been so accustomed to rely for all the necessaries, and even conveniences of life, upon her internal resources; it is therefore not unreasonable to believe that before the last twenty years of the eighteenth century, she needed neither import nor export, and could do without foreign intercourse.

b. The Anglo-Chinese Trade during 1757-1800.

During the second part of the eighteenth century, Great Britain, after the industrial revolution had begun to produce much effect, was then the great commercial and manufacturing country of the world. Even if the Mercantile System was as bad as Adam Smith made out, it

did not avail to prevent a rapid growth of English overseas trade. But in China, foreign trade, limited to Canton, in the days of the East India Company was largely in the hands of British merchants, the cargoes were carried in British ships, and the European market for the goods was London. We therefore can see that even though England was relatively later in entering the Chinese field in comparison with other Westerners in the East, she already had made a world-wide trade and acting as the sole intermediary in bringing Chinese produce by sea to the European markets, took a very active part in the trade with the further East.

On one hand, a record of the Canton factories showed that probably half the ships that called at Canton were under the British flag and more than half the trade was with Britain. The British trade wtih China had grown progressively more important since 1757, because the British people were becoming a tea-drinking people and the other peoples of the West learned to use tea in considerable quantities. The importation of Chinese tea to Britain rose from 4,500,000 lbs, in 1754, to 28,741,584 lbs, in 1800, of which 5,470,000 were re-exported. So rapidly did tea come into general use that the East India Company, at the end of the eighteenth century, tended to restrict their dealings more and more to the one commodity in which the highest profit was to be obtained. The amount realized at the Company's sales was upwards of £3,500,000, the value of tea imported being not far short of that of all other goods together.

But on the other hand, China wanted very little that the West could supply. An illustration of the difficulty which the foreign traders faced in attempting to introduce into China a product of the West, is to be found in the efforts of the Company to introduce

British woollens into China. As H.B. Morse said (15) "Woollens were wanted, but only in small quantities, the Chinese preferring their own silks, and even now the import of woollens does not exceed one per cent of the total import trade." Throughout the eighteenth century, the Company made every effort to bring about the sale of woollens in China and found that these imports were usually sold at a loss. The Company stated in 1793 that it had, during the years 1780-1790, incurred a loss of about £200,000 on its Chinese trade in woollens and metals.

During the years when the Company was flourishing, the English loss in the import trade was invariably covered by the handsome profits derived from the sale of tea and a comparatively small quantity of silk in the West. As there were no statistics of trade in those days, all transactions and trade balances of Anglo-Chinese commerce were veiled in mystery. But in brief, the trade at Canton required the import of silver. Since the Portuguese and the Spanish brought to China in the early days of their trade a considerable amount of silver and the British East India Company from the beginning of its trade brought considerable quantities as well, the sums of silver bullion were sent to Canton for the greatest part in Spanish dollars. We have no way of knowning how many of these dollars found their way to China as there was no information as to the approximate amounts of such importations. It is known that (16) "through the whole of the eighteenth century, in fact, the principle movement inward at Canton was in the form of treasure, supplementing the goods imported, and providing the funds required to buy tea and silk, to maintain the factories and to supply the ships. For these purposes the goods imported never sufficed." In this situation, 90% of the cargoes of the ships of the Company outward bound from England consisted of silver. This export of bullion

from Great Britain was required. But during the last quarter of the eighteenth century the available supply of silver in Europe and England seemed to have decreased. In England even though the demand for tea had grown the balance of trade was set right by the Company's profits on eastern products sold to Continental Europe. Such was the condition of Anglo-Chinese trade at Canton in the second phase.

c. The East India Company's Trade to Canton, during 1800-1834.

In this phase, the nature of British trade with China had undergone a considerable change. While the fact that Great Britain was almost continuously at war in Europe between 1793 and 1815 caused her economic expansion to proceed fitfully and in a lopsided fasion, in one way, the wars actually fostered the growth of British manufactures by holding back development among other competitors in Europe, and thus the British trade at Canton still occupied the first position among Europeans. The following points are also of importance:

First, since 1800 the commercial relations between Great Britain and China were greatly modified both at this phase and at a later phase by the existence of local trade on a large scale between India and China. During the early years of the nineteenth century, the Indian trade which was carried on to a great extent in the country's ships came to take an important part in the British trade at Canton. As the Chinese demand for opium continued to grow, China's imported silver began to flow into India. Before 1830, it has been said that a stream of silver was poured into China and remained there; but from 1831, it became obvious that the tide had turned: the imports of silver was reduced to small amounts and trade could be balanced only by increasing shipments of the treasure. As China over a long period offered a strictly limited outlet for certain British manufactures

Britain had to regard her as a good and expanding market for India raw cotton and opium, and to make use of the increasing opium imports into China to balance the requirements of the Company for the tea which the British people demanded. In order to understand what the nature of the British trade which China really was, we may recur to the following four tables:

Table I.

Total British trade at Canton in 1833-4	$44,300,000	
Company's trade	$12,300,000	
'Country' or Indian trade	$32,000,000	

Table II.

British imports into Canton in 1827-8		
By Company	$ 4,518,957	
By private		
Cotton	$ 3,480,083	
Opium	$11,243,496	
Sundries	$ 1,122,064	
Total		$20,364,600
Exports from Canton in 1827-8		
By Company tea	$8,765,165	
By private		
Tea & silk	$1,837,987	
Dollars	$6,094,646	
The others	$2,224,134	
Total		$18,921,932
Balance		$1,442,668

Table III.

Imports into Canton from Britain and India
(value in Chinese dollars)

Year	Manufactures $	Cotton & Woollen $	Opium $	Total $
1821	8,024,606	3,239,931	6,486,000	17,750,537
1828	8,323,517	5,329,011	11,243,496	19,906,023
1830	4,381,991	5,075,512	13,468,924	22,926,427
1833	4,644,711	5,472,575	12,185,100	22,302,386
1834	4,820,453	6,726,740	11,618,716	23,165,909

Table IV.

Direct trade between China and Britain during 1827-1833
(British exports to China)

Year	Cottons £	Woollens £	Others £	Total £
1827	67,305	461,472	81,860	610,637
1828	92,697	618,412	74,810	785,919

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1829	72,052	491,122	64,343	627,517
1830	63,067	474,493	27,490	565,050
1831	108,951	400,085	38,665	547,701
1832	46,450	466,102	33,104	545,656
1833	66,345	534,670	29,562	630,577

(British imports from China)

Year	Tea	Silk	Others	Total
	£	£	£	£
1827	3,974,614	47,256	75,488	4,097,358
1828	3,267,855	78,061	135,471	3,481,387
1829	3,054,438	44,384	128,459	3,227,281
1830	3,189,755	7,045	35,483	3,232,283
1831	3,164,892	3,232	38,882	3,207,006
1832	3,170,896	10,320	26,141	3,207,357
1833	3,205,775	8,151	52,534	3,266,460

In table I, the figures show us the importance of the share of the 'country trade' in the total British trade at Canton, and that the value of the commodities imported directly from Britain was so small that it can be neglected.

In table II, the figures give an example to indicate a heavy liability which China was forced to liquidate in silver. Most of this silver went to India. 'The available statistics of the trade show that during the sixteen years, 1818-1834, fifty million dollars in silver was carried from China by British ships.'(17) The actual silver was paid at Canton by the Chinese occupied in the illegal importation of opium, and was also used by the agents of the Company in the purchase of tea. But the export of tea did not suffice to pay for the increasing import of opium. In addition to the export of goods and treasure, China had to provide a large amount of specie to settle a big balance of trade at Canton.

Table III presents the fact, that during 14 years of trade, from 1821-1834, during which the British imports into China generally doubled in value, the proportion of British manufactures embraced in that aggregate decreased fifty per cent; giving evidence of the fact,

that the British traders imported nothing but opium in exchange for tea, silk and treasure; consequently, the drain of specie swelled with the consumption of opium to near £16,000,000 per annum. The great objection which the Chinese Court had to the opium trade was this drain of specie which it caused.

Secondly, the outstanding feature during and since this phase, 1800-34, is the character of commodities which entered into the British trade to China. The exports from China consisted, as shown in table II and IV, almost wholly of tea, with a comparatively small quantity of raw silk and nankeen. For the last few years of the Company's Charter, tea was the sole article with which the Company dealt and from which the real profits came. The goods exported from Great Britain consisted almost exclusively of woollens, with a little quantity of metals and cottons. The total value of British and Irish produce during 1800-1833 exported to China decreased from an annual average of over a million pounds sterling to that of less than half a million. The imports by the 'country' trade into Canton consisted practically of two staples-opium and raw cotton. The rate of increase in the value of these imports was greatly accelerated in proportion to an annual increase in the amount of opium imported. In the first part of the nineteenth century, China still clothed her own people with her own cotton and silk; the imports of British woollens and Indian cottons did not on the whole expand. But the import of Chinese tea into Britain and the export of Indian opium to China show a continuous increase since the last years of the eighteenth century; the increase in the export of tea from China was steady but the increase in the importation of opium to China was rapid. The following figures give a rough notion of the importance of these traded goods at Canton from

1800-1834.

Tea, exported from China to Britain		Opium, imported into China from British India	
Year	lbs.	Year	chests
1800	28,741,584	1800-1	4,570
1810	22,325,450	1810-1	4,968
1820	30,147,994	1820-1	4,244
1830	31,897,745	1830-1	18,528
1833	32,057,832	1832-3	21,605

In the above figures, the chief interest of trade at Canton lies in the progress of the export of tea and the import of opium, and it may be seen that the British people's taste for tea did not grow so rapidly as did the Chinese taste for opium. These staples of China's export and import trade figured very conspicuously in the description of Anglo-Chinese trade up to the commencement of a new era during which China began to enter into treaty relations with British oriental commerce.

Thirdly, the British trade to China, as H.B. Morse pointed out, was conducted on a basis of a triangular operation, as we have seen that the 'Indian trade' played a considerable part in the commercial relations between Britain and China, and that tea and opium, the chief articles, formed the pivot on which the whole trade of Great Britain, India and China turned. "English goods were shipped to India; opium, cotton and other Indian products were then shipped to China; and China paid for these imports partly with tea and other produce shipped to England, the balance being returned in hard cash to India."(18) British trade was so characterized until the time during which Indian trade to China became unimportant. It is, therefore, clear that the English gained a point of equal importance to China and India on principles of commercial benefit, but the important factors in British intercourse with India differed greatly from these in her intercourse

with China. China at the beginning of the nineteenth century was the equal of India as a market for British products. But in the days of trade under monopoly, without the profits on Indian opium the British trade with China could have hardly continued as no profits could be derived from the exportation of British manufactures to China. Fortunately, the trade between China and India formed the base of the triangular operation on which British trade to China was conducted. We have already noted that by means of Indian opium Britain succeeded not only in stopping the annual flow of some millions sterling of specie from London to Canton, but also in turning her trade balance from 'unfavourable' into 'favourable'.

Lastly, from the trade of the early years of the nineteenth century down to 1830, the system of 'certificates' was established. The 'certificates' were really bills of exchange on the East India Company's London Office. The English trade began from the second part of the eighteenth century to substitute bills for specie in the Canton trade. The 'country' trade which involved the sale to China of opium and raw cotton was growing and profitable in the hands of the Company. The merchants of England and India who were engaged in the 'country' trade were required to buy the certificates calling for the payment of certain sums in English money in London, and then the Company in 1807-1811 ceased to sail ships with bullion directly from England to Canton. From 1830 the American merchants discovered that they need no longer import coin, and that the British trade at Canton supplied them with the means of substituting bills on London instead of the wasteful process of draining the West of its reserves of silver. In this way the English secured the silver necessary to effect their purchases of tea.

Broadly speaking, the phase from 1800 to 1834 is a phase of change in which the course of Anglo-Chinese commercial development is characterized by the four features above-mentioned and it had further more entered into a new phase, i.e. from 1834 to 1842. A study of the course after this new phase undoubtly constitutes the most notable chapter in the history of Sino-British economical and political relations.

2. The Course of British Trade to China during the Advent of the New Era, from 1834 to 1842.

If we look backward from the period of the early trade, the years from 1834 to 1842 form a last phase of the process of Anglo-Chinese commerce. If we then look forward from the year 1834, we at once see that a new era of Sino-British commercial intercourse set in. From the diplomatic point of view, this new era was an epoch entirely distinct from the past. But from some points of economics, it was a last phase and it was the direct outcome of a variety of agencies, which in the previous phases were brought to bear upon the commercial relations between China and England. We therefore regard the period from 1834 to 1842 as an advent of a new era, with which the first chapter of the economic relations between China and Britain begins.

a. No Change in the Former Character of Canton Trade.

The removal of the monopoly of the British East India Company did not change the character of the Chinese market; the existing conditions of the trade at Canton from 1834-1842 just accelerated the process of the Chinese external commerce in the previous phases. The British monopoly had been abolished but the Chinese monopoly remained. All foreigners were restricted to prescribed at Canton and their trade was under the strict control of a monopoly of the thirteen Co-hongs to which foreign

dealings were confined. There was, also, no change in the character of the commodities. The British free trade was still fed by the sale of Indian opium because the trade in woollens had not yet become a gainful one yet to the English, and Chinese tea continued to be exported in a large and increasing quantity to Britain. While the Chinese would not take a large quantity of British products yet, it was found that the trade at Canton did not expand to the same extent as the free traders of Britain expected. At Canton there were no banks; it was before the day of extended bank facilities, by which an excess of export from one country is paid for by the imports into another country. The trade at Canton was still based on specie with which the dealings could be carried on. Since the East India Company worked its Indian and its Chinese trade one into another and drew and gave bills, this system of payment continued to be used until the day when banks appeared in China, as the sale of bills seemed to have been the most important source of silver in that time.

b. The Prospects of British Trade at Canton.

British trade was thrown open from 22nd April, 1834 and then the East India Company no longer continued to arrogate to itself the sole right to trade, both inwards and outwards, between Canton and all parts West of the Cape of Good Hope. In dealing with the course of trade between China and Great Britain since 1834, we, therefore, have to take note of some limitations on the course of trade. In the first place, we shall, in attempting to treat only of the trade of the United Kingdom, refer to the trade of the British Empire - - only in so far as it affects British trade. In the second place, we shall, in considering the comparative condition of British trade with China, refer to the other Powers' trade to China - - only in so far as it

affects the Chinese external trade with Britain.

In 1834, the British free traders began to take an active part in the trade with the further East. The annual value of the British exports and imports to and from China during 1834-1842, when the distinction was first made in the English Customs House records between the British trade with China and with India, may be quoted as follows:

Year	British exports to China £	British imports from China £
1834	845,192	3,506,929
1835	1,074,708	4,564,766
1836	1,326,388	5,422,896
1837	678,375	4,533,691
1838	1,204,356	4,309,965
1839	851,969	3,977,918
1840	524,198	2,388,669
1841	862,570	2,964,679
1842	969,381	3,956,200

The commercial result which is seen from the above figures for the trade may be put under our consideration.

(1) There was the inevitable rush of exports from Britain to China when the opening of trade with China was calculated to add more importance to the value of British commerce with a thickly-populated country. The value of the exports of British manufactures and produce to China was annually estimated at about £620,000, during the East India Company's monopoly. Since its abolition the average export nearly reached one million pounds sterling. Moreover, we can, excluding the movement of treasure, compare the total value of the British trade at Canton before the close of the monopoly with that after the establishment of free trade, and we find that an increase in the value of imports and of exports was as follows:

Year	Imports from Britain into China (Chinese statistics)	(British statistics)
1831-2	$20,520,027	£545,656
1836-7	34,435,622	678,375
Increase	$13,915,595	£132,719

	Exports of China to Britain (Chinese statistics)	(British statistics)
1831-2	$13,216,483	£3,207,257
1836-7	25,339,284	4,533,691
Increase	$12,122,801	£1,326,434

(2) Considering next the total value of British export trade, the smallness of British trade to China presented the characteristics of the Chinese external trade in future. 200 millions of people in China required so few imports ~~required~~ that the British business at Canton was far from English anticipation. At Canton, British trade was, comparatively, the largest of all but it remained small in its volume. It would strike us as most note-worthy. We can also see that the self-sufficient conditions of China could hardly bring about her economic changes. The demand for British manufactures in China, therefore, was really trifling, when we consider the extent of the population, and the comparative magnitude of the other branches of commerce.

(3) Considering lastly the effects of the war, we find that effects followed causes very closely. The British war with China commenced in 1839 and then the fall in values of the import trade appeared suddenly. The long decline in the trade between China and Britain during the later part of this period was of course due to the state of war which lasted four years longer, but the overtrading of the previous years before 1839 must not be neglected.

(4) In China the exports merchants, the so-called Hong merchants,

probably benefited by the opening of British trade, but they had so little and so few things to give to the populous Kingdom in the West. The export trade at Canton had generally expanded. The course of the Chinese exports trade with Britain can be best studied from the figures of the following table, which is extracted from the papers of the British Government (1842, XXXIX, and 1859, serrs. 2, XXIII).

China's exports to Britain during 1834-1842

	Tea	Silk	Others	Total
	£	£	£	£
Total value	32,292,004	2,330,333	1,003,376	35,625,713
Annual aver.	3,588,000	258,926	114,486	3,958,412
% of total exports from China to Britain	90.64	6.54	2.82	100

Since 1838, the air in Canton was filled with warlike hostilities, and trade matters were at a standstill. China's export trade with Britain was almost stagnant. However, from the above figures it may be clearly seen that from 1834 whenever circumstances permitted them to do so, the exports from China increased rapidly. The original purpose of the English traders in coming to China was to obtain tea and silk, and the import of British goods was only a secondary object, namely to provide the means of purchasing outward cargoes. I will therefore deal with the export trade from China first and the import trade from Britain next.

c. China's Exports to Britain.

First, as to exports from China to Britain during 1834-1842, Tea constituted 90.64 per cent of all exports from China to Britain, silk and its products more than 6 per cent, and cotton cloth - - nankeens - - and other commodities provided less than 3 per cent. In the following table are shown the amounts of China's exports to Britain.

Year	Tea		Silk		Other Articles
	lbs	£	lbs	£	£
1834	32,029,052	3,202,905	582,857	213,773	90,251
1835	42,052,047	4,205,205	737,802	271,539	88,022
1836	48,520,508	4,852,051	1,281,839	474,088	96,757
1837	36,502,345	3,650,234	1,807,690	703,483	179,974
1838	38,998,572	3,899,857	721,517	279,104	131,004
1839	37,191,762	3,719,176	360,882	129,731	129,011
1840	32,576,405	2,257,640	247,762	90,870	40,159
1841	27,639,817	2,763,982	277,097	101,614	99,083
1842	37,409,544	3,740,954	180,148	66,131	149,115

Tea. From the above table exports expanded more in the volume of tea than of other articles. Tea had become a universal beverage in Britain. The trade therefore prospered rapidly, while Britain continued to take larger and larger amounts of Chinese tea after 1834. But until the opening of the China tea trade, tea could not be largely imported except into the port of London, where alone the duty was placed upon all that was consumed throughout the United Kingdom. During the whole of the time down to 1833, the trade was carried on as a monopoly not only by its being strictly in the hands of the East India Company, but also by the mode of placing the duty according to the sale price, by which means the monopoly was made to work the two-fold injury of increasing both the price and the rate of duty. On the opening of the trade in 1833, the market price of tea fell and the duty fell likewise. In support of the above statements, evidence may be furnished by the following table.

Year	Quantity of China's tea imported lbs.	Rates of duty levied	Retained for consumption lbs.	Revenue received £
1831	31,648,926	96% 2/1b &	29,997,055	3,344,919
1832	31,709,016	100% above	31,546,381	3,509,839
1833	32,057,832	on value	31,829,620	3,444,102
1834	33,643,980		34,969,651	3,589,361
1835	44,360,550	All	36,574,004	3,832,427
1836	49,307,701		49,142,236	4,674,535
1837	36,973,981	sorts	30,652,206	3,223,840

1838	40,413,714	2/2d.	32,351,591	3,362,035
1839	38,158,008	per lb.	35,351,593	3,658,803
1840	28,021,882	2/2¼d.	32,252,628	3,472,864
1841	30,787,796	per	36,675,667	3,973,668
1842	40,742,128	lb.	37,355,911	4,088,957

The above table of the tea trade affords abundant proof of the effect produced on consumption by alterations in the rate of duties. The consumption of tea had greatly increased, as a bold measure of reduction in the duty on tea was adopted in Britain since 1836. As these duties were charged in one uniform rate, the amounts of revenue rose rapidly after 1841.

In Britain, any reduction of the revenue on tea caused larger reduction of tea price. But the other causes which operated in the growth of the consumption of tea must not be forgotten. The weight of taxation in China played a part, even small, in the determination of the quantity of her imports and exports. The duty imposed in China upon the export of tea amounted to 15 per cent, whilst the duty on British manufactures imported into China ranged only from 5 to 10 per cent. Therefore, it can hardly be asserted that China taxed commerce hardly, by comparison with the practice of European States at the time, and more particularly of England in respect of tea. We can take tea price as an example. The tea market in England was ruled by congou-tea from 1835, as this was the largest description sold. In 1834 common 'congous' cost in China only from one shilling and two pence per pound, and in 1837 its price fell to 8 pence to 10 pence per lb. But in England, the average price of 'congous' was from 1s.0½d. to 2s.5d. per lb. in 1834-5, with the duty levied at the rates 1s.6d., 2s.2d., and 3s. per lb., and in 1837, from 1s.6d. to 2s.4d., on which duties were levied by the uniform rate of 2s.2d. per lb. we further

find that tea was not yet within the means of the great body of British people while the whole of the teas from 'congou' to 'gunpowder', 14 in number, averaged in 1835, from 1s.9d. to 2s.9d.. The duty imposed on tea, even though materially reduced in England, still hindered the tea trade from progressing as long as England did not practice the free trade doctrine. In China, although the unknown exactions imposed by Canton officials were really heavy, the taxes were not burdensome to China's external traders.

There was another reason to show an increase on the annual importation of tea to England. Because of a reduced tax upon tea, the amount of tea smuggled into England had to be decreased. The English tax on tea had been later reduced from its old rate of 96% per lb. of price to one shilling a lb.. Smuggling was therefore no longer profitable, and in consequence, the English supplied the whole of his natural market.

There was no doubt that the goods exported from China to Britain did not all remain for the consumption of the British Isles, but that a portion was conveyed across the Channel to the Continents On the other hand, from the Chinese tea trade in Britain, there was a reason that a great amount of tea going from China to London found its way to the Continental Countries. Now take the above tea-figures in the above-table, bearing in mind what were the numbers of pounds for British consumption. It is thought that tea from China found a ready market in Britain, who also supplied the Continent of Europe, and it was thus continued to be exported, even during the time of war between China and Britain, without interruption.

Silk. Of the British import trade with China, tea was the chief staple and silk was the second staple during the period now under

consideration. Raw silk and silk manufactures were at all times one of the chief exports from China to England since China was known in the British Isles as a producer of silk. By the beginning of the last century silk shipments to Great Britain became fairly large. The total export of silk from China to Britain was 198,894 lbs. during the five years from 1829 to 1833; this rose to 5,131,705 lbs. during the five years from 1834 to 1838. Its annual average value was £14,626 in the five years before 1834, and it was £388,397 in the five years from 1834. According Chinese records, the average annual shipments of silk from China to England during the last five years of the East India Company's monopoly were 4,314 piculs; and they rose to 9,998 piculs in the years 1833-1837. There is no question that there was some increase in the amount of raw silk exported from China to Britain during the five years of freedom of trade. But it is doubtful that there was some increase in its amount as well as in its value. Between 1838 and 1842, this rapid growth of Anglo-Chinese trade in silk seemed to have slackened as after a period of interrupted trade, the annual average value of silk export from China to Britain gradually dropped to £97,087 during 1839-1842. After 1842 the export of silk increased rapidly again.

Nankeen cloth. Except for the main staples, tea and silk, of the exports of Canton to Britain in 1834-1842, only Nankeen cloth deserves our attention. The important fact is that during the early years of the trade at Canton the movement of cotton goods was from China to the West, and at the same time raw cotton was an important import into China. The cotton goods in the shape of nankeens were already sent to England in considerable quantities as material for small clothes, during the Eighteenth Century. In the first part of the Nineteenth

Century, nankeens were still articles of export from Canton to London, but this export became a small quantity as the invention of the spinning machine and power loom in Lancaster, began to turn the movement in the opposite direction.

d. China's Imports from Great Britain.

Coming to China's imports from Britain, there remain certain British commodities of less importance than those imported directly from British India, but important enough to require separate mention as we deal only with the trade relation between China and Britain. From Britain, China was supplied with cotton and woollen fabrics and a small quantity of metals. From India the British gave them opium and cotton. The British trade directly with China was therefore not on a sound basis economically, as the state of the import trade at Canton remained unchanged since the opening of British trade to China. Two commodities only were still demanded by the Chinese in an increasing quantity - - Indian opium and cotton; opium, if we take an example, provided 53 per cent of the total value of imports in 1837, and raw cotton 22 per cent. British produce and manufactures were demanded by the Chinese, but still in no great quantities during 1834-1842. The leading articles amongst British manufactures and productions were woollens, cotton goods and metals and for them China had offered a limited market as shown in the following table:

China's imports from Britain

Year	Cotton Yarn	Cotton Manufactures	Total	Woollens	Other articles
	£	£	£	£	£
1834	56,839	165,238	222,077	583,055	40,060
1835	170,390	291,853	462,243	527,134	85,331
1836	212,933	370,461	583,394	659,588	83,406
1837	103,908	273,387	377,295	246,536	54,544
1838	217,047	522,857	739,904	409,762	54,690
1839	76,862	386,775	463,637	335,210	53,122

1840	88,748	238,389	327,137	164,142	32,919
1841	156,580	422,957	579,537	212,745	70,468
1842	245,965	470,349	716,314	146,680	106,387

The above table, based on British official publications, is quite trustworthy as to the details of measurement. The total value of British imports into Canton in 1834-42, amounted £8,337,137, the annual average value of which was £926,348. We then have another table which shows the annual average value and the percentage estimate of British imports into Canton during 1834-1842.

China's imports from Britain during 1834-42, compared with 1827-33

Year	Cottons £	Woollens £	Other articles £	Total imports £
1827-1833				
Total value	518,867	3,446,356	349,834	4,313,057
Average	74,124	492,337	49,976	616,151
% of total imports	12.0	79.9	8.1	100
1834-1842				
Total value	4,471,538	3,284,852	580,927	8,337,137
Average	496,857	364,984	64,547	926,348
% of total imports	53.6	39.4	7.0	100

The figures in the above table show the progress of the same kinds of China's imports from Britain during 1834-42 compared with 1827-1833, and indicate actually the extent to which the change on China's import trade with Britain occurred.

Cottons and Woollens. The figures in the above tables conceal a remarkable change in the character of the goods exported to China from Britain. There was a great decline in the value of woollens. Previously to 1834, the value of British woollens imported into Canton reached in 1826, £849,024 as a maximum point of all imports into China. The declared total value for nine years from 1825 to 1833 was £4,947,227; the annual average of which was £549,627.

Since the opening of the trade in 1834, the exports of woollens increased in a small quantity. Its annual average value, as shown in the table, was £364,948 during 1834-1842. Then the annual value of woollen exports was always under that of British cotton goods exported in 1834-42. The reason for decrease in the woollen exports to China may be summed up as follows:

1. A great decline of woollens exported was partly compensated for by a rise in cotton piece goods exported from England.

2. British trade in woollens was now going out of date. It was entirely a forced trade during the last years of the Company's monopoly, and since the expiry of the Company's Charter, it had been slowly and gradually declining.

3. In China, rich people during that time preferred silks and skins; they lasted longer, and looked better. Poor people preferred buying domestics, dyeing them, and wadding them with cotton; they were cheaper and warmer.

4. The competition of Russian woollens in the North had almost driven British goods out of the market, and Belgian woollens were beginning to displace British manufactures at Canton.

During this period 1834-42, the great increase in British cotton goods is noteworthy as marking the beginning of a new era. In 1833 the last year of the East India Company's monopoly, woollens constituted over ninety per cent of all imports from England, the balance being made up of metals and small quantities of British cotton twist. But during this period, the quantity of cotton, including British piece goods and cotton yarn, was materially increased; the annual average value being over fifty per cent of all British imports into China. The import of British cotton piece goods averaged annually

£324,290, throughout the period; the import of British cotton yarn averaged about £147,863. A rapid growth of British cotton imports to China would mean that China offered a good and extending market for cotton manufactures, and Britain anticipated great changes in her future trade with China. It should be noted that during this period under consideration, cotton and woollen manufactures changed places as to the amount of their imports to China.

Metals. Metals were unimportant, but, as shown in the table which follows, they were the third item in British imports to Canton. During the period under consideration, the total imports of metals from Britain into China was valued at £230,519, and the value of these total imports was about 2.76 per cent of the total value of China's imports from Britain.

Lead was used for packing tea and was brought from Britain to Canton to the extent of £6,362 in 1834. Copper and its manufactures were wanted, but in small quantity. Iron and steel were also used in China for a variety of purposes, but there was a slow growth in the import of them. During that time China was far from being industrialised. This trade never advanced until the latter part of the nineteenth century.

China's imports of metals from Britain

Year	Copper £	Iron and Steel £	Lead £
1834	8,435	9,839	1,575
1835	2,487	12,467	25,544
1836	3,297	11,714	20,974
1837	3,528	8,390	11,540
1838	1,266	9,397	6,700
1839	4,464	11,921	3,312
1840	1,800	11,771	925
1841	2,530	17,488	10,483
1842	3,983	18,327	6,362
Total value	31,790	111,314	87,415

e. The Movement of Treasure.

In the early days of trade the movement of treasure was very large and important. But when British imports exceeded her exports from Canton the inward shipment of treasure to Canton was not necessary. Since the 'Certificates' system was to provide the means of payment in London among the British traders, there was no need to send ships with bullion from London to the East. At the beginning of the nineteenth century every effort of the British merchants to substitute Indian goods for treasure showed a measure of success. But the trade at Canton was mainly on a specie basis. Imports of silver into China by British ships sailing directly from England still occurred after the second quarter of the 19th century. Since 1834, with the acceptance of open-trade, British business at Canton expanded with immediate rapidity, and sufficient silver was needed by the British to meet the requirements of their trade there. The following table gives an account of the quantity of specie annually exported from Britain to China.

	Ounce		Ounce
1828	5,725	1834	158,326
1829	35,330	1835	213,005
1830	39,397	1836	8,690
1831	21,873	1837	122,840
1832	22,284	1838	125,197
1833	no statement.	1839	947,257
		1840	322,446
		1841	127,797
		1842	1,035,887

From above the first quarter of the nineteenth century, as the Chinese demand for opium continued to grow, the export of silver from China to India continued to become much greater. In comparison with the figures of silver export from India, together with that from Britain, given as above, to China, we find that the value of bullion, exported from China to British India before and during the period

1834-1842, rose so considerably that the question of 'oozing out of the sycee silver' was necessarily regarded by the Chinese Imperial Court as a question AU GRAND SERIEUX. Below are two tables deserving of our comparative study.

Year	Export of bullion from China to India £	Export of bullion from India to China £
1830-1	903,079	797
1831-2	525,440	no statement
1832-3	553,529	3,200
1833-4	1,226,964	4,371
1834-5	1,132,118	1,125
1835-6	1,228,425	4,350
1836-7	1,163,058	5,429
1837-8	1,627,574	no statement
1838-9	2,063,605	5,078
1839-40	466,448	106,903
1840-41	867,791	11,621
1841-42	1,629,383	187,947
1842-43	2,029,143	76

f. The Balance of Trade.

In the balance of trade between China and Britain, the difference between imports and exports can only be estimated. It is very difficult for us to-day to estimate the value of treasure moved between China and Britain during this period 1834-1842, as we have no availables statistics to show the accurate value of them. But there are two points we can ascertain. In the first place, British trade to China in this period could be balance only by an increasing importation of Indian productions. Otherwise, the amount of goods imported from Britain to provide for the export fund could by no means suffice. According to the British point of view, the producers of Indian goods were gaining at the expense of those of British goods. "The average annual value of Indian merchandise exported to China in 1834-42 was a little under four million pounds sterling, opium accounting for

two-thirds and raw cotton for most of the remainder; while the average imports were about half a million."[19] China had to settle this balance, the annual net export of silver from China to India being valued at from one and a half to two millions sterling. "Thus the liabilities of China to India still increased to the detriment of her purchasing power for British manufactures."[20] It would be right. But while owing the fact that a limited number of commodities filled up the lists of British exports to China, there is no doubt that "the British trade was fed to an increasing extent by opium."[21] Without the growing trade of Indian opium, the British traders were hardly able to secure the means of paying for the exports of Chinese produce.

In the second place, the trade balance of China remarkably became adverse, and thenceforth the value of imports, save in a few instances, exceeded that of exports. Owing to the growth of the traffic in Indian opium since 1820, silver began, as we already stated, to flow from China to India. From 1830 onward, the balance of trade was more and more against China. During this period, 1834-42, China's 'unfavourable' balance of trade was further increased. This state of affairs was entirely due to opium, as the whole value of China's exports, which were made up almost exclusively of tea and silk, was by no means sufficient to cover the payments of the illicit opium together with the legal imports. Hence China was compelled to send out silver in her British and Indian trade. As for the liability which China had to liquidate in silver, it was valued at about $11,000,000, or £2,475,000, with the dollar reckoned at four shillings and six pence.

In view of our previous statement on the above two points, it would be well for us to scan the following two tables and for the

purpose of comparison, they are placed side by side. The first table shows us that opium, in the case of British trade to China, was found to be so convenient a form of remittance that its imports had a value nearly equal to that of all exports from China to Britain. The second table shows us how and to what extent China had to meet her liabilities and to drain her country of its treasure.

Table I.
British trade in China, in the year 1838

Of the imports into China:	
Raw cotton, Indian	$6,563,037
Cotton & linen	792,158
Ditto, by yarn	425,888
Woollens	1,203,940
Metals	413,914
Total	$9,101,013
Of the exports from China:	
Tea	$8,561,576
Raw silk	1,689,328
Silk manufactures	365,760
Nankeens	41,500
Sugar & candy	319,017
Total	$10,977,181
Imports	9,101,013
Balance of trade in favour of China	$1,876,168
Opium imported	13,554,030
Balance of trade	$11,677,862
Treasure exported	8,474,776
Balance of payment against China	$20,152,638

Table II.
Chinese trade to Britain between 1837-8

Of the imports into China:	
Opium	$13,344,030
Cotton	6,563,124
Gold & silver	751,432
Total	$20,658,586
British manufactures	3,899,873
Total	$24,558,456
Of the exports from China:	
Tea	$8,561,576
Silk	1,986,528
Total	$10,547,904
Balance of trade against China	$14,010,552
Sycee exported	8,974,776
Balance of payment against China	$22,985,328

g. The Carrying Trade of Britain.

British shipping in the trade of China is the so-called invisible export and import in economic parlance. It must be represented by a number of the tonnage of all ships engaged in the carrying trade to

and from China. In the trade to China, the British import trade had to provide for the cash disbursements for ships, and at the same time her export trade must be profitable in the carrying of goods from China to the Continental Countries. The total value of British trade to China, therefore, must thus be studied in relation to the tonnage of British shipping engaged in the actual trade with China. In addition to the export and import of goods and treasure, the payment for freight and the profits from the carrying trade should be brought into account. But the available information about shipping in the early days of trade could not support such statements in the course of the merchandise trade. What we could say is that the British had a long record as the leading foreigners in shipping in the foreign trade of China, and that the preponderance of British shipping is the most evident fact, shown by the trade at Canton in which she took a greater part.

So the increasing tonnage of British shipping shows the earliest evidence of the growth of her trade with China. Within the twenty years before 1833, while more than half the trade at Canton, as Morse pointed out, was with Britain, probably half the ships that called at Canton were under the British flag. "From 1793 to 1831, the British tonnage from China to England averaged about 20,000 tons yearly." After 1834, that the growth of British trade at Canton was the increase on the carrying trade of British may be regarded as one of the fruits of the British open trade policy. In the ten years from 1833 to 1842, the average number of British ships a year arriving at Canton was 32, and 52 leaving from Canton to Great Britain. And in these ten years from 1833, the annual average of the British tonnage was 30,143, from China to England, and 24,332.4 from England

to China. British shipping was 90 per cent of the total shipping for China. The following table shows the number and tonnage of British ships, compared with those of all the foreign ships which were engaged in the Chinese trade with Britain, on an average of ten years, from 1833 to 1842.

	Inwards British		Outwards British		Outwards Foreign		Total	Total
Year	Ships	Tons	Ships	Tons	Ships	Tons	Ships	Tons
1833	21	27,985	25	29,624	3	1,089	28	30,713
1834	30	29,308	16	8,887	4	1,476	20	10,363
1835	67	35,427	33	21,218	9	3,803	42	25,021
1836	80	40,686	38	24,099	12	4,885	50	28,984
1837	62	32,212	27	17,694	2	872	28	18,566
1838	58	33,333	31	16,175	3	1,510	34	17,685
1839	47	26,261	30	14,159	2	1,113	32	15,272
1840	34	20,056	18	66,115	3	1,082	21	7,197
1841	52	23,344	38	17,056	3	1,381	41	18,437
1842	73	32,818	63	28,297	2	1,069	65	29,364
Total	524	301,430	319	243,324	43	18,280	361	201,602
Annual aver.	52.4	30,143	31.9	24,332.4	4.3	1,828	36.1	20,160.2

From the above figures, we may conclude that the British tonnage to and from China increased at one point in the ten years from 1833 to 1842, and her tonnage trade in China was the largest of all. British trade to China thus employed a very considerable extent of her shipping, and was the medium of the export of British manufactures, and of the import of Chinese productions. It is almost true to say that Britain's predominance in shipping was the chief factor in the steady growth of her trade to China during the period under consideration.

In an estimate of foreign tonnage in the trade of China, the relative importance of the American shipping and her trade should not be neglected. A comparison of British trade and American trade in the early trade of China shows the two nations never lost their

predominance in the Canton factory days. The French Revolution and the subsequent war left the trade of the Far East entirely to the English and to the Americans, who shared it roughly in the proportion of three to one. According to Morse's estimate, the American trade in China amounted to over $6,000,000 a year. Throughout the early trade and until 1842 the importance of American shipping was an outstanding characteristic of American participation in the trade of China. Morse has given the average number of American ships calling at Canton during the sixteen years ending 1833 as 37 and of British ships as 56. After 1834, the carrying trade of America was so successful that considerable quantities of merchandise were transported in American bottoms from China, and even from England itself. They had profited by their position as neutrals while Britain came to fall into hostilities with China. They engrossed a greater part of the Chinese trade to the Continent of Europe, and they took a large share in the opium trade at Canton. But their trade to China as a whole did not extend to the same level as the British trade had reached during 1834-1842. As their trade with China was mainly on a specie basis, during this period the import of silver into China by American ships became much smaller, as a consequence of the increasing demand of the Chinese for opium, and the export of specie direct from the U.S.A. to China had of late years decreased, in consequence of the use of bills drawn on London. But it is estimated that the amount of specie brought to Canton in the eight years ending 1841, from the U.S.A., was much greater than that brought from Great Britain, according to the following figures:

Exports of specie from U.S.A. to Canton

Year	Ounce
1834	378,930
1835	1,380,832
1836	413,661
1837	155,100
1838	728,661
1839	987,473
1840	477,003
1841	426,592

Chapter II

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CHAPTER III

Sino-British Commerce with Their Treaty-relation 1843-1864

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CHAPTER III

Sino-British Commerce with Their Treaty-relations

A. Historical View

1. Treaty of Nanking.

a. Its contents. The 'Opium War', the first war between Great Britain and China, was ended by the Treaty of Nanking. Signed on August 29, 1842, this was the first treaty between China and Great Britain, by which the former conceded all that was demanded of her, while the latter won the war both on sea and land. This first treaty was supplemented by the treaty of the Boygue, in 1843. The Treaty of Nanking was so general in its terms as to constitute one settlement between China and Great Britain, by which the latter was to represent the West in opening treaty relations with the former.

Among the terms agreed to in the settlement were the following:

(1) The opening of five ports as treaty ports.

(2) Establishment of British Consulates in the treaty ports.

(3) Cession of Hongkong.

(4) Abolition of the monopoly of the Cohong System.

(5) Payment of a total indemnity of $12,000,000 to Britain.

(6) The regulation of tariff.

(7) Equality of diplomatic intercourse.

(8) Jurisdiction over British people.

b. Its important characteristics.

In considering the Treaty of Nanking, many provisions were of such vital importance, in the light of later events, that they deserve our detailed investigation. The important provisions may generally be divided under the four following headings.

(a) Treaty Ports. By the Treaty of Nanking the first 'treaty

ports', five in number, were opened viz. - - Canton, Amoy, Foochow, Ningpo and Shanghai. The number of the treaty ports has since been increased, and various other places, some on the coast and some inland, have since been opened by the Chinese Government, either in pursuance of treaty stipulations or voluntarily, and put on the same footing as the first Five Ports. In China, ports opened to external commerce, have then been classified as "open ports" and "treaty ports". As some of the ports have been voluntarily thrown open, it has become more usual to employ the term "open ports" to denote all those cities at which there was usually no custom house, at which there have been no foreign consulates, and at which foreigners can trade or reside. But the treaty ports have been those cities where foreign powers have been given the right to open consulates, where foreign merchants have been allowed to reside and to trade, and where, as a rule, custom houses have been established.

The earliest ports which were opened to foreign trade were sea ports lying on the south eastern coast of China. Among these five ports the most important ones are Canton and Shanghai. At the beginning of the period 1844-64, Canton ranked first, and Shanghai, next, but later this order was reversed.

Canton, as we have seen, was the chief port, at which all foreigners were privileged to engage in trade, and at which British merchants mainly conducted their trade before 1839. By the treaty of 1842, Canton lost its monopoly of trade with foreign nations, and so the produce of China had to find its outlet by any one of the four other open ports. After the ceding of Hongkong to Britain, the British made this port their commercial centre in the Far East. Canton was no longer the distributing centre of trade, to which British goods had to

be delivered. Because of the growing importance of Shanghai during the years 1842-1864, Canton lost its importance, and was absolutely restricted to its own producing and supply district.

Shanghai is the first point on entering the Yangtze River, at which a port has been established, with excellent anchorage and discharging facilities. It was formally opened to trade in 1843. In the twenty years, 1845-64, the foreign trader advanced his outpost from Canton to Shanghai. Thus the increasing importance of Shanghai as a trading centre of China and particularly as the chief mart of Central China must be borne in mind. Since Shanghai was thrown open to foreign trade the British began to plan an English Settlement in that town. In 1863, the English Settlement was amalgamated with the American Settlement. The International Settlement was created later. The settlement has complete self-governing power, including the power of taxation and police. Formerly within the settlement limits, no Chinese were allowed to live, as the settlement was orginally intended only for foreign merchants. Not until 1856, were Chinese permitted to reside in the settlement but at that time no franchises were given to them. The original influx of Chinese residents into the International Settlement at Shanghai was caused by the distresses that accompanied the Taiping Rebellion in the early fifties. It has then been a very important fact that foreign residents have established what may be called "islands of privilege" or "asylums of security" at Shanghai, and there has since been some question as to the political consequences of the establishment of these likely "foreign-cities" on Chinese soil.

(b) National equality. By the form of the Treaty of Nanking, national equality was affirmed, and British representatives were given

the right of communicating directly with Chinese officials. The subordinates of both nationalities were to communicate on a footing of equality. It was regulated that, when the chief British officials would correspond with Chinese high officials at the capital and elsewhere, the ceremonial terms and the expressions to be used by them were to imply such equality as was carefully laid down in Chinese and English. The consular officials who were to be appointed by the British Government to each of the five ports opened to foreign trade, were to be officially treated on terms of equality. They were to be regarded as the necessary medium of communication in future between the Chinese authorities and their nationals. By the term of equality, the British treaty made the first big breach in the Chinese doctrine of superiority and settled the equal standard or footing which the English had struggled to claim for nearly a century.

(c) Security for the interests of "treaty power".

The treaties signed between Britain and China from 1834 to 1844, graranteed the British in China such interests as they enjoyed. Britain was the first power to keep in touch with China by treaty exactions. Hereafter in China, there are the so-called "treaty powers".

By the treaty, the powers since secured their interests which were obtained either by force or by peace-negotiation. Since the Chinese Government first entered into treaty relations with Great Britain, it is obvious that there are two points to make clear the interests of treaty power. The one was the extraterritoriality; the other the most-favoured-nation treatment. If we seek into the origin of these we find that the Treaty of Nanking and its supplementary treaties did sow the seeds of them.

By the treaty 1842, the extraterritorial rights were then created

and the principle of these rights was implied in its provisions. But these rights were not clearly stated until 1844, when a treaty was made with the United States. The extraterritorial jurisdiction has since been granted to all treaty powers in their treaties with China. The Courts, now known as the British Supreme Court for China, and the International Mixed Court at Shanghai have thus been created.

As to the doctrine of the "Most-favoured-nation" treatment, this first came into operation in China and by it all privileges which might be granted to any other nation were to be extented to Great Britain. Its clause was embodied in the Supplementary Treaty of 1843. It has been taken as the basis of China's foreign relations, as its clause expressed in clear terms, has always been included in the treaties signed between China and the treaty powers from 1834, down to the present day. It was the outcome of the policy of every treaty-power in China, beginning with Great Britain, not to secure exclusive privileges for itself, but at the same time not to allow a loss of any concessions to others.

The doctrine of the most-favoured-nation treatment and of the extraterritorial jurisdiction in China hence presented a political and legal matter, and no doubt it was fundamental to the treaty powers. At the same time it had important effects upon the sovereignty of China. Owing to the ignorance of the Imperial Court of China, this doctrine and the loss of tariff authority were unconsciously to be put into the terms of the treaties from 1842-1844. The effects of the enactment of a new tariff were not only upon China's sovereignty, but, more recently upon the economic development of China. We shall now deal with the clause regarding the regulation of tariff.

(d) Tariff. A clause in article X of the Treaty of Nanking

was of such great significance that it merits full quotation: "And the Emperor further engages, that when British merchandise shall have once paid at any of the said ports the regulated customs and dues, agreeable to the tariff to be hereafter fixed, such merchandise may be conveyed by Chinese merchants to any province or city in the interior of the Empire of China, on paying a further amount as transit duties, which shall not exceed . . . per cent. on the tariff value of such goods."(22)

This important clause was amplified by the declaration of June 26, 1843, that the said transit duty "shall not exceed the present rates, which are upon a moderate scale."(23) The following points may be drawn from the above statement.

(1) The tariff of China may well be referred to as the treaty tariff as it had become a part of the treaty first signed with Great Britain. By the treaty China lost her tariff authority. While a tariff and regulations for trade were drawn up in accordance with the provinces of the treaty, it marked the legalized beginning of foreign control over China's finance.

(2) Since a 'fair and regular tariff' was proclaimed in 1834 and was also adopted with slight changes by the other powers, a common complaint of the foreign merchants during the days of the Cohong and factory system was almost removed. Hence the unregulated charges of the Cohong monopoly and the uncertain exactions of Chinese officials were no longer imposed on the foreign merchants.

(3) By the clause X of the treaty of 1842, the duties under the tariff were regulated, moderately and uniformly, according to a rate of 5 per cent ad valorem both for imports and exports, but tea on which China had the monopoly of the world market, an export duty of about 10 per cent of the value was provided as particular specific duty.

(4) By the declaration of 1843, the rate of the additional duties levied on goods in inland transit were later fixed at 2½% per cent ad valorem, that is, one half of the tariff duty.

c. The significant effects of the Treaty of Nanking.

We have taken into account the actual provisions of the Treaty of Nanking and we have dealt with the important characteristics of these provisions. Now let us examine their far-reaching effects.

Firstly, the Treaty of Nanking has been strengthened by the earliest settlement of American Conventions with China. The Supplementary treaty of 1843 also filled up some open holes in the document of Nanking. Owing to the generality of its provisions, it is merely a recapitulation as the foregoing analysis of its provisions shows. Taken as a whole, it was the product of the resultant of force. The nature of its provisions had contributed to bringing about the rupture between the two nations. But it was the record of the terms of settlement, agreed between Great Britain and China, with reference to all the matters that were in dispute between the two countries from the year 1834 to the time when the Treaty was signed.

Secondly, the signing of the Treaty of Nanking made the first breach in the wall of Chinese exclusiveness, as it was the first treaty which was accepted under pressure of force. The Chinese Imperial Court had to make peace and had to accept the humiliating terms imposed on her, and in order to do this she had to stop her anti-opium policy. Her pride was surpassed later by the Western countries which had indicated her on that very change. The terms imposed on China by the Treaties of 1842-44 were to be the artificial restrictions limiting the relations between China and the West, and Britain represented the West in enforcing their demands. The ignorance and the weakness of

the Imperial Court began to be noted in the West and stirred up emulous ambitions of the Western states. As a consequence, the influence of the Chinese Government was greatly weakened, and its power to preserve order and avert anarchy greatly lessened. After the signing of the Treaty came the terrible ravages of the Taipings. The prestige of the existing dynasty had been shattered.

Thirdly, the British Treaty with China marked the first step in the numberless greedy demands which have been presented to this day by all the treaty powers for their commercial supremacy in China. The fruits of Britain's victory were extended to all the nations of the West that reached the new sphere at a later date, while they flocked to China with a view to obtaining a proper share of the concessions that had been snatched by the British as a result of the first war. Therefore, "Britain having led the way, and taken the blows, France, America, Norway and Sweden followed and reaped their harvest in the treaties of Whampoa (1844), Wanghia (1844) and Canton (1847) respectively; while Belgium received some of the benefits of our treaty by Imperial rescript in 1845."(24)

Last, but not least, the conclusion of the Treaty of Nanking began a new era in the history of China's foreign intercourse. It was the instrument by which the Chinese Empire, and indeed the Far East generally, was thrown open to the influences of Western civilization. For good or evil the Treaty laid the foundations of European policy in China, and became the basis of later treaties, by which the British trade with China was put by and by on a firm foundation.

2. A Period of Twenty Years, 1844-1864.

The Treaty of Nanking marked an end of Britain's first war with China. There followed a period of about twenty years during which

the hostilities between the two countries still continued. "Up to 1893 it was China", said Morse, "which dictated to the West the terms on which relations should be permitted to exist; since 1860 it is the West which has imposed on China the conditions of their common intercourse: the intervening period of twenty years was one of friction, when the West had imposed its conditions, which China tried to minimize and resist."(25) This period of twenty years was a period between the Treaty of Nanking and the Treaty of Tientsin. In this period from 1844 to 1864, the hostilities naturally involved a second war, that of 1856-8, and a joint British and French expedition against Peking in 1860. Before dealing with it, brief mention may here be made of the problems left in the treaties of 1842-44, and of the hostile conditions which arose from the signing of the Treaty of Nanking.

a. Opium-problem remained unsettled.

The principal question not settled by the 'Opium War' was the question of opium. In the British treaties of 1842-44, it received no mention. The opium question had been instrumental in bringing on the War but it remained as though the War had never occurred. Efforts were indeed made to have the traffic legalized, and so controlled, but without result. In China the Chinese officials were content to let sleeping dogs lie. They would not venture a remark to the Imperial Court on this unpleasant subject while the British Government advocated legalization of its importation, during the time of making the treaty. In Britain, some even brought forward a resolution for the suppression of the opium trade, but withdraw it after a parliamentary debate turning on the inability of the Indian Government to part with a revenue of £1,000,000 or more.

Consequently, the Chinese policy to supress the drug remained as

before, for since the time when Commissioner Lin was removed from his position at Canton, no serious attempt was again made for the suppresion of its importation. So the importation of opium grew from 39,010 chests in 1845 to 72,385 chests in 1857, and it attained 75,822 chests in 1859, the first year to convert opium into a source of customs revenue, and to secure the legalization of its traffic.

b. Hostilities remained as before.

The opium question stood by itself, and also the hostilities remained as before. Obstacles by a truly peaceful intercourse were never removed by the War of 1839. After the conclusion of the Treaties of 1842-44, the relations between Britain and China at the newly opened ports were generally of a peaceful character, but in other parts the indignation at the signing of humiliating treaties was deeply felt. The general indignation was brought to a head at Canton where the new regime, which was suddenly introduced by coercion, proved most unpopular. The reasons of the Cantonese hostility to the British were numerous. Since the signing of the Treaty the changes suddenly affected them and the lawless character of many European traders increased the hatred of the Cantonese. We may summarize the reasons by which we can show that friction still existed in the relations between the Chinese and the British.

(1) The Canton populace had been too long accustomed to treat the aggressive foreigners with contempt. They therefore were intensely hostile to the stipulations of the first treaty settlement and endeavoured to resist foreign intrusion.

(2) Some incidents which occurred during riots gave the British excuses for further claims and sometimes justified them in ordering an armed attack on Canton-city. Thus the most formidable hostilities

between the Cantonese and the English were created.

(3) The law of extraterritoritality was particularly resented, and was, moreover, difficult to enforce.

(4) There was another cause for Chinese grievance against the foreigners in the lucrative coolie traffic, as during that time Chinese of all classes were kidnapped as coolies and were sent to tropical regions where they were sold into virtual slavery. This 'kidnapping' coolie trade threw the entire blame on all the wicked foreigners. The anti-foreign agitation at Canton was thus accentuated.

Hence it appeared that there would be a very difficult course to steer between the danger of war with the British or other Western Powers, and of riot on the part of the native population. Sources of trouble accumulated so steadily that by 1859 matters began to assume a serious aspect. The European stituation prevented the British Government from adopting a firm policy, but when the occasion offered the match was soon applied to the powder.

3. The Affair of the Lorcha 'Arrow'.

We have seen that the troubles following the Treaty of Nanking had centered in Canton. The source of trouble was still to be encountered in the old opium sore, if we trace it from its beginning.

By about the end of 1856, an explosion had become inevitable; and in fact it was the incident of the lorcha 'Arrow' that directly brought about the opening rupture.

a. The "Arrow" case. A lorcha was a small vessel partly of Chinese and partly of foreign rig. Smuggling was not infrequently conducted by these vessels. The lorcha 'Arrow' flying the British flag was boarded by Chinese soldiers, who were in search of opium, whilst she was lying at anchor off Canton. The British flag was

hauled down and the whole Chinese crew of fourteen men was arrested on suspicion of their being concerned in piracy. Such was indeed the fact. The English registry of the 'Arrow' had expired by lapse of time, but this was unknown to the Chinese.

An immediate demand for redress of the 'Arrow' case was made by Henry Parkes, who was sent to Canton in 1856 as the British consul, but Governor Yeh at Canton decided to stand firm, as he thought he was within his right in seizing any Chinese pirate. Yeh had been so obstinate in the diplomatic battle over treaty revision that no apology for the "Arrow" case offered another opportunity for further hostility. And with other troubles arising to complicate the situation, the original question in dispute became merged in a demand to open the City of Canton to the British. It is necessary to bear in mind that at this time the British Premier was Lord Palmerston, whose presence, either at the Foreign Office or in some other influential position in the Ministry, was felt in all foreign problems during the period of 1830-65, in which a strong coercive policy in support of British trade was adopted towards the Chinese Government. On the question of the Opium War he had been attacked by his opponents in Parliament, as the British opium policy had incurred the enmity of the Chinese people. In dealing with the affair of the Arrow, he abused the strength of Britain, and brought on a war originating from an unworthy qurrel. So thought his opponents in the House. He was defeated by the Parties allied against him viz. the Manchester School. Then he appealed to the electorate, and came back to the Ministry victorious. He then resolved to carry matters at Canton further.

b. The "Arrow War". Before British troops were dispatched to China, a great deal had happened there. In India the mutiny was in

full swing, but this did not delay the British opening the so-called 'Arrow War' against China. It was China's second war with the West. In it Britain was joined by France.

These two Western Powers had looked forward to peace after the Crimean War in Europe. Since then, France, under the rule of Napoleon III and with the fervent spirit of imperialism, was ready to join in the British measures of coercion against China. Hence the operations in China were conducted jointly by the Anglo-French Allies. After Canton was stormed and taken, the allied forces then proceeded north to Tientsin where, after taking ports on the way, a treaty was made in 1858. China conceded with reluctance all the terms imposed by the Allies, but hostilities were soon resumed. The two Powers accordingly fought their way through Tientsin to Peking, the capital of China. There the Allies encamped before Peking and deliberately burnt the famous Summer Palace. China was forced to give way completely; the war was brought to a close by the ratification of the Treaty of Tientsin and by the signing of the Conventions of Peking in 1860.

4. The Second Group of Treaties.

a. Their terms. The Treaty of Tientsin in general contained the following terms. (1) Treaty of Nanking confirmed. (2) A resident ambassador at Peking recognized. (3) Foreigners permitted to travel in the interior. (4) Toleration for the Christian religion granted. (5) Extraterritoriality further elaborated. (6) Indemnities promised. (7) The traffic modified. (8) Regulation for trade, including the collection of customs safeguarded. (9) Several additional ports opened to foreign trade.

In the Convention of Peking, 1860, the Chinese Imperial Government agreed: 1. To observe the Treaties of 1858. 2. To pay an additional

indemnity. 3. To open Tientsin to trade. 4. To permit, more definitely than agreed upon in 1858 - - the permanent residence of foreign ministers in Peking. And 5. To cede the Kowloon promontory opposite Hongkong to Great Britain.

a. Their considerations. The Treaty of Tientsin was signed in 1856 but it did not become effective till the Convention of Peking in 1860. These treaties, known as the second group of treaties, may be said to begin an era of second treaty settlement. The second group of treaties, as the basis of foreign relations with China for the past century, merits the most careful examination. In the treaties of 1856-60, some stipulations were to renew and confirm the treaties of 1842-44, some to enlarge and extend the interests which had been obtained as result of the first war, and some to provide for an innovation of the existing conditions at the end of the second war. The portions of the treaty may be classified as "matters of principle" and "matters of detail". The matters of principle were partly novel, and partly re-statements and modifications of the old system. The matters of detail were chiefly to contain new concessions. We shall now study separately its considerations:

(1) Equal status or footing and security of privileges.

First in importance in the matters of principle were the articles regarding the national equality and the privileges of British representatives and of the British people. Foreign claim to equality had been recognized in the first treaty settlement. By the treaties of 1858-60, direct relations with the Imperial Government of China were regulated, and the right of the British diplomatic missions to reside in Peking was secured. The recognition of the British consular officers in China had been embodied in the clauses of the earlier

treaties. In the second period of treaties, provision was also made for the appointment and proper treatment legation and consuls constituted in effect a recognition of national equality.

Hence the Chinese policy was to treat its foreign affairs not only as purely commercial but as diplomatic. If any difficulty presented itself in the settlement of important questions by foreign consuls and local authorities, these were to be referred to the capital and settled between the foreign envoys and a body of Imperial Ministers.

By degrees, as the result of an innovation, the office of foreign affairs, or Tsingli Yamen, was organized in 1861 and from this constitution a Board of Foreign Affairs was developed in 1901. So from 1861 onwards, foreign representatives in China could deal with a responsible and permanent body in close touch with the Imperial Court instead of Provisional authority.

As to the articles regarding the rights of the British people in China, there are three points we may mention generally. First, the principle of extraterritoriality was fully recognized and was carried further than in the first settlement of treaties. Secondly, British people could enjoy the right of travel under passport to all parts of the interior. Thirdly, the British people were given freedom of missionary movement in the interior of China.

(2) Security of privileges.

Next in importance was the security of privileges obtained by any treaty power. The most-favoured-nation clause was first enunciated in the supplementary treaty of Nanking. It was confirmed and amplified by the treaty of 1858. Henceforth as a rule, in nearly every treaty with any power a provision was inserted to the effect that "this government and its people were to be allowed free and equal

participation in all privileges, immunities, and advantages that may have been or may be hereafter granted by China to any other nation."(26)

(3) Tariff regulations. In the matters of detail are included the elaborate regulations as the revision of the tariff and tonnage dues, re-exports, the method of levying duties and the conduct of ships entering a treaty port. They belonged rather to the technical in character. Furthermore, as to the tariff and rules of trade, the treaty of Tientsin was completed by the Agreement signed in November, 1858, at Shanghai, where foreign trade was quietly carried on while the British and French came into armed conflict with China at Canton and in the North, and where the second act of the treaty negotiation was set regarding such revision of tariff as provided by the treaty of Tientsin. We shall deal with these tariff regulations under the following terms.

Tonnage of dues. What had been fixed by the first treaty settlement at the rate of tael 500 a ton for vessels of over 150 tons burden were lowered to tael 400 a ton.

Transit dues. The Treaty of Nanking had provided for free transit after the payment of a transit duty; but the amount to be levied was not stated. In the new paragraph of second treaty settlement there were three points to be settled.

(1) The system of collecting duties at all the ports was to be uniform. There would be at all treaty ports, common right, the privilege of exempting goods on movement by one payment from all further taxation.

(2) The special privilege of exempting foreign imports from all inland transit dues by the payment of a single sum in advance was extended to foreign exports.

(3) The charge was to be as near as possible 2½% ad valorem or half the tariff duty. The method of commuting inland taxation on foreign imports and on Chinese produce declared to be for export to a foreign country was defined in the Settlement of Shanghai.

The revision of tariff. Under the provisions of the British and French treaties, a revised tariff was agreed to, based generally on a rate of 5 per cent ad valorem; this tariff to be subjected to revision at intervals of ten years. After some delay, the revision of tariff was taken up at Shanghai and was completed in the Settlement of Shanghai. The old tariff was readjusted in order to conform to the fluctuations in prices, while 5% ad valorem of the import and export duties was to be calculated on the existing prices. In a general tariff of imports, staple British manufactures were treated with great moderation, as unenumerated goods were to pay a duty of 5% ad valorem, based on their market value.

There were some goods mentioned as special articles in the trade regulation. Salt and munitions and implements of war were still contraband. Although rice and 'cash' might be exported from one treaty port to another under strict regulations, export abroad was still prohibited. The exportation of beans and beancake was also put under a ban. The export duties on tea and silk remained unchanged. The duty on silk was actually less than 5%, as it could not be raised owing to French interests being involved. There was a long list of duty-free goods from which no duty, import or export, could be collected as these articles were declared to be solely for foreign consumption. These exemptions caused an enormous loss of revenue to China until this concession was abolished in 1901.

Legalization of opium traffic. The Settlement of Shanghai gave the

opium trade a lease of life. The long-coveted right of foreign merchants was won while opium was inserted in the tariff. Its importation was allowed under a moderate duty of tael 30 per picul (£10 a chest), being about 7 or 8 per cent of the average value. But opium was to be transported into the interior of China only as Chinese property and only by Chinese subjects. It was, moreover, excluded from sharing in the advantages as to transit dues, and the Chinese Government was left free to levy such amount as it saw fit. Previous to this there had been no effective steps against the opium trade for fifty years.

Finally, in the second group of treaties, provisions were made for the opening of eleven additional treaty ports. To the five ports opened to foreign trade by the first treaty settlement were now added eleven other; Newchwang, Tengchow, Hankow, Kiukiang, Taiwanfu, Tamsui, Kiungchow (Hainan Island) and Tientsin. Commercial intercourse between China and outside nations was confined to these ports, where foreigners could reside and carry on trade. But the new area provided for foreign enterprise was greatly extended by the opening of the Yangtze River to foreign ships. Owing to the Taiping Rebellion, this concession could not be fulfilled at once. We shall therefore deal with the conditions at these newly opened ports when foreigners were first allowed to carry on trade at them. We now show the significance of the second group of treaties.

c. Their significance. When the opium question became acute the Chinese entered, on this question, into a war which was fought by the British probably on other issues. Fourteen years of perpetual friction followed on the peace of 1842, as after the war the British treaties said nothing about opium, and the traffic in the drug continued

as a constant source of friction. Therefore, the years between 1842-56 were in effect a troubled truce. Moreover, the treaties of 1842-44 were satisfactory neither to foreigners nor to the Chinese. From the standpoint of the foreigner the Chinese did not grant enough, while the Chinese, on the other hand, believed that the treaties conceded too much, and that they had been extracted by force. From 1842 China was brought face to face with the policy of the equality of status. But, down to 1858, though China agreed on paper to yield all privileges, she was in spirit as much opposed to them as ever. War was therefore unavoidable. The 'Arrow' war and its sequel covered five years. This five years war was to decide on what conditions the relations between East and West were to exist.

The Tientsin treaty of 1858 and the subsequent Conventions have retained their main features and most of their details unaltered down to the present day. By them, a definite settlement of the relations was made not only between China and Great Britain, but between China and Western nations, as the concessions obtained under these treaties for the British were expressly extended to all other nations. The treaties, of 1858-60, moreover, opened to the Chinese a new view of their relations and duties towards the treaty powers, Great Britain in particular - - who have occupied a highly privileged and dominating position in China, since that time. China had been forced to learn the long and painful lesson that "Might is Right" or at least enforces it, and that her independence could not be maintained save by a 'struggle for living', while the treaties of 1842-44 and 1858-60 weakened her sovereignty and threatened the existence of the state - - partly by removing foreigners from Chinese jurisdiction, partly by their regulation of the tariff, and partly by creating imperio inside

China's territory. So from 1860 to the present day the whole situation of China has undergone a complete transformation; "up to 1842 it was China which dictated absolutely the conditions of the foreign trade, but since 1860 they have been dictated by the Western states"(27), particularly by Great Britain which has had the largest share in the trade of China.

5. Domestic Troubles and the Matters which were connected with the Troubles.

a. The decline of the Manchu dynastic power.

In dealing with the troubles by which China and Great Britain had drifted into wars, it is important to remember the particular conditions of the Chinese Empire during the period, 1844-64. In the long dynsatic history of China, we always find that the strong men fought for and maintained the Empire while the weak ones brought it to the verge of ruin. The Manchu dynasty is popularly known in the West, because it is the last one in the dynastic history of China. In the seventeenth century, the Manchus, the so-called tartars of Manchuria, conquered China proper. But soon the conquerors accepted absorption completely. During the early domination of the Manchu, the Chinese Empire had reached its zenith. But the last century of Manchu rule, due to the minority of the successive emperors and the universal tide of official corruption, marked an era of disaster internally and externally. The period 1842-64 was completely filled with troubles from without and from within. While the Powers by their blows from without were lowering the prestige of the Manchu Dynasty and were weakening the Imperial structure, several conspiracies and rebellions which had their roots partly in the anti-dynastic agitation were threatening the Manchu rule from within. At last the imperial power fell into

the hands of an Empress, known as the Great Dowager's Regency, who came in touch with foreign affairs for nearly forty years 1861-1908, which marks the near end of the Manchu throne.

b. Taiping Rebellion.

Among the rebellions of the last century in the Chinese Empire, it was the Taiping rebels whose menace lasted as long as fourteen years and whose action was to threaten the Manchu with extinction. The progress of this rebellion, moreover, was a most serious menace to foreign trade in China. When China was engaged in armed conflicts with the Anglo-French allies the Imperial Government was at the same time involved in a life and death struggle with the Taiping Rebellion, to which the Anglo-French expedition in 1860 gave a new lease of life. The rebels between 1851-64, advancing northward, moving down the Yangtze, and finally establishing themselves in 1855 at Nanking, devasted the fairest half of China. As the rebels proved incapable of establishing any settled form of government and as their near approach to Shanghai endangered that important centre of foreign commerce, the foreigners, mostly the British, turned their attention to the aid of the Imperial Army against them. They were actually put down in 1864, chiefly by the Chinese Imperial Army with the support of a picturesque foreign officered force which was headed later by an English Major, known as "Chinese Gordon". Troublesome as the Taeping Movement was, it had little to do with the subsequent downfall of the Manchu Regime. But it accounts for fluctuations in the foreign trade of China, and closely associalted with it are two other matters to which brief reference must be made. Out of this rebellion arose two important systems which have played a significant part in Chinese economy since that day. These were (1) the system of commuted transit dues or

duties and (2) the system of the Chinese Maritime Customs. The origin of both was to be found in the period now under our consideration.

c. The System of Transit Duty.

In the early days of the Taiping Rebellion, the Chinese Imperial Government was in desperate straits for revenue, and to assist the maintenance of the Imperial forces an impost on goods that were transported from place to place within China was levied. It was thus a transit tax, known as "likin" - - normally one thousandth of the valuation of the goods. The tax thus levied on merchandise in inland transit was paid at certain places, called barriers. These barriers were called "likin stations" and were to be found at all large towns and along the important trade routes, whether by land or by water. Originally the likin was one of the chief sources of provisional revenue as it began as a means of collecting money to defray the expenses of suppressing the Rebellion in 1862-64. The provincial authorities resorted to it as a convenient source of local revenue, and, the crisis once past, continued it. When a part of this tax collected by the Maritime Customs went to the Central Government, the local officials were indeed threatened with the loss of the opportunity of lining their own pockets. As the exemption of foreign goods from this tax had really caused some derangement to the provincial authorities, this tax had always given rise to much dispute between China and the treaty powers. Moreover, it had proved a great obstacle to trade and a great nuisance to merchants, and later the question of its abolition became acute.

d. The System of the Maritime Customs.

The inspectorate of the Maritime Customs was instituted when, during the Taiping Rebellion, there was for a time no authority in

Shanghai to collect the customs revenue. The official custom system collapsed when the rebels occupied Shanghai in 1854. For a time Shanghai had been declared by the Western Powers as neutral between the Imperial Army and the rebels. As a convenience for the Imperial official in Shanghai the system of collecting the maritime customs through the agency of foreigners, was adopted to meet an urgent necessity. Three foreigners nominated by the Consuls of three treaty powers were appointed as inspectors to assist in the enforcement of treaty agreements and in the collection of revenues. The foreign inspectorate, so adopted, completely sprang from a local and temporary arrangement, without the interference of the central authority, and this expedient was first adopted only in Shanghai, in 1854. But ten years later, it was an important factor in leading to the establishment of foreign inspectors of customs in China, and it soon proved so acceptable to both Chinese and foreigners that it was extended to other ports after the signing of the Tientsin treaty. This system of Maritime Customs, so developed, was formally adopted by the Imperial Government of China. But a system of foreign inspectors did not work altogether without criticism; reorganization, indeed, was greatly needed. In 1863, Mr. Robert Hart was appointed as first Inspector General of Customs, by the "Tsungli Yamen". He took up office at Peking, and served the Imperial Chinese Government in this capacity for forty five years, and the present customs organization was thus established. Since Hart's time, it was agreed between the British Government and the Chinese Government that the Inspector General of Maritime Customs should be British so long as British trade in China was greater than that of any other nation. Again, since Hart's time, it was officered by an able foreign staff and became not only a dependable source of

revenue but an agency for the charting and sighting of the coasts and for the inauguration of a postal system. It also began the issuing of reports upon the trade of China in 1864 and the statistical information of the trade, both of which are still available for the study of China's foreign trade.

B. The Course of Trade between Great Britain and China during 1843-64.

1. Prospects of British Trade to China.

The years 1843-64 formed a period of open trade and free trade. Before 1843 British trade to China was rigidly restricted to only one port - - Canton. In the days of the 'old trade', restricted to Canton, British trade in China naturally remained undeveloped, even though the principal part of Chinese foreign trade fell to the British flag. The opening of the Treaty Ports under the Treaty of Nanking and under the Treaty of Tientsin gave a greater impetus to British trade in China as the trade of greater part of inland China and of the coast was thrown open to the British traders. The Chinese and British merchants then received the fortunate privilege of open trade at these Treaty Ports instead of Canton alone.

Moreover, the East India Company's monopoly had come to an end in 1834. The Chinese monopoly was also removed in 1842. Under these conditions trade between the Chinese and British merchants was without restriction, and it was naturally to grow vigorously. Merchants of the West, not only British, then entered into the field of golden harvest for which they had looked as the result of the abolition of monopoly, first of East India Company, and then of the Co-hong of Canton.

Of Great Britain, great hopes were entertained, based upon her

free trade tradition. From the late forties up to 1860, she had practised the doctrine of free trade, and the structure of free trade was gradually completed. Progress in British foreign trade was of course a British monopoly during that time. The free trade policy seemed to be the key to Britain's prosperity not only in her trading in Europe but also in the Far East.

That British trade with China during the period 1843-1864 should largely increase, may be concluded from the above considerations. From 1842 when the first treaty concluded, to the years after the second treaty settlement, the trade between Britain and China had already more than trebled itself, as the following figures show:-

The declared annual values of British export trade with China and Hongkong, 1843-1864

Year	To China £	To Hongkong £	Total £
1843	719,693	716,487	1,456,180
1844	493,356	1,812,261	2,305,617
1845	855,196	1,539,631	2,394,827
1846	565,211	1,226,227	1,791,437
1847	735,089	768,880	1,503,969
1848	795,465	650,494	1,445,959
1849	885,140	651,969	1,537,109
1850	975,954	598,191	1,574,145
1851	1,528,869	632,399	2,161,268
1852	1,918,244	585,355	2,503,599
1853	1,373,689	375,908	1,749,597
1854	532,639	468,077	1,000,716
1855	1,888,679	389,265	1,277,944
1856	1,415,478	800,465	2,216,123
1857	1,728,885	721,097	2,449,982
1858	1,730,778	1,145,669	2,876,447
1859	2,525,997	1,931,576	4,457,573
1860	2,872,045	2,445,991	5,318,036
1861	3,114,694	1,733,963	4,848,657
1862	2,024,118	1,113,224	3,137,342
1863	2,416,705	1,473,222	3,889,927
1864	3,092,611	1,618,867	4,711,478

The above figures give us a detailed return of the declared annual value of British produce and manufactures exported to China and Hongkong from 1843 to 1864 inclusive. The Annual Average Value

in the ten years from 1844-53 is £1,896,762, and in the ten years from 1854-63 £3,147,274. In the twenty two years from 1843-64, the Annual Average Value of British exports is £2,830,397. In 1843 the distinction was first made in the English Customs House between the exports to China and to Hongkong. There was no separate record of British exports to Hongkong prior to 1843. Hongkong was ceded to Great Britain by the Treaty of Nanking in 1842, and it was hence regarded as a part of the British Empire. But no survey of the trade of China would be complete without some consideration of Hongkong. Hongkong became gradually a distributing centre for the commerce for Southern China much as Shanghai is for Central China and Tientsin, since 1860, for Northern China. Hongkong should therefore be considered as the port of the Chinese commercial area. There was a considerable increase in the direct trade between Britain and China in the period under consideration, and there was a considerable increase in the percentage of China's trade with Hongkong, because of the position of Hongkong as a distributing centre.

Moreover, the external trade of China during this period was largely with the British Empire, and much of the trade that was not with the British Empire was through two great centres of distribution within the British Empire, namely Hongkong and London. At the commencement of the last century London carried on more than one-third of the trade of the British Empire, and was already developing as the centre and focus of the commerce of the globe. The trade of China with the United Kingdom was almost exclusively conducted in London. London presented the great market for Chinese produces when it ruled the shipping trade of the Far East. Until 1869 London enjoyed its geographical advantage. It was to be the entrepot for the distribution

of Chinese tea and silk to European Countries and also most Continental traders took London as the distributive centre for their exports to China. A part of trade between London and China was thus organized by the re-export business of London. These general facts are of importance for an understanding of China's trade.

Furthermore, there is a general statement which is of importance for our understanding of British external trade as a whole. We must bear in mind, that what we call "the value for the measurement of commercial goods, exported or imported", must be in accordance with the official custom House valuations. In China the Haikwan tael, the unit of account used by the Maritime Custom as valuations of imports and exports, did not appear until 1864, while in Great Britain goods were first valued by the English Custom House in 1697. In Great Britain, the so-called real value is distinguished from the declared or official value; all were the technical terms of the British custom house. The officially fixed values were not set at their market prices but only represented goods valued at the prices of 1697. They continued to be published down to 1854 in the old form: but from 1799 figures of the declared value were also available in England. They were so-called as imports and exports were based on voluntary declarations by the merchants. The difference between these two kinds of valuation is very great. The official values had early ceased to bear any relation to current values as prices changed. The declared values could only be taken as approximately correct. After 1854 a more trustworthy valuation in the matter of imports and exports was created and the import and export statistics since 1854 alike measure quantities as well as values. This is the so-called computed real value. The following figures show the compute real values from 1854 to 1864, of

imports from China and Hongkong to Great Britain, and of British exports to China and Hongkong separately:-

Year	British imports from China & Hongkong	British exports to China	British exports to Hongkong	Total
	(Computed real value in £)			
1854	9,125,040	548,823	478,293	1,027,116
1855	8,746,590	901,151	402,845	1,303,996
1856	9,421,648	1,448,813	837,921	2,286,734
1857	11,448,639	1,745,576	759,598	2,505,174
1858	7,073,509	1,762,202	1,204,250	2,966,452
1859	9,014,310	2,574,825	2,011,411	4,586,236
1860	9,323,764	2,915,579	2,535,978	5,451,557
1861	9,070,445	3,161,918	1,778,528	4,940,446
China	8,932,581			
Hongkong	137,864			
1862	12,137,095	2,072,185	1,165,721	3,237,336
China	11,982,374			
Hongkong	154,721			
1863	14,186,310	2,540,201	1,558,584	4,098,785
China	12,897,403			
Hongkong	1,288,907			
1864	15,673,930	3,220,822	1,796,137	4,989,959
China	12,792,001			
Hongkong	2,881,929			

It is perhaps worth while to abstract some years of China's exports and imports to and from Great Britain, and it is possible to compare the different valuations.

	Exports	Imports
1854	£10,588,126 (official value)	£1,000,716 (declared value)
	£ 9,125,640 (computed real v)	£1,027,116 (computed real v)
1855	£10,664,315 (official value)	£1,277,944 (declared value)
	£ 8,746,590 (computed real v)	£1,303,996 (computed real v)

From the above figures, we can safely say that the official value differs more from the declared value than the declared value differs from the computed value; but in general these figures do very roughly measure the changing volume of China's trade with Britain even though they thus fail to measure its changing value actually. Thus, in 1864 the declared value of British exports to China was £4,711,478, while

the computed value was £4,989,959, showing that the difference in valuation was £278,481, and that the under-valuation was not very great. If we take the figures of the declared valuation, we see that British exports to China were £1,456,180 in 1843, and £3,889,927 in 1863. Meanwhile, if we take the figures of the computed valuation, we can also see that British exports to China rose from £1,027,116 in 1854 to £4,989,959 in 1864. The British export trade during the twenty years from 1843 to 1863 increased doubly in its valuation. And in the ten years from 1854 to 1864, its value had more than tribled. Of the Chinese exports to Britain, their real value rose from £9,125,040 in 1854 to £15,673,930 in 1864. The British imports from China during the ten years 1854-64 less than doubled. In any year between 1834 and 1842 the value of British export to China was always under £1,400,000. But in most years between 1843 and 1864, British exports to China exceeded £2,000,000, and rose to over £4,700,000 in 1864. So we can say that after 1843 there came a rapid advance in the total figures of both imports and exports, of British trade with China especially marked in the volume of British exports.

2. The Reasons for the Restricted Character of China's Trade with Britain.

In China as soon as the impolitic monopoly of Hong broke down, Chinese exports to Great Britain largely increased, and the exports of Chinese products went up with a big stride by more than £1,000,000 in annual value. Chinese export trade with Britain expanded to the point of climax in 1864, but thereafter came a very rapid decrease. It did not recover this peak until 1876 during which time came an exceptional expansion of the Chinese export trade to Britain.

It must be confessed, however, that China's trade with Britain,

considerable as it was in some articles, was extremely limited, considering that the Chinese Empire had been a nation consisting of nearly 400,000,000 people, from whom the British could obtain only two or three of their principal articles of daily consumption. The British import traders were destined to disappointment.

On the other hand, the British export trade to China was far from satisfying her traders who were engaged with the commerce of the Far East. The peace with China under the Treaty of Nanking continued for fourteen years. A further rupture in the case of the Arrow broke out at the close of 1856, but the treaty ports still opened to British trade. These harvests were not fully reaped by Britain. Only within two years after 1843 was the value of British exports to China almost doubled; then came the reaction. After the signing of the Treaty of Tientsin, British exports to China were steadily on the increase, as British trade was brought into closer contact with the interior trade and with the coast trade of China. A comparison of the annual value of the British exports to China since 1860, however, gives us a very unsatisfactory view of the commercial conditions of the two populous empires of world. British trade had risen in importance; British exports reached a declared value of £5,318,036 in 1860. They soon fell to less than £5,000,000, never recovering swiftly to over this amount until 1864. Moreover, in the trade between Britain and China, British visible exports to China never exceeded her visible imports from China, even though the predominance of British trade in China remained unshaken. Britain therefore did not effectively reap the new harvest that was expected from the peace with China in 1860. China, in spite of her size and population, did not take half as much of British goods as did Holland, Australia, or the North American

colonies; she was surpassed even by the West Indies as a market for British products. The rate of progress never satisfied the aspirations of the British merchant and manufacturer, though, in spite of violent fluctuations, the whole trade was not without vitality. On a re-statement of the values of the British imports and exports from and to China in the years 1854-64, compared with the total values of British imports and exports, we observe that they stand as follows:

Year	British imp. to China £m.	British exp. from China £m.	British imp. total value £m.	British exp. total value £m.
1854	9.1	0.5	133.8	97.2
1855	8.7	0.9	122.5	95.7
1856	9.4	1.4	149.1	115.8
1857	11.4	1.7	163.7	122.1
1858	7.1	1.7	141.4	116.6
1859	9.0	2.5	153.9	130.4
1860	9.3	2.9	181.9	135.9
1861	8.9	3.1	183.0	125.1
1862	12.0	2.0	183.5	124.0
1863	12.9	2.4	198.6	146.6
1864	12.8	3.1	222.8	160.4

The above figures are, on one hand, enough to illustrate the general character of the trade expansion of Britain and China, and on the other hand, enough to furnish evidence in support of our statement of the smallness of the British trade with China.

The general answer to the problem presented by the restricted character of the British trade with China during the period now under our consideration is to be found in the following reasons:

(a) China herself had a vast domestic industry. There was economic and geographical justification for the neglect of foreign trade by Chinese merchants, because China was self-sufficing, and bartered its products internally.

(b) In default of an increase in Chinese exports, either the

quantity or value of the British imports into China must be reduced. 'It is obvious', as the British Consul pointed in 1847, 'that the import trade is regulated by and depends wholly on export trade, and that therefore only an increase of exports can cause a corresponding increase in imports'. (28)

(c) The rebellion which lasted over fourteen years sufficiently accounted for fluctuations in China's trade with Britain, as well as with the other Western nations. The rebels were in possession of Nanking in 1855 and a great part of the banks of the Yangtze River. The disturbed state of China generally tended to check the import trade. Under these conditions, foreign trade was seriously affected.

(d) China had offered a developed market for Indian opium. In supplying opium, Indian trade with China stood in a better position than British trade with China. A greater consumption of Indian opium resulted in a smaller demand for British products, as the payment for opium absorbed the available supply of silver from China. In China, only tea and silk were left to balance the import of foreign manufactures; but Britain and the United States were the only large consumers of these commodities. Thus China found it very difficult to provide a return for her imports.

(e) The development of China's trade with Britain, during the whole of the period of more than twenty years from 1843, was imputed by the vicissitudes of exchange. The loss of purchasing power was, during the time of rebellion, the cause of constant fluctuations in the exchange. And China had her monetary crisis in the years 1853-57. Imports were imported in sterling, sold for dollars, and paid for in the only available medium, taels of sycee. China was in the predicament of having no standard of value for business transactions - -

whether in buying or selling. It was the Spanish dollar which had been regarded as the general medium of exchange in the foreign trade in China. Among the effects of the Taiping Rebellion upon Shanghai was the loss of the Spanish dollars. So scarce did this dollar become and so insistent were the Chinese upon having it that the situation which developed after 1854 forms as interesting example of the effect of custom on exchange rates. There was, therefore, a fluctuation rate of exchange between pound sterling and dollars, and another and different fluctuating rate of exchange between dollars and taels, while the Chinese merchants had to deal with still another and quite independent rate of exchange between the tael and copper cash.

(f) That which at that time limited the extension of British trade to China may be concluded from any of the following sundry reasons. The growth of internal taxation as the outcome of the financial necessities of repressing the rebellion, became a pressing matter in the development of foreign trade towards 1858, but not after 1859 as the signing of the Shanghai Agreement was to secure the tariff settlement in favour of foreign traders. The period now under our consideration, was a period of slow communications between East and West. It took the British merchants, prior to the opening of the Suez Canal, from four to seven months for their goods, imports and exports, to reach their market. About 1843 steam communication was introduced by the 'overland route' across the Isthmus of Suez, and in 1845, the P. & O. Co. opened a fast monthly service from Southampton to Hongkong. Postal facilities were non-existent in the early days of trade in China. Mails from London to Hongkong, took eighty-four days in 1844, and fifty days in 1859. This period which was punctuated by two wars, one in 1856-8, the other in 1860, may be called a period

of constant friction between China and Britain. For some years the effects of these wars upon trade were not very marked, but the end of the period of conflicts showed a sudden developed trade between them. It is therefore hardly fair to take this troubled period as a new era of prosperity of British trade to China. Moreover, in the twenty years from 1843-64, commercial depression appeared in Great Britain twice, once in 1847 and once in 1857. British trade collapsed as a whole, while China suffered heavily. During the ten years between the two commercial crises, British trade with China had to remain in a dormant or inactive state.

The above reasons are enough to explain the restricted character of China's trade with Great Britain. Britain since the repeal of the Corn Law in 1846, had entered the Golden Age of capitalism. There was a great and rapid increase in both the volume and the value of British overseas trade. From some points, China's trade with Britain shared in her general commercial expansion; but as a whole, up to 1860, the almost uninterrupted commercial expansion of British trade to China had not yet come.

I therefore take these four dates - - 1842-5, 1846-55, 1856-60 and 1861-4 - - for the purpose of illustrating the general conditions of the trade, imports and exports, between Britain and China during the period under our consideration. The period these dates span is by no means one of uniform or continuous development. As we have said, the ups and downs of trade fluctuations remained but the total value of the trade between Britain and China increased in this period. We shall now deal with their import and export trade separately.

3. China's Export Trade with Britain and her chief Exports to Great Britain.

An improvement in the export trade had been anticipated from the opening of treaty ports, first in 1843, and secondly, in 1860. But during the period 1843-64, there was no steady growth in the Chinese export trade, even though the export trade of China with Britain offers a remarkable contrast with the import trade of China from Britain.

In the Chinese export trade to Britain, there is nothing particular to notice beyond tea and silk. At the opening of this period in England, Manchester was just beginning to sent cotton fabrics to China, and British people were ceasing to take Chinese nankeens. During the later years of this period the British demand for Chinese raw cotton had greatly increased. During the years 1843-64, the Chinese exports to Britain is annually valued at over eight million pounds. Tea provided 70 per cent of the total value of the Chinese exports to Britain; and silk, 20 per cent. Except for these two main staples, the Chinese cotton piece goods imported into Britain took little share in Chinese exports to Britain; the total value of them during 1854-64 amounting only to £28,195, and the annual value to £2,563. Raw cotton only appeared in the list of Chinese export trade with Britain after 1860, and it has since continued to rise steadily in relative importance in the Chinese export trade, as China became a great cotton-growing country. In 1862 raw cotton exported to Britain was valued at £108,995, in 1863 at £2,164,995, and 1864 at £6,242,504, its value in the three years constituting 90% of the Chinese 'sundries' (£8,516,494, in 1862-4) imported into Britain. The cotton trade has been referred to in the foregoing chapter. During the early years of the nineteenth century raw cotton was an important import into China, and this importation continued down to the years of the American Civil War. Owing to the American Civil War Chinese exports of raw cotton

to Britain began to assume growing importance. After 1870 interesting movements of raw cotton took place. As to the detailed conditions, we can refer to the following table which shows the annual quantities of the chief items of the Chinese exports to Britain from 1843-1864.

Year	Nankeen cloths pieces	Silk, raw lbs	Thrown-silk lbs	Tea lbs
1843	7,851	264,301	11,007	42,779,265
1844	56,293	339,793	13,023	51,574,485
1845	31,084	1,169,643	6,222	50,714,657
1846	34,384	184,310	2,662	54,534,208
1847	67,110	2,015,288	5,167	55,355,590
1848	64,463	2,200,182	40,829	47,346,817
1849	102,861	1,845,525	16,012	53,102,129
1850	34,769	1,769,882	42,488	49,368,001
1851	58,403	2,055,082	44,052	69,487,979
1852	2,660	2,418,343	48,214	65,295,202
1853	25,692	2,838,047	135,501	68,639,727
1854	14,830	4,576,706	339,820	83,301,550
1855	35,532	4,436,862	555,376	81,560,207
1856	13,622	3,723,693	428,553	84,795,802
1857	67,290	6,664,532	262,494	60,295,575
1858	4,400	2,011,186	185,990	73,359,599
1859	2,027	3,192,632	117,404	71,916,833
1860	2,256	2,093,284	110,016	85,295,129
1861	10,220	2,752,540	14,103	92,145,365
1862	27,122	3,267,044	3,162	109,756,857
1863	1,300	1,695,882	720	129,439,921
1864	1,262	461,357	-	115,102,527

From the above figures, we can see that the Chinese exports to Britain were chiefly confined to her old staples - - tea and silk, and that these two staples increased in volume, until in 1863 they attained a total value of £11,679,026. Let us take into examination these two staples shown by their official values. Upon examination it would appear that the Chinese export trade increased not only in volume but in value, and that records of the growth of the tea and silk trade during this period can be obtained. The following figures show the official value, in 1843-53 and the real value, in 1854-64, of the annual export of tea and silk from China and Hongkong to Britain.

Year	Tea £	Silk £	Other articles £	Aggregate value of China's export trade with Britain £
1843	4,277,927	110,194	243,423	4,631,544
1844	5,175,449	140,788	249,353	5,565,590
1845	5,071,446	436,508	312,968	5,820,942
1846	5,453,425	678,056	511,183	6,642,664
1847	5,535,559	748,247	418,727	6,702,533
1848	4,734,682	861,955	222,042	5,818,679
1849	5,310,213	695,949	164,510	6,170,672
1850	4,936,800	700,101	212,124	5,849,025
1851	6,948,798	841,981	180,712	7,971,491
1852	6,529,520	945,203	238,048	7,712,771
1853	6,863,973	1,211,435	180,207	8,255,615
1854	5,377,872	3,582,836	162,312	9,125,040
1855	5,118,752	3,432,739	195,099	8,746,590
1856	5,123,080	4,106,268	192,360	9,421,648
1857	4,310,205	6,910,630	227,804	11,448,639
1858	5,036,293	1,836,645	1,701,151	7,073,509
1859	5,528,660	3,179,241	306,409	9,014,310
1860	6,601,894	2,296,228	425,642	9,323,764
1861	6,499,542	2,360,987	209,916	9,070,445
1862	8,759,763	3,034,442	342,890	12,137,095
1863	10,051,803	1,627,223	2,507,284	14,186,310
1864	8,606,705	472,636	6,594,589	15,673,930
Total	131,852,381	40,210,232	15,798,753	186,332,386

	Tea	Silk	Other Articles	Total
1843-53				
Total value	£60,837,792	£7,370,417	£2,933,297	£71,141,526
% of total	85.5%	10.4%	4.1%	100%
1854-64				
Total value	£71,014,589	£32,839,815	£12,865,456	£115,190,860
% of total	61%	28%	11%	100%
1843-64				
Total value	£131,852,381	£40,210,232	£15,798,753	£186,332,386
% of total	70%	21.6%	8.4%	100%
Total value in the ten years (1844-53)	£56,559,865	£7,260,223	£2,689,874	£66,590,982
Annual aver. (1844-53)	£5,655,986	£726,022	£268,987	£6,659,098
Total value in the ten years (1854-63)	£62,407,884	£32,369,179	£6,270,870	£99,516,930
Annual aver. (1854-63)	£6,240,788	£3,236,918	£627,087	£9,951,693

The above table shows as a whole the progress of the Chinese export trade with Britain. Doubtless it shows a striking development during the years 1860-64, but, notwithstanding what the apologists of

a falling exchange may have said, it was nothing extraordinary. Now we shall deal with these two broad divisions of the Chinese export trade separately.

Tea. As has been stated, tea constituted the main staple of the old trade of China. Its preponderance continued in this period now under our consideration. As we have seen, in 1864 tea contributed three-fifths of the value of all Chinese exports to Britain. The annual average value of tea shipments from China to Britain in 1844-53 was £5,655,986 and in 1854-63, £6,240,788. The average annual consumption of China tea in different countries in 1843 has been estimated at 72,000,000 lbs divided as follows:

Great Britain	45,000,000 lbs.
British Empire	7,000,000 lbs.
U. S. A.	7,000,000 lbs.
Russia	10,000,000 lbs.
France & Colonies	500,000 lbs.
Hans Town Co.	150,000 lbs.
Holland & its colonies	1,000,000 lbs.
Belgium	200,000 lbs.
Denmark, Sweded, Norway	250,000 lbs.
The German States	500,000 lbs.
Spain & Portugal	100,000 lbs.
Italian States	50,000 lbs.
South American States	500,000 lbs.

Thus, the British consumed more than twice the quantity of tea that was consumed by all the other countries, excepting China and Japan. Tea was therefore Britain's great import from China, as Ceylon had not yet entered the field and therefore China had not met a very formidable competition in this trade. This growing of tea consumption in Britain may be also explained as follows: firstly, an increased consumption of tea depended on a reduction of the duty, and secondly, the growing of tea-consumption caused the revenue raised from China tea to increase from £4,000,000 in 1842 to £6,000,000

in 1864. On referring to the following table, it is manifestly clear that the relations between the tea-consumption and the revenue raised from it are to be marked.

Year	Quantity of China tea imported	For home consumption	Rate of duty	Revenue received	Quantity of consumption per head	Average price
	lbs	lbs	per lb	£	lb	
1834	33,643,980	34,969,651	1/6,2/3,3/-	3,589,361	-	1/2 to 2/5
1844	51,754,485	41,363,770	2/1&5% add.	4,525,193	0.89	10d to 2/4
1854	83,301,550	60,485,702	1/6	6,000,000	2.24	1/3½d
1864	115,102,527	83,871,554	1/-	8,606,705	3.00	1/6d

It is clear from the above table, that the progress of the China tea import was proportional to the growing of the revenue raised from it. The duty considerably reduced was almost prohibitive on the inferior grades of tea. The revenue raised from China tea was steadily doubled in the twenty-years, 1844-64.

Silk. During 1843-64, in the export trade of China, tea was the leading export and silk came second; for the tea trade was still a monopoly of the Chinese, whereas silk found many competitors in the British market such as France, Egypt and Italy. Silk, however, constituted the greater proportion of the value of the export trade of China. By the nineteenth century the supplies of silk obtained from China and Hongkong by Britain had developed to a considerable quantity, the average annual shipments to Britain in the years 1843-53, being £7,370,417 and in 1854-64, £32,839,815. The annual average of the value of silk exported to Britain during 1844-53 was £726,022, and during 1854-63, £3,236,917.

There is a considerable contrast between the tea and silk trade of China with Britain, during the years of the Taiping troubles, and in the last years of the period under our consideration.

In the years of the Taiping trouble, the rebels affected, as a whole, districts of the tea and silk production. In 1856 on the occupation of the tea districts and the closing of the routes by the rebels the export of tea fell away greatly in 1857 as a result. And, with the commercial depression in Britain we find a sharp fall in the British imports of tea from 84,795,802 lbs in 1856 to 60,295,575 lbs in 1857. The import of Chinese silk to Britain, on the other hand, shows a sudden increase from 2,020,455 lbs in 1847, to 4,916,526 lbs in 1854 and 6,929,028 lbs in 1857, because the silk districts as compared with the tea districts were nearer to neutrilized Shanghai and thus escaped the effect of the rebellion. As the peace between Britain and Russia in 1856 caused the silk market of England to become more active, the record of the import of China silk appeared in the following year. But the heavy and unexpected demand of Chinese silk in Britain induced a sharp rise in prices. Owing to the commercial depression in Britain, however, the total value of silk imported into Britain dropped from £6,910,630 in 1857 to £1,836,645 in 1858.

In the years 1860-64, tea suffered less and recovered more readily from the effects of the rebellion in China. From 1860 Japanese silk had found its outlet through Shanghai and thus arrived in London. After the Civil War in China, the destruction of the mulberry trees removed the basis of the silk industry, from China and her share in the total import of silk into Britain then declined. But in the tea trade, owing to the fact that native consumption ceased and every bale existing was at once turned into cash, China was still credited with the British total demand of tea for home consumption.

4. China's Import Trade with Britain and her Imports from Britain.

The import trade of China with Great Britain, as we have said,

offers a reverse to her export trade; the upward movement of the export of China tea and silk shows great steadiness to 1857, but the imports of British woollen and cotton goods into China passed through long fluctuations of movement until 1858, and after 1860 they show slow progress. The effect of the advancing flood of rebellion in China was to reduce imports much more than the exports, while the devastation of the interior diminished the demand from the Chinese, and the prevailing feeling of unrest greatly restricted purchases. Moreover, during the rebel occupation of Shanghai, access to the whole of the Yangtze basin, and to the greater part of China was barred. The result was that amount of general imports from Britain to China fell. As well as these reasons, British imports, as being almost exclusively textiles, on one hand, had to compete with and displace the home product of China, and on the other hand, the Chinese during that time refused to change their modes of dress to suit western ideas of fitness. As a whole therefore, the British export trade with China, did not expand.

But from some reasons, we can see that the purchasing power of China grew rapidly after 1860, even though the British manufacturers were surprised to find no proportionate increase in the demand for their goods as compared with their demand for Chinese goods. Also, during the period 1843-64, China was undoubtedly regarded as the important market for British exports. She took more of British goods in any year from 1854-64 than Canada and Newfoundland, or Australia and New Zealand, conjointly did. During 1843-64, the total of Britain's export trade with China was estimated at £56,607,934 and the annual average of the total value of British exports to China was £2,830,397. The British export trade with China was still in three broad divisions - - cotton, woollens and metals. In the years 1843-64,

cotton manufactures exported to China were totally valued at £32,058,202, being 56.6 per cent of the total value of British exports to China; woollen manufactures at £11,101,873, being 19.6 per cent, and metals at £2,876,899, being 5 per cent. The annual value of the different goods exported from Britain to China is as follows:

Year	Cotton manuf. £	Cotton yarn £	Iron & Steel £	Lead £	Woollen manuf. £
1843	655,276	216,663	36,337	7,779	419,949
1844	1,457,794	117,853	29,104	2,696	565,428
1845	1,635,183	99,958	18,662	474	539,218
1846	1,024,662	221,856	91,227	1,121	439,669
1847	848,814	164,264	15,763	569	390,437
1848	808,822	142,423	19,520	206	379,912
1849	883,189	118,094	32,290	8,783	370,899
1850	894,346	126,569	23,978	20,284	404,797
1851	1,409,782	189,047	31,714	33,335	375,373
1852	1,651,814	253,507	19,690	38,529	434,497
1853	1,209,948	198,485	15,687	18,562	204,449
1854	501,527	139,293	16,475	44,040	156,959
1855	788,744	95,511	22,187	47,389	134,070
1856	1,333,941	210,294	66,638	80,109	268,709
1857	1,573,828	158,081	74,413	92,623	286,852
1858	1,823,822	266,336	63,572	48,211	390,713
1859	2,758,678	430,964	114,746	65,670	702,733
1860	3,160,105	410,416	145,313	114,035	870,671
1861	3,179,584	307,238	85,916	122,788	723,212
1862	1,276,688	183,963	109,106	213,756	692,691
1863	1,170,488	239,251	220,797	310,541	1,003,144
1864	2,011,167	241,942	181,900	170,364	1,347,491

Year	Cotton manuf.	Cotton yarn	Woollen manuf.	Iron&Steel	Lead
1843-53 total value	£12,479,630	£1,848,713	£4,524,628	£333,967	£132,338
1844-53 Annual average	£1,182,440	£163,205	£410,467	£29,763	£12,456
1854-64 Total value	£19,578,572	£2,683,282	£6,577,245	£1,101,060	£1,309,526
1854-63 Annual average	£1,756,740	£244,134	£91,916	£113,196	£522,975
1843-64 Total value	£32,058,202	£4,532,008	£11,101,873	£1,435,035	£1,441,864
% of total	56.6%	8%	19.6%	2.5%	2.5%

From the above figures, the following points are worth remembering. (1) The British export trade with China did not advance any more quickly than did her import trade with China. But during the period 1843-64 that British export trade with China was generally increased may be concluded from the facts that since the treaties first of 1842 and next of 1860 it had already more than doubled itself, compared with the years before 1843, as the following will shows:-

Aggregate value of British exports to China

1831	£547,701
1841	£862,570
1851	£2,161,268
1861	£4,848,657

(2) Britain's total exports to Chinese ports in 1860 amounted in value to about five and a half million pounds. Most of the 'sundries' were exported from Britain to China for the supply of Britain's own troops serving in China, and of the British settlers in China, who numbered at that time more than ten thousand. They also sent articles of other than British production, most of which were wines. The principal exports from Britain to China in return for tea and silk were cotton and woollen manufactures, of which Britain sent, in 1860, to the value of nearly £4,500,000. During this period the steady growth in British woollen exports is worth notice; but cotton goods formed the bulk of the British export trade and were almost entirely responsible for its larger fluctuations. In the main, however, China still clothed her own people with her own cotton; and she even continued to import raw cotton from India to the amount of over a third of the value of the British cotton manufactures. So in this period, the important exports from Britain were woollens, the value being about £419,949 in 1843, and about £1,003,000 in 1863. At the

end of this period - - 1864 - - this export had increased to £1,347,491 which represented the record of this trade. During this period, the export of metals to China was still of some importance, the chief of them being lead, iron and steel. Since 1860, the export of iron and steel, the gauge of modern civilization, became more important than before as we can see from the above figures of table on page 42.

5. The Chinese Monetary Situation and the Movement of Treasure.

In dealing with the period before 1843, we have seen that the British imports into China had found the means of paying for China's exports and therefore importation of silver to China had ceased. During this period, there had been a continuous monetary crisis in China in the problem of 'laying down the dollar' required for buying import cargoes. Concurrently with the monetary crisis lasting from 1853 to 1857, China's demand for British products fell off. In time of stress, most of the dollars were hoarded by the Chinese and they no longer returned to the channels of trade. The stringency was then extreme. The situation became intolerable and, in the end, the foreign traders in Shanghai were driven to abandon their standard of currency which was represented by the carolus dollar, and for it to substitute a standard of Chinese currency which was represented by no coin, but only by ounces (taels) of silver.

It was the Carolus dollar, or, the 'pillar' dollar, by which the first foreign traders traded, and brought exchange until 1857. It had an intrinsic value of 4/2d, but for buying exchange its normal value was from 4/6d to 4/10d, the difference representing the cost, including interest, of carrying them to Shanghai, which, after its opening to foreign trade in 1843, had become the trading centre of China. In 1852 the current rate for six months' bills on London did

not exceed 4/8d, which was 12 per cent premium, from 1853 to 1856.

It was the tael which was adopted by the foreign traders at Shanghai as their currency in 1857 and which was always rated by the intrinsic value of the silver content. But there were in China during that time hundreds of different taels, varying according to different standards of silver. The Shanghai tael became more popular for use as the unit of currency for all transactions in the foreign trade of China. It had been said to represent 525 grains of fine silver, in exchange for each 'pillar' dollar which contained 374½ grains of fine silver in the form of sycee or shoes of silver, such as were commonly used in China. As early as the Nineteenth Century, Britain abandoned silver and based her exchange solely on gold. Her demonetisation of silver did not therefore serve to create any serious alteration in the relative market values of silver and gold.

As to the movement of treasure in the trade between Britain and China, it was comparatively larger in this period 1843-64, than the last period 1834-42. It has already been stated that the movement of treasure before the year 1800 was very large as in the early trade China showed a desire to accept silver rather than British goods. From 1800 the import of silver gradually diminished as she had to export silver in order to pay for the import of the large quantity of Indian opium. But during this period of 1843-64, the import of silver was again a characteristic of the foreign trade of China. Some reasons for this are as follows:-

(1) The needs of the opium market in China were satisfied, and also the Chinese demand for Indian opium was met by increasing supplies of the drug produced within the country. Thus the drain of Chinese silver was no longer an important factor in the opium question.

(2) Raw cotton, the other main element in the Indian export, pursued an uneventful course until 1864, when it disappeared from the Indo-Chinese trade, owing to the demands of the British market, deprived temporarily of its American supplies. There was therefore no proportionate increase in the import of treasure into India from China.

(3) From the time China first traded with Britain until 1864, exports always exceeded imports from Britain, so the outward shipment of treasure to Britain totalled £131,134, from 1858-1864.

(4) Since the sixties, banking facilities in the Far East had undergone a great development and then the movement of treasure was comparatively small. But as trade increased it still appeared in the list of the custom house.

From these reasons, we can conclude that in the latter part of this period and the period following, there should be a steady export of treasure from Britain to China, which may be estimated roughly 'at three million pounds sterling annually'[29] between 1851 and 1860. The following incomplete but actual, figures show the computed value of registered exports of bullion and specie from Britain to China and from China to Britain during 1843-64. The imports of bullion were not registered at the British Custom House before 1857.

Year	From Britain to China £	From China to Britain £
1843	...	...
1844	65,957	...
1845	46,903	...
1846	6,602	...
1847	...	...
1848	...	...
1849	...	...
1850	22,895 or 15,515	...
1851	11,956 or 11,825	...
1852	200	...
1853	...	...
1854	...	...

Year	From Britain to China £	From China to Britain £
1855	...	...
1856	...	...
1857	...	...
1858	...	121,178
1859	...	3,029
1860	...	...
1861	...	5,620
1862	...	1,202
1863	1,908	73
1864	...	...

6. The Balance of Trade between Britain and China.

By a comparison of Indian trade and British trade with China, we can see that while British trade was now on a sound basis economically, it was not on a healthy basis. China in Britain meant tea and cotton manufactures, and trade between them was substantially a question of tea and cotton. China had almost restricted her productive wealth to one article of export when the United Kingdom obtained nearly all of her tea. As for Britain cotton goods had now displaced her woollens as the chief export to China. From this point of view, the Anglo-Chinese trade was therefore of reciprocal value. The trade between British India and China was chiefly a question of opium without reciprocity. In supplying opium, India stood in a better position than Britain, for opium was still found to be so convenient to British trade with China as a form of remittance that its imports into China from India sufficiently increased from £10,660,651 in 1858 to £11,526,547 in 1862, even though this drug was no longer in sole control of the Chinese market. To Britain, both opium and a large portion of treasure were needed to settle the balance due to the Chinese exporter. So the balance of trade between Britain and India on one hand, and China on the other, would be thus the reverse of what we describe it to be as between Britain solely and China. We

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now offer some figures in support of the statement on the balance of trade and the balance of payment, which can be taken as only approximate.

British trade with China

	1844	1854	1864
Total value of Chinese exports to Britain	£5,565,590	£9,125,040	£15,673,930
Total value of British exports to China	2,305,617	1,000,716	4,711,478
Re-exports	83,132	26,400	278,411
Balance of trade against Britain	£3,176,852	£8,097,924	£10,684,041
The value of Indian exports to China:			
Opium	£4,229,542	£5,802,469	£9,704,947
All Others (including treasure)	1,495,244	1,622,309	890,378
Total	£5,826,986	£7,427,778	£10,595,325
Total value of Chinese exports to India (including treasure)	4,292,456	1,462,101	3,819,961
Balance of trade against China	£1,534,530	£5,962,677	£6,775,364

The annual average value of the trade between India & China 1857-1864

Indian exports to China			Chinese exports to India	
Opium	Treasure	Total	Treasure	Total
£9,661,910	£66,042	£10,874,608	£2,879,494	£4,122,111

From the above tables we can ascertain to what extent Britain adjusted her balance of trade with China during the period 1843-64. A surplus of Chinese merchandise imported into Britain had been the normal conditions of the trade between them. But this unfavourable trade balance of Britain did not mean something unfavourable to her. Except for the "invisible" income from the services of her trade in China, Indian opium was still sufficient to turn the British trade in China from 'unfavourable' to 'favourable'. During this period, because of the opium traffic, China had still to settle a big balance in treasure and was hence compelled to liquidate in silver a heavy

liability of over £200,000. In 1864, the export of treasure from China to India was £2485,858, while the import of treasure from India to China amounted only £19,095.

7. The Foreign Trade of China during 1843-1864.

The period 1843-64 may be regarded as the second period of Chinese external trade. The changes of this period touched every aspect of the foreign trade of China. During this period China's position as the world's chief exporter of tea and silk remained unshaken. The trade of this period was very largely with the British Empire, and even with Great Britain, because London was the great entrepot for the distribution of Chinese tea and silk to European countries. The treaties made in 1843 and 1860, with Great Britain provided the rules for the conduct between China and all western nations. So the great operations of commerce were almost entirely in British and American hands during this period of unsettlement, but the French firms had some hold on the silk trade for her merchants were large buyers of silk. The Germans were then laying the foundations of the miscellaneous trade which they have since done so much to develop, and the Russia trade into China was mainly conducted by overland routes and flowed through certain frontier cities. Shortly after 1860 Russian trade relations with China begun to grow rapidly as the shipment of tea to Russia by the sea route gave a further impetus to her trade with China. French and Germans had but little direct trade with China. No less than 85 per cent of China's foreign trade of this period had been with Great Britain, India and Hongkong. The following table shows the relative importance of the foreign trade of China in 1864.

Countries:	Imports £m.	Exports £m.
Great Britain & Colonies	17.00	16.50
Japan	0.60	0.10
U. S. A.	0.15	1.40
Sundry Countries	1.18	0.71

The above avialable evidence shows an increase in the predominance of Great Britain's trade with China after the opening of the Chinese treaty-ports and the British acquisition of Hongkong. Britain stood at the head of all the nations of the earth in commerce, and her direct trade with China during this period was always over 40 per cent of China's total trade with all foreign countries. The United States of America came next in the list of foreign traders with China. Her direct trade with China did not grow so rapidly as did the British trade with China, but in shipping, she, in the second period, originated a carrying trade which took hold vigorously. So the ratio between Britain and America was unaltered.

8. The British Carrying Trade to China.

After the treaty ports were thrown open to foreign merchants the scope of commercial activities was extended. More than half the total trade of China was credited to Shanghai; most of the remainder to Canton and the coast ports south of the Yangtze River, though the northern ports showed signs of rapidly increasing their share. As trade extended, the coast carrying business became important and the shipping business had a twofold aspect. The carrying trade of China was divided between Germans, Americans and English. The Germans were patronized by the Chinese because of the convenience and economy of their small vessels which took part in the coast trade. The Americans were particularly active with steamers adapted to the river traffic, and they began to load cargoes for the merchants generally at the

beginning of this period. They invented the swift sailing tea-clipper. In the coast trade the English and American ships alone offered a speedy, safe, and insurable means of transport for tea. The Germans, with as yet an inconsiderable trade in goods of their own, swarmed along the coast in brigs and barques of an average of 200 to 300 tons. In 1864 the shipping entered and cleared at all ports of China had a tonnage of 6,635,485 tons, of which the British was 2,862,241 tons, the American 2,609,391 tons, the several German states together 580,570 tons, and all the other flags 583,311 tons.

We have stated that the British have had a long record as the leading foreigners in shipping in the foreign trade of China because the shipping industry had long been one of the most important and one of the most prosperous of British industries. The British had already in 1850 thrown away the crutches of their Navigation Laws. It may be said without hesitation that British shipping engaged in China's trade has continued its lead among all foreign nations, and that in percentage, the British share has increased to some times its old tonnage of the last period. The following table gives particulars of the British shipping engaged in the direct trade between China and Britain during 1843-1864.

Total number and tonnage of British vessels entered from and cleared to China during 1843-1864

Year	Cleared to China from Britain				Entered from China to Britain			
	Vessels (to China)	Tons (to China)	Vessels (to Hongkong)	Tons (to Hongkong)	Vessels (from China)	Tons (from China)	Vessels (from Hongkong)	Tons (from Hongkong)
1843	76	33,988	-	-	84	39,712	-	-
1844	83	34,644	-	-	104	45,605	-	-
1845	90	35,787	-	-	121	51,802	-	-
1846	30	13,177	52	20,847	107	44,796	16	8,797
1847	32	13,586	47	19,114	105	43,269	20	8,679
1848	37	15,285	38	16,133	85	35,560	13	7,042
1849	34	13,683	40	16,658	83	37,688	15	6,720
1850	32	13,525	61	28,572	86	39,194	12	4,610
1851	51	24,929	26	11,930	120	59,752	2	1,039

Year	Vessels (to China)	Tons (to China)	Vessels (to Hongkong)	Tons (to Hongkong)	Vessels (from China)	Tons (from China)	Vessels (from Hongkong)	Tons (from Hongkong)
1852	67	31,790	32	15,307	109	58,740	9	5,257
1853	51	26,157	63	29,871	114	62,210	4	2,718
1854	36	17,969	28	16,847	132	77,432	3	1,652
1855	53	29,659	43	24,270	130	81,335	3	1,876
1856	64	36,890	47	31,640	119	79,871	1	530
1857	65	42,636	136	83,836	97	61,493	5	2,018
1858	59	34,597	86	50,687	105	60,488	12	2,200
1859	121	71,674	101	58,742	102	64,740	2	2,419
1860	158	114,324	138	86,557	134	79,561	15	8,606
1861	123	67,347	71	47,343	138	80,154	14	11,220
1862	242	127,689	108	60,854	162	96,105	9	6,308
1863	255	131,863	102	61,666	222	137,285	29	18,714
1864	173	105,032	114	73,260	232	152,178	64	36,410
Total	1,932	1,036,231	1,333	754,134	2,691	1,473,970	248	136,815
Annual average	88	47,101	70	39,691	122	66,999	13	7,201

Chapter III

Historical View

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CHAPTER IV

The Period of the Prosperity of British Trade with China

1865-1884

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CHAPTER IV

The Period of the Prosperity of British Trade with China 1865-1884

A. Historical View

1. The Characteristics of the Period 1865-1884.

The British trade with China during the period now under consideration presents many of the characteristics of the period before and after 1864. It has been said that in the periods before 1864 the Chinese looked upon all foreign trade as unimportant. But of the period 1865-1884 it may be said that it marks the beginning of the view that foreign trade was an important affair of China, even though there was no fundamental change of China's external trade with the rest of the world. And, during the period now under consideration the commercial conditions of the West and of the East were completely metamorphosed by a series of epoch-making changes. By far the most striking changes were in the field of economics and were in many respects changes in the economic life of the world. As a result of these economic changes, British commerce with China was given a new stimulus, and a new chapter in the history of China's foreign trade was opened up with the period 1865-1884.

a. The Geographical Change Produced by the Suez Canal.

The opening of the Suez Canal followed serious economic changes. Before that time, and since the discovery of the South Africa route to the East by Vasco da Gama in 1498, all the trade of the Western hemispheres with the East toiled slowly and certainly around the Cape at an expenditure in time of from six to eight months for the round voyage. This state of affairs required that vast stores of Indian and Chinese products should be always kept on hand at one spot in

Europe where the consumers of such commodities could speedily supply themselves with any article they required; and that spot, by reason of its geographical position and commercial advantage, was England. Out of this condition of affairs came naturally a vast system of warehousing in, and distribution from, England, and of British banking and exchange. But in 1869, came the opening of the Suez Canal. What were the results?

Firstly, the effect of the digging of the Canal was to shorten the voyage and bring China into closer contact with the great countries of the West. The true significance of the Canal lay not only in the economy of time and distance, but also in the fact that it secured the speed of the short route without the inconvenience of transhipment and the expense of land transport. So by 1880 the trade of China with Europe is said to have passed almost entirely through the Canal. The Canal shortened the distance from Hongkong to London by 25.6 per cent and from Shanghai to London by 24.1 per cent of the length of the earlier route around the Cape of Good Hope.

Secondly, the opening of the Canal gave a greater impetus to the substitution of steam for uncertain winds in the navigation of seas. The old sailing vessels, fitted to go round the Cape, were not adapted to the Canal, and it thus proved fatal to them. The nature of the route made it more advantageous to use steamers rather than sailing vessels. Even in the steamships themselves there was improvement. In consequence of the demand for quick, safe and cheap service, the expensive steamer constructions of 1873, being unable to compete with constructions of the next two years, were nearly all displaced in 1875. Thus the acceleration of the use of steamships and the extensive improvements in the world of steam navigation did add considerably to

the advantages arising from the saving of time, distance and risks. Therefore, "without improvements in marine steamers the Canal could not have been of so much advantage, whilst without the Canal the steamers would not have been so useful."(30) By the easy means of communication which was thus thrown open between Europe and China, the abundant resources of China began to be more and more developed for the benefit of the trade and commerce not merely of China herself or of British enterprise, but of the world at large. In like manner, the cost of the ocean transportation of commercial goods between China and Europe has been greatly reduced by the advantages derived from the opening of the Canal. Thus the charge for sea-freights on articles of comparatively high value has been reduced. Therefore the digging of the Canal gave a great impetus to China's trade with the rest of the world.

Thirdly, the effect of the Suez Canal was, to bring about the decline of the warehouse distribution system of England. All through the first half of the Nineteenth Century and even for some years later, England stood before the world as a nation unapproached for her industrial and commercial predominance, and everywhere in the world's market, the supremacy of Great Britain was established without challenge. The more important reason for this predominance is that the exceptionally favourable situation of Great Britain at the head of the Atlantic, naturally made her a great emporium for the trade between the East and the West, so that other nations of the West found it convenient to offer their few specialities to, and buy their limited requirements from, China through this great entrepot. But, with the opening of the Canal, the advantage of England's geographical situation came to an end and she began to lose her re-export trade quite

appreciably. This was the matural consequence of the opening of the Suez Canal. Thus the disappearance of the entrepot trade of London has been the cause of much of the loss in British imports from China since 1876.

Fourthly, when the opening of the Suez Canal brought to a close the period of Europe's practically entire dependence upon Great Britain for produces such as tea and silk, the direct trade between China and the Continent of Europe was then increased. During the period under consideration silk came to be shipped directly to Marseilles, tea for Russia directly to Odessa, and the beginnings were made of the direct trade with Antwerp, Bremen and Hamburg. Importations of Chinese produce were thus no longer confined to Great Britain and other countries to a special class of merchants, who now had to suit themselves to the new conditions; and so generally has this former large and special department of trade been broken up and dispersed, that extensive retail merchants in the larger cities of Europe and the United States of America are now reported as drawing their supplies direct from native dealers in China.

b. The Establishment of Telegraphic Communication between China and the West.

There was a further consummation to the whole process of linking up the different parts of China with one another and of China with the rest of the world, when her telegraphic communication with the outer world was placed on a satisfactory basis. The period now under consideration was a period in which the cable and the telegraph rendered inevitable a revolutionary change of the world's economy. The telegraph, with its later rival, the telephone, as serving the same ends had great effect in modifying the course of China's foreign

trade - - an effect particularly felt in the trade between Britain and China. It was about 1871 that the question of telegraphic communication between London and Shanghai began first to take a definite practical shape, and that through London between Shanghai and the commercial centres of the United States, telegraphic communication was also established. The cables were first sunk in 1870. By June, 1871, British Singapore was in communication with Hongkong by cable, and in the same year the cable was extended to Shanghai. In China, the extension of the telegraph, which directly resulted from the Russian difficulty of 1880, brought the remote corners of the Chinese Empire into rapid communication with one another. In the old days, communication was slow, in China as well as in the case between East and West. But now, the delays to messages were no longer a subject of universal complaint, and it was felt that quick communication made trade brisk, by aiding the quick interchange of commodities. The opening of telegraphic communication between London and Shanghai, the commercial centre of China, involved a revolution in the methods of conducting business and seriously affected the old-fashioned traders, who were slow to recognize the change so that they were in the possession of considerable stocks of goods at all times. A change was made in the position of the foreign merchants in China since telegraphic communication was established. Methods which were natural under the old regime of monopoly were hardly suited to the new era of free competition. As the period of the Suez Canal was a period in which the trans-oceanic trade was carried by steamer; with market quotations and orders sent by the cable, and with the merchant no longer needing long foresight, no longer depending on his sagacity in providing for a distant future, but taking orders to buy or sell, and executing

them on commission. With telegraphic communication between China and the important cities of the world, and with the reduction of the voyage to thirty days or less, there was, therefore, no longer any necessity for laying up great stores of China's products in London. Europe, and to some extent the United States ceased to go to England for its supplies. If France wanted any Chinese products, she received them en route, by the Suez Canal, at Marseilles; if Spain, at Cadiz.

c. The Long Decline in the Gold Value of Silver.

The period under consideration is the period which was characterised by the difficulty of all exchange markets. The long and great decline in the gold value of silver was the outstanding economic event of this period and it was not without a deep significance for China's trade with Britain. When China could not fall back upon her old-time policy of commercial seclusion, she had to enter the field of world economics. She has been regarded as the country to be 'peculiarly well situated for observing phenomena connected with changes in the value of the precious metals'(31), because China is the country that has been directly affected by the fall in the world's market value of silver.

Of the precious metals, gold predominated as the medium of payment, particularly in international trade, and as the standard of value. Silver was too bulky a medium to be convenient for merchantile transactions. Gold was almost a necessity. It was undervalued in terms of silver. The price of silver in gold began to fall. This meant that the currencies of silver-using countries began to depreciate. From the time the gold standard was adopted in England, gold was gradually established as the sole monetary standard of the Western states, unlimited of necessity in respect to legal-tender powers;

while to silver was assigned the function of a subsidiary service. Silver was then only suitable coin medium for countries of comparatively low prices, low wages, and limited-exchanges, like India and China. For a long time the severing of the bimetallic tie between gold and silver was a serious embarrassment to the intimate financial and commercial relations between China and Great Britain, and even between East and West. In 1870, to make matters worse, the disturbance in the markets of the world was caused by a difference in the exchange value of gold and silver, and, of course, was also due to other causes. Ever since the bimetallic link between gold and silver was broken in 1873, there has been no rule to guard exchange risks in the trade between the gold standard countries and China. Of course, it was evident that changes in the relative value of gold and silver arising in Europe would, through the agency of international commerce, immediately have their full effects in the altered purchasing power of the two metals all the world over, and in China no less than elsewhere. But in frequent fluctuations in the exchange, China suffered far worse than the others, because in China, except in recent years, bimetallism had not been given up, and silver continued to hold its old place for a long long time. China has been, therefore, a very favourable field for observing the effect of the changes in the gold price of silver upon a silver-using country.

The whole subject of the distributing influence of the decline in the value of silver on the trade between gold and silver using countries is complicated and difficult of analysis. A full study of the influences of currency changes on the fortunes of Sino-British trade is better presented in another paper or in a subsequent chapter. Suffice it here to give statements on some reasons for the long-standing

relationship between gold and silver being broken up, and also to give, in general, some considerations to the effect of the fall in the gold value of silver.

(1) Fall in the gold value of silver.

According to the report of the British Royal Commission on gold and silver, 1886, from the middle of the Seventeenth Century till 1873, gold had never varied more than three per cent on either side of a ratio of 15½ of silver to 1 of gold, and then, the ratio between gold and silver was remarkably steady. For many years prior to 1873, the bullion price of silver, thus remained very nearly constant at from 60 to 61 pence per ounce on the London market, while the market ratio of gold to silver, or the ratio according to which gold and silver could be interexchanged, was limited in London, from 1851 to 1872 inclusive, to a range of variation of from 1 to 15.1 - - the minimum in 1865 and from 1 to 15.79 - - the maximum in 1872. But from 1872-3 began a period of prolonged and fitful fall of the gold value of silver. Let us now try to give some reasons for it.

(a) The world's output of silver had, after the 'sixties, steadily augmented, while the production of gold had begun to slacken at about the same time. So the gold value of silver failed to hold its old status.

(b) Since the eighteen-seventies there was a well-recognized movement in the world against silver and in favour of gold. When Germany entered the world's market as a seller of silver, since 1874 she had radically modified her metallic circulation, giving preference to and using additional gold. And at about the same time, when the Latin Convention States of Europe had been no longer consumers of silver, the U.S.A. and Italy resumed specie payments. The foreign

exchange market was thus from that time disorganised.

In the coinage system of Great Britain the function of silver remained as it had for a long period, almost as unimportant as that of copper. In the other states of Europe, the currencies of which had been on a specie-paying basis, the situation was substantially the same as in Great Britain. The value of bullion had thus been steadily declining so that the average price of silver since 1873 in the London market went down almost from year to year till it showed sign of recovery in 1915.

(2) Fall in the exchange value of Chinese money.

The exchange relationship of China with gold standard countries, naturally followed the market price of silver in terms of gold. There was a continuous and persistent decline in Chinese exchange synchronous with the fall of silver. In 1873 there began a fall in the exchange value of money. The exchange value of Chinese currency fell steadily and gradually year by year, and(taking 6/8d per customs tael as par in 1873, or 100 per cent)by 1879 it had fallen to 84 per cent. In 1885 a further fall began and its fall became more rapid. But during the time of the long and continued fall in the value of silver, there might have been a temporary and speculative rise which should not be neglected.

(3) General considerations on the decline in the value of silver.

The economic disturbance contingent on the decline in the value of silver have been almost exclusively confined to the trade or financial intercourse between the gold-standard and the silver-standard nations, or between the United Kingdom, the gold standard country par excellence, and China, the only one of wide extent, in which silver continued to be the means of payment in international trade. We

propose to relegate a full discussion of this point to a subsequent chapter, which we shall probably devote to an examination of the effects of the fall in the value of silver on the trade between Britain and China. We presently propose to review the general considerations of them with a view to showing the following three points as our preliminary observations:

(1) The effect of the varying exchange on export and import prices.

(2) The effect of the fall of silver in stimulating China's export to the gold-using country, such as Britain.

(3) The effect of the fluctuations in rates of exchange on trade.

(1) A change in the relative value of the two precious metals, gold and silver, had exercised a concurrent superior and predominating influence in respect of the prices of all other commodities or services. With reference to the distrubance which ensued about the beginning of the 'seventies, on account of the rupture in the established ratio between gold and silver, it is reasonable to assume that within the sphere of international trade, there was close interdependence.

According to Professor Taussig's point of view, imported and exported goods were directly and immediately affected. Thus, the gold price of a Chinese commodity in Great Britain, the silver price of goods in China, the rate of exchange of Chinese money and the price of silver bullion - - all were tied together. And so as regards the silver price of a British commodity in China. It is doubtless that the continued fall in the gold value of silver more or less affected the gold price of a commodity exported from the gold-using country. We shall have occasion to show whether the purchasing power of silver has varied with the varying exchange. But we can ascertain that the decline of silver in terms of gold did not represent a fall in terms

of all commercial commodities, even though fluctuations in the prices of commodities had resulted from a fall in the value of silver.

(2) In exclusively silver-using countries, like India and China, the decline in the value of silver has affected its purchasing power in respect of the foreign products; for the silver of such countries could not exchange for the same amount of gold as formerly. It might be supposed that, owing to a change in the relative value of the two precious metals, the silver of China and other like countries would purchase correspondingly less of the commodities of foreign countries, which are produced and sold on a gold basis.

Furthermore, a fall in the gold price of silver in Chinese exchange means that it is possible to buy Chinese taels with fewer British pounds sterling or American dollars. It follows that a fall in silver makes it possible for westerners to pay more in silver for Chinese exports.

It is obvious enough that if, when other things remain equal, we assume a fall in the currency of one country in terms of another's, the exporter from the first country increases his receipts in local currency, even though he asks for no more than his former price in foreign money. Consequently, the depreciating currency stimulated exports and thus encouraged national production. This is a statement of the a priori theory of the effect of falling exchange on the external trade of a country. We shall have an occasion to examine this exchange stimulus theory and try to see what the effects of the fall of silver in stimulating the volume of exports from China to Great Britain had been.

(3) It was often disputed that falling exchange is capable of encouraging exports or imports. But it is indisputable that the

influence of violent fluctuations in the exchange on trade was nothing but pernicious. The disturbances of trade had, therefore, resulted from fluctuations in rates of exchange between Great Britain and China. In the following chapters, I shall give the facts which bear out such statements.

Last but not least, in forming an opinion on the problem such as the effects of a fall in the gold value of silver on the external trade of one country, it is important to keep steadily in mind the fact that 'international trade is trade in commodities, and not in money; and that the precious metals come in only for the settlement of balance.' This is in accordance with the view of Professor D.A. Wells, who has followed Adam Smith's idea in exposing a common misconception about the relation between foreign trade and general prosperity.

Accordingly, the trade between Great Britain and China is in fact an exchange of silk or tea for cotton or woollen goods. Its character would not be altered even if China were to adopt the gold exchange standard of to-day. For the most part, they can get in other goods, regardless of the kind of money that they use. Nor did the difference in their respective currencies affect the character of the whole trade between them. Such effects as did appear were not of a kind to alter the character of the trade between a gold-using country and silver-using country.

d. Economic Disturbance of the World.

The period under consideration marked the beginning of the modern rapidity of industrial development. It was an epoch of efficient machinery, by which mankind has acquired increased control over the forces of nature. In the increased utilization of such control - - mainly through machinery - - for the work of production and distribution,

the wonderful material evolution of that time was hence continued. So in the time of Adam Smith it was regarded as a wonderful achievement for ten men to make 48,000 pins in a day but, during the 'seventies, three men can make 7,500,000 pins of a vastly superior character in the same time. These phenomena might be ascribed to 'overproduction', which has been sufficient to bring world economy into depression or disturbance.

It is true that depression of trade is an economic phenomenon that has been everywhere recognized. Its most noteworthy peculiarity has been its universality; affecting nations that had a stable currency based on gold, as well as those which have had an unstable currency based on silver. The maximum of economic disturbance has generally been experienced in Great Britain; the minimum in China.

In some years prior to 1870, British external commerce showed enormous development and China shared the prosperity of British overseas trade, even though she was almost exclusively an agricultural country. There was, however, no corresponding steady increase in the exports of British produce and manufactures. The movement began in 1872. With the year 1872 ended the so-called period of Victorian prosperity which lasted about thirty years. Up to 1872, the exports of British home produce had kept on increasing with the imports; but a change took place in the latter year. While British imports continued their upward trend, gradually rising year by year, the exports of her produce fell from 1873 downwards. In 1873 the period of great depression in Britain commenced and terminated in 1879. It recommenced in 1882-3. Thus, during the period now under consideration, the years from 1873 constituted a phase of almost universal depression.

During the time of worldspread depression, the foreign trade of

China suffered - - she had famine at home and commercial depression abroad. But it still showed a small improvement. Roughly speaking, the total external trade of China did not remain the same throughout the period under review, for there were some upward movements followed by some downward movements.

So far as the balance of China's foreign trade was concerned, the exports of China, in the early days of trade, comparatively exceeded the imports. After 1831, the Chinese trade balance usually remained adverse, but the period under consideration is the period of transition of China's foreign trade. The movements of imports and exports were almost paralled; that is to say, the imports and exports approximately balanced in favour of China. There was, moreover, no uniform unfavourable balance against China, while in the years 1864, and 1872 to 1876, exports exceeded imports by small amounts. Since 1884, the trade balance against China was uniform and steady. This was also the case So with British foreign trade

As far as trade movements were concerned Britain showed a larger unfavourable balance, and stands as the larger import market in the world, since the appearance of the world-spread great depression. During the period under consideration, the Victorian prosperity of British foreign trade was on the decline in 1873. From 1880 to 1882 came a rapid recovery; but this soon gave place in turn to a second depression. British exports declined in value substantially and her net imports fell sharply also. The depression quickly passed after 1886, when an increase in the total trade of China began.

2. The State of Affairs within China during 1865-1884.

The period 1865-84 was a period relatively quiet not only in Britain, but also in the Chinese Empire. In Britain, the so-called

Palmerstonian Age ended with the year 1845. The main motive of the politics of 1865-86 was the manoeuvering of Gladstone and Disraeli, who were in the House of Commons as successors to Palmerston's position as rulers of Great Britain. In the Far East, Britain has had preponderating interest. Her policy towards China was now much in sympathy with the views often expressed by Cobden and Bright, whose policy was non-interference in the affairs of China, based largely on the disparagement of the value of British interests in China. The foreign office was therefore reluctant to busy itself respecting affairs in China.

The restoration and the centralization of the Chinese Empire are two important factors we now deal with briefly. Except for the Taiping Rebellion which had reduced the Chinese Empire to a state of anarchy, and which was put down in 1864, other rebellions, also threatening the power of the Manchus, were all suppressed soon after 1864. Until 1884 China was fairly peaceful; the south and the north slowly recovering from the rebellion, and enjoyed greater general quiet than it had done for a dozen years. The Manchu Dynasty, indeed, for a moment took on a new lease of life.

Unfortunately, a period of comparative tranquillity was shaken by disastrous famine and floods. In 1876 the southern maritime provinces and some large areas in the north of the Yangtze were visited by floods and a plague of locusts caused much destruction of crops. In the next year, the greater part of the nine northern provinces was also the victim of drought. The condition of the people became desperate. Nine millions were said to have perished, and many more suffered the same fate. The progress of restoration and reconstruction was checked by these disasters.

The Manchu Dynasty, badly shaken by the civil wars and by foreign repression, was nearly collapsing, and was held togehter by little else than the personality of the Empress Dowager. The able Empress ruled as regent during the minority of her son, the emperor, and on his son's death - - 1875, obtained the succession for another minor - - known by his reign name of Kuang Hsu. The old Empress held the reign of power until her death. She probably prolonged the life of the Tsing Dynasty, but the danger of entrusting the affairs of the Empire to one hand soon became apparent. She was aided by a group of Chinese officials, of whom the greatest and most skilled was Li Hung-Chang. The group whom he gathered about him was powerful in China down to the last day of the Manchu Dynasty.

Li Hung-Chang even attempted to strengthen the Tsing Dynasty, but failed to resist foreign encroachments when foreign affairs fell into his hands. From 1878 onwards, the progressive party, led by Li, had been urging on the throne the advisability of reforms and industrial organization. Thus the period under consideration saw the beginning of Chinese industrial development and the first attempts to make use of modern machinery in industries. Railways for commercial and military purposes were built and continued to be built. In 1876 a machine for working coal was utilized in the Kaiping mines. In 1877 the China Merchants' Steam Navigation Company was organized. At Shanghai a beginning in production by machinery was attempted in cotton mills and match factories. The work of reconstruction went on favourably; and reforms were being initiated in many directions. But the various attempts to make use of the industrial equipment of the West met with little approval and less success. The reason is that the Chinese, successfully resisted the proposal of any reforms,

owing to a deeply rooted conservative prejudice. Her awakening was thus delayed. Still there were signs that it was coming.

3. The Beginning of Missionary Demonstrations in China.

In the Chinese view the missionaries were always coupled with diplomatic pressure. They were therefore unpopular. Since 1860, they, on the one hand, were largely respondible for China's first contacts with Western education and medical science. But on the other hand, they had always found themselves received with disfavour, while some Powers used the missionary question as a political weapon. Interference by foreign missionaries - - usually Catholic - - on behalf of Chinese converts was a constant source of friction between the common people or local officials and foreign missionaries. During that time, it was, in the common people's view, very difficult to draw any difference between Roman Catholic and English or American mission stations. So all missionaries were often met with opposition. Occasional incidents often occurred. The incident of Tientsin in 1870 when some French were killed, arose out of the anti-Catholic sentiment. The news of the Franco-German war caused this case to be settled peacefully. But we are sure that this was not an anti-foreign movement; for at that time there was no anti-foreign party in China. At the same time, however, a strong 'anti-foreign pressure' current of opinion began to prevail throughout the Chinese Empire.

4. The Diplomatic Relations between Britain and China.

The years between 1865 and 1884 were marked by no major crises in China's foreign relations, however, occasional minor clashes occurred. It seemed to the Chinese Empire that here and there were to be found indications that China would not remain as she had been in the past thirty years. After 1864, she somewhat grudgingly began

to enter into the diplomatic life of the world. Before 1880, Chinese resident envoys had been appointed to most of the leading capitals of the world. Before this date, there had been two missions sent as diplomatic mediums by the Chinese Court to the West with which she must henceforth deal.

a. The Growing Pressure of the Powers on China.

The period under consideration is the transition period of Chinese foreign intercourse; from European admission to European aggression. The period of Chinese seclusion ended with the date of the signing of the Treaty of Nanking as a result of the Opium War, in which China first felt foreign pressure. After the second settlement of treaty relations between China and the European states, foreign pressure on China was considerably increased. During the period now under our consideration, this foreign pressure steadily accumlated. Fresh concessions to the Westerners, either in privileges or in territory, were to be made.

Since the 'seventies, the effects of the Industrial Revolution upon nationalism were bound to find their expression. We see more clearly to-day how economic changes affect national development; in the European world, Germany became strong, Italy became united, and semi-agricultural France became more industrialized. The fact, that Russia and Japan came upon the scene and tried to be the leading role in China's affairs, aroused a new imperialism throughout the world.

Before the new German influence in the Far East had grown, Russia planned to find a 'window on the Pacific'. It had been dream of Russia for two centuries. Japan, who was destined to play a leading role among the powers in the Pacific, was during this period rising like the sun in the eastern sky.

It is therefore obvious that under these various influences operating from without, the character of China could not any longer be what it had been in the last period we have dealt with. So during this period, the growing pressure of the powers began slowly to take effect. In the 'seventies China and Russia nearly came to blows over the occupation of Ili by the latter. At last even Russia restored it, but she annexed the coast district south of the Amur river. In 1881, after prolonged friction, China recognized Japanese jurisdiction over the Liuchiu Islands. In 1880 China and France went to war which dragged slowly on from 1882-85. At last France gained control in Indo-China, a dependency of China. In short, during the second half of the Nineteenth Century the powers became increasingly aggressive toward China; and since 1870 each transaction between China and the powers has involved greater and greater encroachment on the Chinese sovereignty and also on her territorial integrity.

b. Treaty Relations between China and Great Britain.

Since the Tientsin treaties were signed and had become effective the conflict between foreign aggressions and Chinese resistance had proceeded without intermission on either side for twenty years. Among foreigners Britain made her weight felt in the conflicts and concerts of China. Britain during this period was still to represent the western nations as a champion of their interests in China, and as a leading power to look for extension of their interests in further conflict with China. The treaty revision was provided for at the end of ten years upon the demand of either party to the Treaty of Tientsin. On the expiration of the ten years, a convention was signed in Peking in 1869. The British Government refused to ratify it by making a pretext that the consent could only take effect by

common consent of the treaty powers. But in fact, it was attacked by the British merchants who were interested in the trade with China, because they demanded much and China gave too little. The British Government decided, in view of the opposition of the merchants, not to ratify the Convention.

As a matter of fact, the Convention of 1869 was the first treaty based on the principle of bargaining. Something was given for what was obtained. The Chinese were not disposed to give everything for nothing. Though it need not be considered in detail since it was never brought into force, the terms of this bargain nevertheless deserve our attention. It has been said that the terms of the Convention seem reasonable and fair to both sides, and many of its provisions have since been adopted piecemeal. For example, Clause III contained an important concession to British manufacturing interests. Cottons, linens and woollens imported by British merchants were to be exempt from all inland taxes, whatsoever, in treaty port provinces. In return the communication duty of 2½% was to be compulsory instead of optional. On opium, China proposed in the Convention to raise the duty in return for half a dozen concessions, as such (1) to travel in British vessels, (2) to establish bonded warehouses, and (3) to the opening of coal-mines in the South. But the British merchants strongly objected to this provision. So ended the peaceful negotiation of treaty revision.

c. The Chefoo Convention: Its Character and Its Considerations.

In 1875 a British exploring expedition was attacked, and an interpreter, Margery, was killed on the border between Burma and Yunnan. Great Britain naturally took the occasion to demand not only redress but the adjustment of other standing questions, particularly

on some commercial issues between China and Britain for more than twenty years. In August 1876, Li Hung-Chang was sent to Chefoo with full powers to treat, and with him Sir Thomas Wade, the British minister to China, concluded a general settlement of outstanding questions.

The Chefoo Convention was drawn up in three sections, the first being headed 'Settlement of the Yunnan Case', the second, 'Official intercourse' and the third related to 'Trade'. The whole convention is not worth our careful study. The third section which dealt with trade however should receive our attention. The provisions of chief importance were: (a) that which opened as treaty ports Ichang, Wuhu, Wenchow and Pakhoi, and six ports of call for steamers on the Yangtze river; and (b) that which provided for the opening of Chungking, in the province of Szechwan, when steam navigation should have reached the city.

The first additions to the original Five Ports were those specified in the Treaty of Tientsin. To these was added Tientsin by the Convention of 1860; and since that date by the Chefoo Convention four new ports were opened, making 20 in all in 1884. Among the ports opened for the purpose of foreign trade, the most important are Shanghai, Canton, Nanking, Hankow and Tientsin. The character of their significance continues still to-day. The important position of Shanghai and Canton has been changed alternately as we have said. The opening of Nanking was also to be deferred, and it was actually effected only in 1899. So, during this period the growing importance of the position of Hankow and of Tientsin began to attract our attention.

Hankow, the concentration point of the population in the very

centre of China, is on the Yangtze at a point which could be reached by ocean-going steamers; so it renders the group of cities the most important commercially in China. Since it was thrown open, it became a collecting and distributing centre for goods for many quarters. The position of Hankow is now rivalled in importance only by that of Shanghai because the opening of a long railway to Peking in 1905, and to Canton in 1936 caused a great development of trade with the north and also with the south.

Tientsin, the most important commercial centre north of Shanghai, is the sea-port accessible to ocean-ships and it is now an important railway centre of China. Since the trade of Tientsin developed Shanghai was no longer regarded as the distributing centre of trade for Northern China, even though its important position for ocean-trade remained unchanged.

The negotiations connected with Chefoo Convention, on the one hand, illustrate the increasing complication of Chinese questions owing to the conflicting views of the various Treaty Powers. On the other hand, the negotiations themselves serve to bring out the fact that the Powers were to find it difficult to work together in future. Their jealousy from this time became more and more apparent in the readjustment of Chinese foreign relations.

However, before this period was to close the Powers were still to work together with a view to the extension of their interests in China. (1) The Chefoo Convention was an agreement dealing not only with British trade but with all foreign trade and interests in China, while it was applied to them as a whole. (2) As a matter of fact, it was to some extent a revision of the treaty of 1858. (3) It was, therefore, described as the third stage in the history of China's

international relations, ranking next in importance to the treaties of 1843 and 1858.

B. Course of Trade between Britain and China

1. General Understanding of the Study of China's Foreign Trade.

In dealing with Chinese foreign trade during and after the period 1865-1884, there are some facts we should understand here.

a. Information of the Chinese Maritime Customs.

The existence of unrecorded trade in China before 1864 was recognised by those who have been interested in such a study as Chinese foreign trade. Light has been thrown upon this study and the records of the Chinese customs made it possible. The Chinese Maritime Customs, to which we have already referred, were put to greater uses by the Chinese Imperial Court, for example as revenue-collector as well as the source of plurality of function. Up to 1864 the Maritime Customs organisation had been extented to nearly all the open ports. There is available, therefore, material for estimating the results of Chinese foreign trade.

The Chinese Maritime Customs began the publication of the annual "Return of Trade" for China in 1859. They were improved in 1864 and 1867, and were collections of statistics with no comment or interpretation because they consisted of a brief abstract of statistics followed by the detailed statistics of each of the treaty ports.

In 1864 the publication of the annual "Reports on Trade" began, which were the comments upon the statistical information in the "Return of Trade". The annual "Reports on Trade", which were published separately to the year 1882, consisted, from 1864 to 1874, of a report from each of the treaty ports bound together in a singer

volume. Beginning with 1875 an introductory report was written and this continued until 1882 as the introductory chaper of the "Reports on Trade".

The two publications - -"Reports on Trade" and "Returns of Trade" - - were combined in 1882, and since 1882 these two reports together have been known as the annual "Returns of Trade and Trade Reports" which have been continued to the present day. Introductory reports on the trade of China were still written from 1882 to the present day as the introductory pages of the annual "Returns of Trade and Trade Reports".

The above three sets of figures are of uneven value, however. In 1875 for the first time, all values were stated in Haikwan taels and the calculations were carried back to 1873 for most of the items. The values for the period before 1873 were stated in local taels, which vary from port to port. They cannot be reduced to Haikwan taels in all cases. This makes the statistics less useful before the year 1873. Taken together, therefore, the reports on the trade of China from the year 1875 are the source of an interpretative sort that is available.

The Haikwan tael, was the customs silver unit of account. In 1930 a gold unit of account was introduced and employed by the Chinese Customs. It is called the Customs Gold Unit. Before 1930 the silver unit was more convenient in China, as taxes were collected in silver and business came into existence as a result of silver transaction. The silver unit employed by Chinese Customs was a unit of account only for the calculation of customs duties and only for the valuation of Chinese imports and exports. It is always used for Chinese trade statistics as it is convenient for trade figures.

It represents 583.3 grains of fine silver, and it is roughly equivalent to $1.5 in Chinese silver currency. Payments of duties were not made in Haikwan taels, however, but in local currency. In Shanghai, for example, payment was made in Shanghai taels which contained about 518 grains of pure silver, and 100 Haikwan taels are considered to be equal to 111.4 Shanghai taels.

Finally we should say a few words here about the standard of valuation with its actual exchange rates. We have given an account on the British standard of valuations. The British figures of import values vary in accuracy according as they represent 'official' (before 1854), or 'computed' (1854-70) or 'declared' values. In the case of China, the difficulty of a standard of value has been even more pronounced, while the neglect to allow either for the fall in the gold price of silver or for the fluctuations on locally actual exchange in terms of Shanghai taels or taels price of the dollar is likely to lead to serious misconceptions. It becomes clear that values are even more dangerous to handle in Chinese than in British statistics of trade.

b. The Position of Hongkong in China's Trade with Great Britain.

In dealing with the direct trade between Britain and China, Hongkong, as we have suggested, must be treated as part of the Chinese commercial area, regardless of the flag that flies over it. Commercially it is a collecting and distributing centre for south China in precisely the same degree that Shanghai is for central China. During the period under consideration, the percentage of China's trade with Hongkong considerably increased, and the importance of Hongkong as the chief gateway and warehouse of China increased until 1900. The trade of China during this period was still a trade largely with Great Britain, and much of the trade was through such a distributing

centre as Hongkong. Hongkong is a free port and a British colony, and the Chinese customs have no power therefore to demand declarations or certificates of origin or destination. The products of all nations, passing through Hongkong should be assigned to that port. As the trade of Hongkong was unrecorded, no estimate can be made of the amount of the trade of that port and this has long been a source of difficulty in dealing with Chinese trade statistics.

2. The Expansion of China's Trade with Great Britain.

China's trade with Britain during the period at present under our consideration made gigantic strides and was to a very large extent appropriated by Great Britain and her colonial possessions. The period 1865-1884 was therefore a period of British commercial advance in China. All economic writers have described Britain without hesitation as the most important commercial country in the East, and in fact Britain was at this time ahead of all western states in trading with China.

a. China's Total Trade with Britain.

The following table shows the total value of British exports, re-export and her gross imports, to and from, China and Hongkong. (export and re-export values 'declared', import values 'computed' to 1870 afterwards 'declared'.)

Year	Exports £	Re-exports £	Imports £
1865	5,152,293	123,769	11,451,063
1866	7,477,091	211,542	11,128,661
1867	7,468,278	201,128	9,523,776
1868	8,498,147	228,819	11,717,369
1869	8,673,677	266,484	10,096,320
1870	9,547,563	386,561	9,905,716
1871	9,415,950	404,058	12,198,332
1872	9,497,184	472,478	14,186,964
1873	8,294,669	332,930	13,237,691
1874	8,402,066	360,084	11,893,200

Year	Exports £	Re-exports £	Imports £
1875	8,528,311	407,595	14,762,492
1876	7,691,556	289,698	16,278,032
1877	7,912,663	343,636	15,316,226
1878	6,608,921	382,335	14,775,405
1879	7,597,962	670,339	12,376,385
1880	8,842,509	640,313	13,079,643
1881	9,579,387	454,805	11,717,361
1882	7,645,337	389,951	11,365,841
1883	7,116,331	459,341	11,309,725
1884	7,372,148	620,837	11,193,279

A reference to the above table would show that there was on the whole an unmistakable record of progress of the trade between Britain and China. The course of the British trade with China during 1865-84 shows that the aggregate value of British exports to China and Hongkong went up to £161,622,023, in the twenty years under discussion while her imports from China and Hongkong rose up to £247,513,485. That is to say, within a score of years, the total value of Anglo-Chinese trade roughly doubled itself, when we find that the total trade in this twenty years ending 1884 was about £407,135,506, and about £222,634,944 in the last twenty years ending 1864.

If we analyse and compare British net exports and her gross imports, to and from China separately, we shall notice that; firstly, the Chinese merchandise exports to Britain and the British exports to China were widely different from each other throughout this period; secondly, the rise in the total value of Anglo-Chinese trade was a rise in the value of both imports and exports of their commerce, and thirdly, the British export trade with China advanced more quickly than her import trade with China even though the latter went ahead of the former in this period as well as in the two foregoing periods we have dealt with..

So far as we look at the total values of Anglo-Chinese trade

during this period, the material improvement both in imports and exports may be regarded as the result of twenty years of commercial and diplomatic efforts, but other reasons should come under our review. In China, after 1865, while the worst effects of the Taiping Rebellion were passing away, the restoration of peace and the growth of population in the regions devastated by the great rebellion, were the necessary elements for the expansion of British trade with China.

At the same time, the purchasing power of China was growing, partly owing to the recovery from the Rebellion, partly from the opening up of new markets under the treaties. Thus, the renewed activity of British trade with China made its appearance in the extension of the Chinese markets by the addition of new treaty ports. It was also evident in the growth of British and all foreign tonnages employed in the river and vast coasting trade of China. During this period, the most important feature in China's foreign trade was the effective opening up of the Yangtze river. By the opening of the river, which was by treaty made contingent on the restoration of Imperial authority on its banks after the Rebellion, the new area provided for British enterprise was greatly extended, and inland China no longer secluded herself from commercial intercourse of all treaty Powers.

As well as the factors described above, which considerably assisted the growth of Anglo-Chinese trade during the period under our consideration, there are other two factors we should take into account. From the British point of view, the heavy reduction in oceanic freights and the prevalence of what was an almost ideal condition of freedom of trade were long regarded as two important factors calculated to foster the development of British overseas trade during the Era of

Victorian Prosperity. So, since 1860, there was an almost unexampled expansion in the general course of British foreign trade. Undoubtedly, China's trade with her shared this increasing prosperity of her overseas trade. The period under our consideration was, therefore, satisfactory not only to the British producers but also to the Chinese export traders.

If we refer to the figures of the value of Anglo-Chinese trade, we find that the British exports to China show a record of unbroken advance during the successive years from 1865 to 1872 while the value of the exports rose from £5,152,293 in 1865 to £9,497,184 in 1872, and that the British imports from China mark an unprecedented increase during 1875-1878. Chinese exports to Britain were valued at £16,278,032 in 1876. It is true that in 1876 the export of Chinese products to Britain reached its highest peak in the Nineteenth Century, and after the year 1876 it fell gradually and steadily. During the remaining years of the period, the Chinese export trade with Britain was back to the old high level, and its value was about the same in the four years at the end of the period as it was in the four years at the beginning.

On the whole, the trade between Britain and China made enormous progress after the second period of treaty settlement, when the total value of Chinese exports to Britain kept on increasing with that of her imports from Britain, and reached the highest figure on record, during this period. From the Chinese point view, there is during this period an increase in the relative importance of China's trade with Britain as the Chinese exports to Britain had for the first time reached a high-water mark. From the British point of view, the Chinese market had expanded very rapidly during this period as the

value of British domestic exports to China had more than doubled that of the preceding period.

b. General Characteristics of Anglo-Chinese Trade during 1865-84.

The general course of Anglo-Chinese trade was during this period characterised by the following features.

Firstly, there was a really remarkable progress in the trade between China and Britain. But progress as we refer to the figures of trade on page 26 was by no means uniform. The values of British imports from China show a steady improvement to the middle period, followed by a marked decline; while her exports to China reach their maximum earlier, and then relapsed into stagnation. In the following table are shown the values in million pounds of British imports and her exports, from and to, China and Hongkong separately.

	IMPORTS		EXPORTS	
Year	From China	From Hongkong	To China	To Hongkong
1865	10.6	0.8	3.6	1.5
1866	10.8	0.3	5.1	2.4
1867	9.3	0.2	5.0	2.5
1868	11.4	0.2	4.9	2.2
1869	9.8	0.3	6.3	2.1
1870	9.6	0.3	6.8	3.4
1871	11.9	0.4	6.1	2.8
1872	13.5	0.9	6.6	2.9
1873	12.5	0.8	6.6	3.4
1874	11.2	0.7	4.8	3.6
1875	13.6	1.2	4.7	3.6
1876	14.9	1.4	4.9	3.0
1877	13.4	1.9	4.6	3.5
1878	13.6	1.2	4.4	2.9
1879	11.1	1.3	3.7	3.0
1880	11.8	1.3	4.6	3.7
1881	10.7	1.0	5.0	3.6
1882	9.9	1.4	5.9	3.0
1883	10.1	1.2	4.6	2.8
1884	10.1	1.0	4.2	3.2

The above figures clearly indicate that the rising tide of progress of the import and export trade between China and Britain was

occasionally interrupted by some years of setback, but was not checked altogether. British export trade with China since the depression of 1882 remarkably showed a downward movement. The movement of Chinese export trade with Britain, apart from some years of an increasing prosperity - - 1875-1878 - - was not speeded up. In the years following 1878 this trade suffered a really serious setback, and during the remaining years of the Nineteenth Century, never reached that of 1876.

It is worth while to gauge the relative progress of British import trade by her imports from China. During this period the British total imports increased steadily while China was credited with an increasing proportion, and, in fact, recovered her former position in the British markets. As to the British exports to China in connection with the Chinese total imports from all sources, we shall have a table to show that the increase of British exports to China was an increase mainly associated with the growth of China's import trade. It is clear that the year 1881 is a record year not only in the direct imports from Britain into China but in the total import trade of China from 1864 to 1884. The course of the general import trade of China shows a gradual rise during 1875-1881, but the movement of British produce to China shows a gradual growth from 1868 to 1875. Then, came the time of violent fluctuations, until in 1881, China's import trade with Britain reached a maximum point at a little over nine and half million pounds, a point which was never reached again until 1899.

Secondly, progress was more in quantity than in value. We have in the above figures measured the progress of trade in terms of value, but we must not forget that they are often more influenced by fluctuations in price than by actual changes in the volume of trade.

Though the expansion in the volume of trade during this period would appear to be more or less in keeping with the growth of values, the above figures in value need considerable correction after 1872 during which time the foreign merchants in China began to feel the effect of the fall in the gold value of silver. The change in the purchasing power of silver can be supposed to have had a perceptible effect on the general course of the Anglo-Chinese trade.

It may be noticed that the value and the volume of the trade could move together, but, owing to the fluctuations in exchange, they could not do so. It is thus difficult to formulate any general rule as to a relation between prices and the volume of trade, or between price and the total annual value of imports and exports, but it may be said that on the whole, the course of trade between a gold-using country and a silver-using country was steadily affected by their currency exchange. The widespread fall in the price of silver naturally led to a large reduction in the valuations of Anglo-Chinese trade. It is therefore well to remember that we have only dealt with the values, which failed to show the volume of commodities moved. The period covering the years from 1865 to 1884 was on the whole a period of remarkable expansion of the Anglo-Chinese trade, and even the decrease in the value of their trade in the later part of this period could not represent a greater decrease in its volume.

Thirdly, the course of the trade between Britain and China during this period continued to be a course of trade in a small number of commodities. This is entirely in accordance with the general course of China's foreign trade. Trade was still limited to a few staples of the two countries. Among the Chinese exports to Britain the commodities were tea and silk. Among the British exports to China

the commodities were woollen and cotton goods. In the twenty years 1865-1884, the value of the Chinese exports of tea and silk to Britain together formed about 90 per cent of the total exports, and the value of the British exports of cotton and woollen goods - - including cotton yarn and woollen stuff - - to China and Hongkong together formed about 85 per cent of the total exports. The Anglo-Chinese trade in other commodities, including under the general heading of "sundries" or "other articles" did grow somewhat as the percentages show below, but the great growth in this trade in sundries belongs to a later period.

The mention of the above three points is sufficient to show the general characteristics of Anglo-Chinese trade during the period now under our consideration. But for some reasons, trade between China and Britain during this period was still restricted, and could not expand as it should have done. Let us consider the reasons.

As we have stated above, the opening of the Suez Canal and the subsequent completion of telegraphic communication rendered permanent disturbance of Chinese and British market conditions, while rapid transit and lower freights gave every opportunity for glutting the markets. So the seasons 1871-2 were marked by a heavy increase in the Anglo-Chinese trade; after these seasons the decline in the value of British trade with China is mainly due to this transition state of her commercial organization. At the same time, the business of the resident British merchants in China was affected by such world-movements as the fall in silver and the general commercial depression subsequent to the Franco-Prussian War. The steady decline in the value of British exports to China from the maximum of 1870-2 to the minimum of 1878 is amply explained by this concomitance of unfavourable

conditions.

The export trade from China was affected in like manner by the inevitable collapse as we have seen above. As well as these permanent effects in the Chinese markets, there were temporary disturbing influences affecting her capacity for purchasing British products.

In short, China in the 'seventies suffered from a combination of evils, such as natural calamities, political trouble and diplomatic and monetary disturbances from outside. The year 1873 began under the shadow of devastating floods in North China, deepened by a widespread commercial depression and all the disturbing influences of a trade crisis in Britain and an exchange crisis at home. In 1876 the country was again visited by famine in the north and floods in the south, while business was restricted by fears of political trouble in southern China, and above all, by the unprecedented fluctuations in exchange which marked the years of the beginning of the rapid and steady fall in the gold value of silver. The obstacles to internal communication still remained over a wide area, while the purchasing power of the masses was restricted by the continued exaction of taxes imposed originally for the suppression of the great rebellion.

China, however, possessed remarkable power of recovery from disaster. The west recovered from the effects of the Mohammedan rebellion and the north from famine. So, in the years 1875-8 the total Chinese export trade with Britain speedily rose from £11,893,200 in 1874 to more than fourteen million pounds. And, in 1879 there was a marked improvement of British exports to China, while 1881 was a record year for these.

But the abnormally high limit of trade values could not be maintained; 1882 was marked by heavy losses to the British export trade

with China and 1879 was marked by a great check to the Chinese exports to Britain. The Chinese markets were again disturbed by floods in the Yangtze region and by diplomatic friction with France in the south, so that 1883-4 was another minimum year for British exports to China, and by 1884 Chinese exports to Britain were steadily on the down grade.

3. The Chinese Export Trade with Britain and her chief Exports to Great Britain.

It has been pointed out that the progress of Chinese export trade during the period under consideration cast into the shade the record of her trade with Britain, while the total value of the exports from China to Britain shows a sharp rise in the twenty years 1865-84. During this period, the total value of Chinese exports to Britain was £115,339,092 in the first ten years 1865-74, and was £132,174,393 in the next ten years 1875-84; that is to say, £247,513,485 in these twenty years together. It increased more in these twenty years than in the last twenty years ending 1864. The actual figures, which show the percentage distribution and the annual average of the value of exports of China and Hongkong to Britain, were as follows:

	Tea	Silk	Other Articles	Aggregate
		(According to British statistics)		
1865-1874	£	£	£	£
Total value	97,176,428	10,579,846	7,582,798	115,339,092
Annual aver.	9,717,643	1,057,984	758,280	11,533,909
1875-1884				
Total value	86,966,343	26,295,551	18,312,489	132,174,393
Annual aver.	8,696,634	2,629,555	1,831,249	13,217,439
1865-1884				
Total value	184,142,771	36,874,391	25,895,287	247,513,485
Annual aver.	9,207,139	1,843,720	1,294,764	12,375,674
% of the total	74%	15%	11%	100%

From the above table, we find that the sharp rise in the total value of Chinese exports to Britain during this period must be connected

with increases in the export of Chinese particular commodities - - tea and silk, and that in the latter part of this period, "sundries" (i.e. commodities other than tea and silk) contributed a larger percentage in the total value of Chinese exports to Britain. We have now to consider the chief exports from China to Britain in order to find that certain significant changes in the Chinese export trade with Britain will then be brought out.

a. Tea. As we have seen, during 1865-84, contributed more than three-fifths of the value of all Chinese exports to Britain and in these twenty years the annual average of shipments of Chinese tea to Britain was £9,207,139. With an increase in its value there has been a growth in its volume. The quantity of tea imported into Britain from China and Hongkong increased steadily to 1875. In actual volume it increased from 112,782,845 lbs. in 1865, to 169,762,945 lbs. in 1875. The annual average of tea shipments to the United Kingdom during 1875-1884, was 156,120,652 lbs. Thus during this period, tea shipments to Britain increased not only in its actual value but in its volume, and its export culminated in 1875 when, with a quantity the highest on record, the value amounted £11,408,035.

We also find that during this period, the rise in the total value of Chinese exports to Britain generally coincided with a rise in the total value of the tea exports from China to Britain. There was the same coincidence in the former part of this period, but there has been no such coincidence in the latter part beginning with the year 1877.

During this period, tea was the most important element in the Chinese export trade not only with Britain but also with all the foreign states, and Chinese tea still supplied the western world with 70 per cent of its consumption of tea. So the Chinese tea trade held

its own through the period under our consideration. In the following table are shown both the value and the quantity of the Chinese tea exported annually to Britain during 1865-1884.

Britain's import of tea from China and Hongkong.

Year	Quantity lbs.	Value £
1865	112,782,845	9,326,536
1866	130,863,501	10,443,488
1867	117,551,978	9,178,216
1868	142,111,486	11,342,180
1869	126,482,613	9,229,212
1870	125,593,898	8,787,894
1871	150,010,575	9,907,817
1872	157,761,169	10,685,785
1873	136,298,219	9,202,970
1874	132,928,527	9,071,330
1875	169,762,945	11,408,053
1876	155,693,724	10,138,012
1877	154,996,561	9,694,755
1878	165,660,009	10,138,012
1879	141,517,054	8,125,964
1880	158,032,111	8,341,074
1881	162,195,350	8,043,547
1882	153,527,372	7,350,561
1883	156,112,831	7,433,236
1884	143,708,568	6,373,938

We have in the above table measured the progress of the Chinese tea export to Britain and we must bear in mind the events which bring out the prosperity of the tea trade during this period.

The most important event, from the point of view of the Chinese tea grower and of the foreign merchant, was the opening of the new ports on the Yangtze river in 1861, by which the foreigners were enabled to reach directly the heart of the best tea-districts. The opening of the Yangtze thus made a revolution in the tea trade; for the product of Central China, which formally was carried on man's back over the mountains to Canton, could now be brought cheaply and quickly by water to Hankow, which in the very year of its opening became a subsidiary shipping port - - subsidiary, that is, to Shanghai,

where the ocean voyage began.

After the opening of the Suez Canal, the first result of rapid transit was to pile tea on the market for a few weeks, and stocks, which under the old system might have been held for many months, were realized in a hurry.

In addition to the fact that the Yangtze river and the Suez Canal brought about the easy shipments of Chinese tea to the West, steamers, we are told, made the journey through the Canal sooner and safer than sailing vessels made the journey by the Cape. The tea was piled up in London early in the season and in 1876 it was said that "a better assortment of teas and at far lower prices is obtainable in London than in China."(32)

It is as a matter of course that in Great Britain, reductions in the price of Chinese tea followed a progressive reduction in its duties which were reduced from one shilling a pound in 1864 to six pence a pound in 1865-89. We have referred to the heavy reduction in oceanic freights in the tea trade, in the price of tea sold in the London market, and in the duties on the imports of this commodity. We may say that all these factors calculated to foster the development of the tea trade, and, there was therefore in the United Kingdom an increase in its annual consumption from 97,834,600 lbs. in 1865 to 175,060,301 lbs. in 1884, or from 3.29 pounds per head of the British population to 4.87 pounds.

But, from the Chinese point of view, dark clouds cast a shadow on the horizon for the Chinese tea trade, while an increase in the export of Chinese tea to Britain was characteristic of the Anglo-Chinese trade during this period. In the years of the following period, there was a greater decline in the value of tea exported, with a reduction

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in its quantity. Even in the remaining years of this period both value and price of Chinese tea for export fell off. A series of changes in the Chinese tea trade became important in the following period but, the full explanation of these changes will only appear after more detailed study. But let us now examine why the Chinese tea trade could not adjust itself to some conditions in this period.

Of this period, the changes in the Chinese tea trade may be summarized as follows:

(1) The general change was an increase in the quantity of Chinese tea exported to Britain but a decrease in the value of the exports of tea, and this movement became obvious in the latter part of this period. The following figures show the course of the Chinese tea exported to Britain during 1865-1884.

	Quantity £m.	Value £m.
1865-68 (Average)	125.8	10.0
1869-72 (Average)	139.9	9.6
1873-76 (Average)	148.6	9.9
1877-80 (Average)	155.0	9.0
1881-84 (Average)	152.8	7.2

(2) Owing to the reduced exchange value of the unit, the tael of silver, the fall in price of tea in Chinese markets, which had been continuous from 1873, was greatly accelerated; and tea thus declined very largely in value, but not in volume. The following table shows the downward price of Chinese tea exported to foreign countries from 1870 to 1884.

	Tea			Tea	
	Black	Brick		Black	Brick
	(H. Taels by Picul)				
1870-4 (Average)	23.03	8.76	1880 (Average)	17.64	9.11
1875 (Average)	20.67	11.48	1881 (Average)	16.01	5.93
1876 (Average)	21.31	11.82	1882 (Average)	16.05	5.95
1877 (Average)	17.94	11.90	1883 (Average)	17.01	6.86
1878 (Average)	17.88	6.97	1884 (Average)	14.08	6.05
1879 (Average)	18.07	5.05			

Tea prices fell, it is true, in China, but not to the same extent as in London where the fluctuations of tea prices usually caused this business to be speculative in character. In 1883, the great mass of the tea was sold in London for 8½d per lb., while in time of glut it might drop to 6d or even 5d.

(3) The importing of Chinese tea to Britain was no longer a profitable business, and during this period the British merchants in the China trade complained almost continuously of reduced profits. "During the last twenty years", we are told in 1880 by the Chinese Customs Reports on Trade, "profits have been steadily becoming less while the value of commerce has been as steadily increasing."(33)

The only evidence of the above statement may be found from the fact that the days of rivalry in the building of sailing ships and of the great tea races came to an end during this period. It is true that international rivalry and the races between American and British clippers had come to an end in the last period, but races among British ships which were engaged in the Chinese tea trade still continued until the early 'seventies. By of the opening of the Suez Canal and the invention of the cable, steamers were due to arrive at a scheduled time and then the merchants at last saw that there was little advantage in getting tea to England by the first ship of the season. The British merchants in Chinese trade had suffered already by the fall in the prices of Chinese commodities, which upset all their calculations of the London market. They suffered again from the commercial combinations among the Chinese tea-dealers who put a drug on the fall in prices which would have taken place naturally under western conditions of business. The trouble seems to have been that the prices ruling in China for the coarser teas were far too high

in relation to the state of the foreign market.

(4) As we have seen in the above-statements, during this period, tea decreased in price of its export. The trade in Chinese tea was to be of less interest for tea hitherto dwindled in its shipment to Britain from this period, even though it was shipped to Britain in increasingly large quantities and attained its maximum export to Britain during this period. However Britain was still the country in the West, with the biggest per capita consumption among the tea-drinking countries. But the export of Chinese tea to Britain began to fall from its high place in the tea-trade. It will be seen that on the one hand the growth of the tea trade between India and Britain became steady and on the other hand Russia was fast becoming the dominant factor in this department of Chinese commerce, greatly to the advantage of the Indian producer.

The only reason for these changes in the Chinese tea trade may be found from the fact that there was a great decrease in the export of Chinese black tea of good quality to Great Britain while there was some increase in the amount of black tea of good quality exported to Russia. Shortly after the close of this period a more serious change in the Chinese tea trade became apparent because Britain, being the market for teas of finer quality, was very slack in her demand for Chinese teas. This decline in China's tea trade with Britain, which we shall discuss later, was brought about by the intense competition of India, Ceylon and Japan.

It is, therefore, to be noted that the export of Chinese tea to Britain already showed a tendency to decline during this period. Also, the import of tea from China was far from keeping pace with the consumption in Great Britain; China tea was supplanted by Indian

which grow slowly at first and then more rapidly. The years from 1874-5 mark the change in the rate of increase. The first experiments were made in India in 1838, in which year 500 lbs of tea were shipped to England. It took over forty years for shipments to reach more than 63,000,000 lbs but after that the trade advanced by leaps and bounds in the following period. Ceylon came into the British tea-market in 1883. In 1864, the shipment of Ceylon tea to Britain only amounted 297 lbs., totally valued at £7; after twenty years, the export of Ceylon tea to Britain increased to the amount of 2,210,983 lbs., totally valued at £158,969. The following table shows the percentages of the amount of the import of tea into Britain from China, India, Ceylon and Japan in the five years. By the figures we can see the downward course of China tea and the upward course of Indian tea, in supplying the British market during this period.

Year	China	India	Ceylon	Japan
1864	92%	2.3%	0.000002%	2%
1870	88%	9.1%	...	...
1874	82%	10.0%	0.3%	0.078%
1880	76.4%	21.8%	0.07%	0.1%
1884	67%	29.5%	1.0%	...

b. Silk. The second of the British imports from China to be considered is silk. In China, tea used to be in the lead of her export trade, and silk and its manufactures came next to tea. From the time of the Chinese early trade until the end of this period, tea remained in its position as the chief staple of trade in China, and silk was far behind. During this period, tea accounted for 74%, while silk for 15%, of all exports from China to Britain. For tea, China no longer retained her supremacy in the British market shortly after this period. For raw silk, China has not retained its old percentage

of the last period in supplying the British market, and in doing so during this period has lessened her annual average value by £137,750 as shown in the following table:-

Chinese silk exported to Great Britain

	Total value £	Annual average value £
1844-53	7,260,223	726,022
1854-63	32,369,179	3,236,917
1844-63	39,629,402	1,981,470
1865-74	10,579,846	1,057,985
1875-84	26,295,551	2,629,555
1865-84	36,874,397	1,843,720

From the above table it will be observed that China's total exports of silk to Britain, not including a small amount of silk manufactures and wild or course silk, have not advanced during this period. Next, a comparison of the annual statistics showing the annual value of the British import of silk from all sources with the statistics showing the annual value of the British import of silk from China brings out the fact that out of a yearly average of over six million lbs. of British silk imported, China contributed little more than a quarter, and the proportion declined still further as shown in the following table:-

Imports of raw silk into Great Britain

	From all sources (million lbs.)	From China & Hongkong (million lbs.)
1865-68 (Average)	6.74	0.093
1869-72 "	6.85	1.174
1873-76 "	5.70	3.683
1877-80 "	4.02	3.197
1881-84 "	3.50	2.689

Last, if we examine the annual amount and the annual value of Chinese silk exported to Britain the general conditions of the trade are brought out in the following figures:

Chinese exports of raw silk to Britain.

Year	Quantity lbs.	Value £
1865	136,652	172,626
1866	108,201	130,685
1867	40,016	49,807
1868	90,276	102,768
1869	272,348	319,185
1870	578,441	681,277
1871	1,752,101	1,806,913
1872	2,096,239	2,147,746
1873	3,632,949	3,172,636
1874	2,656,764	1,996,203
1875	3,454,957	2,469,310
1876	4,984,800	4,735,452
1877	3,177,602	3,134,577
1878	3,314,981	2,851,312
1879	3,142,169	2,672,075
1880	3,165,935	2,663,850
1881	2,325,540	1,931,818
1882	2,526,695	2,035,933
1883	2,245,855	1,759,905
1884	3,660,014	2,641,319

The above figures represent some different aspects. The sharp rise in the total value of Chinese to Britain during 1876-84 coincides with an increase in the annual value of Chinese silk exported to Britain. The ten years 1865-74 must be regarded as abnormal and formed a phase during which the general character of Chinese silk trade with Britain was disastrous. Until 1873 the Chinese silk trade in the British market only reached the level of export of 1863. After the 'seventies the export of Chinese silk to Britain seemed to recover her dominant position in British markets. The sudden increases in 1876 and 1877 may be assigned partly to variations in the European crop, and partly to speculation. After 1880 the export of silk from China to Britain shows no increase and remained undeveloped through the remaining years of this period.

So, as we have seen in the above tables, the Chinese silk trade with Britain may be said to fluctuate with a marked tendency to drag

during this period. We shall attempt to discuss the reasons for this.

(1) As in the case of tea, the general conditions of the Chinese silk trade underwent radical changes. These changes were exaggerated by telegraphic communication with London, and the opening of the Suez Canal. Under these changes, all the difficulties incident to the reorganization of the tea trade reappeared in the sphere of silk. The falling off in the total import of Chinese tea during this period was of course due to a smaller consumption in British industries. The loss of the entrepot business of London rendered Britain hence-forward of secondary importance to China as a market for silk, while the advantages of direct import were obvious to the continental consumer, and were further emphasized by careless handling of the bales, with consequent damage, in the London warehouses. During the first and second periods we have dealt with, raw silk, except for the quantities for Britain, went to London and was there bought by the French and Italian weavers, but during this period the Continental traders bought their silk in China and imported it direct. So the increase of continental shipping, in the foreign trade of China, was the main cause of the falling off in the import of Chinese silk into Britain.

(2) In the case of silk as well as in the case of tea we find the growth of competition. We have pointed out in the last period that China no longer held a partial monopoly of the supply of silk while cultivation had increased elsewhere, notably in Europe. The growing taste for mixtures of silk and cotton in Europe was also not without effect on the Chinese market. There could be no better prospects for China in the competition of the silk trade in future, because the proposal to introduce European methods of reeling by machinery

met with strong opposition from the Chinese officials and hand-workers. During this period the export of raw silk from Japan to Britain and the Continental States began to grow even though China has never lost her premier position among the Asiatic nations in the export of silk throughout the last century. The Japanese export of silk to Britain was inconsiderable but during the following period we shall see that the falling off in the export of silk of all kinds from China to Britain was the result of the great growth in the import of silk into Britain from Japan. Even during this period, the competition of China and Japan in the supply of raw silk to Britain as well as to the western states was as yet feeble and not unlikely to grow strong while the Japanese trade remained in a state of undevelopment.

However, from the Chinese point of view, none the less, the silk trade held better prospects for the future than did the tea trade. Prices of silk on the whole were steady in the latter part of this period, with a rise in some years partly compensating for the fall in the gold value of silver, while the quantity exported remained fairly uniform. So as regards the price in silk commonly exported to the gold-using countries such as Britain there was a slight tendency to a general rise. During 1875-84, the price of Chinese raw silk exported to foreign countries stood in the Chinese customs taels as follows:

	1875	1876	1877	1878	1879	1880	1881	1882	1883	1884
Raw silk($\frac{1}{10}$ picul)	30.15	31.6	35.1	34.8	36	31.5	37.8	35.1	36.9	31.05

c. Sundries. Sundries which were made up of a large number of miscellaneous articles of Chinese produce, occupied no important place in the returns of the Anglo-Chinese trade during this period. As in the last period, they constituted 11% of the total value of the Chinese exports to Britain. During this period they amounted to £25,895,287

out of a total export trade with Britain of £247,513,485. During 1865-74 they amounted £7,582,789, and during 1875-84 they amounted £18,312,489 and their value doubled within this twenty years period. Among the sundries, the only noticeable items were sugar and raw cotton which were under the headings in the reports of the British customs.

(1) Sugar. During this period, China was to some extent a real exporter of sugar and this trade grew fairly consistently. Sugar appeared as an import in British customs reports only in the year 1865 during which its import was only valued at six pounds. In 1877 it rose to £1,150,653. The years 1871-2, 1877-8 and 1880-3 marked considerable increases. Sugar was sent to Hongkong and refined there. A small part of it was reported to be sent abroad as an export. Its imports into Britain during this period began to assume some importance, and increased rapidly. It rose from £276,556 during 1865-74 to £2,750,805 during 1875-84. It represented over 12 per cent of the total value of the sundries exported from China to Britain, and consituted 1.3% of China's total exports to Britain.

(2) Of the sundries, next came raw cotton. As we have stated, it was interesting that raw cotton was reported as an export from China to foreign countries and at the same time it was also imported from India, chiefly into Canton, to the amount of 336,072 piculs, valued at taels 7,393,456 in 1867 which was over a third of the value of British cottons, imported into China. The Chinese cotton piece goods such as Nankeens disappeared in the reports of British customs at the very beginning of this period, but in 1864, owing to the American Civil War, shipments of Chinese raw cotton to Britain were made amounting to 769,259 cwts., valued at £6,242,504. In the following year 1865, the export of Chinese raw cotton fell to the amount of

320,141 cwts., valued at £1,593,405. Britain took no more raw cotton from China in the other years of this period than she did in 1865 because she became rather more dependent on Indian supplies of this commodity. So during 1865-74 the annual average value of Chinese raw cotton imported into Britain was £189,615 but during 1875-84 it was £8,743. The export of Chinese raw cotton to Britain constituted 7.6 per cent of all the values of the sundries and only 0.8% of the total exports from China to Britain.

4. The Chinese Import Trade with Britain and her chief Imports from Britain.

China's imports from Britain, measured in pounds sterling, increased from a total of £56,608,032 in the foregoing period 1843-64 to £161,622,023 in this period. So the total value of the imports from Britain to China nearly trebled itself. But this increase was not a gradual and fairly continuous one. The imports of China from Britain fell from the annual average value of eight million pounds during 1865-74 to more than seven million pounds during 1875-84. The course of this trade thus shows a slight decline in the latter part of this period, and a general rise only during the middle part of this period, 1868-1875.

During this period, of the British total exports to China, cotton and woollen goods represented more than 80 per cent and metals and other goods only formed 15 per cent. It is by no means true, however, that the relative importance of the British cotton and woollen goods remained the same throughout the period, even though both increased in importance at the beginning of this period and fell in their values at its end. During this period the exports of cottons from Britain to China represented about 70 per cent of the total value of British exports

to China, and woollens including woollen manufactures constituted 15 per cent. In comparison with the values of the cotton and woollen goods exported from Britain to China during the last period, the export of British cotton goods to China increased during this period but not the woollen goods. The following table gives a comparative importance of the British goods exported to China during 1865-1884:-

	TOTAL VALUE			
	1865-1874 £	1875-1884 £	1865-1884 £	% of the total
Cotton manufactures	52,446,854	48,165,503	100,612,357	62.2%
Cotton yarn	5,368,401	6,553,412	11,921,813	7.3%
Woollen & worsted stuff	10,331,437	8,247,796	18,579,233	11.5%
Woollen manufactures	2,900,204	2,864,528	5,764,732	3.5%
All other articles	11,980,022	13,063,886	25,043,908	15.5%
Total	82,726,898	78,895,125	161,622,023	100%

	ANNUAL AVERAGE VALUE		
	1865-1874 £	1875-1884 £	1865-1884 £
Cotton manufactures	5,244,685	4,816,550	5,030,618
Cotton yarn	536,840	655,341	596,090
Woollen & worsted stuff	1,033,144	824,780	928,962
Woollen manufactures	290,020	286,453	288,237
All other articles	1,198,002	1,306,389	1,252,195
Total	8,272,690	7,889,513	8,081,101

a. Cottons. This term includes cotton manufactures and cotton yarn. The Anglo-Chinese trade in cotton goods shows that the Chinese import from Britain increased from the total value of 36 million pounds during 1843-1864 to that of 111 million pounds sterling during

1865-1884, while the total value of the imports from Britain to China rose from 56 million pounds in the last period to 161 million pounds in this period. The following figures show the annual values of the British cotton manufactures and cotton yarn with its quantity, exported from Britain to China during 1865-1884.

	Cotton manufactures (Declared value)	Cotton yarn (Quantity)	Cotton yarn (Declared value)
Year	£	lbs.	£
1865	2,788,059	1,078,208	104,414
1866	4,420,610	4,741,350	428,937
1867	4,235,311	8,525,261	570,347
1868	5,532,506	6,603,143	399,649
1869	5,701,321	5,610,912	363,078
1870	6,194,274	11,630,442	701,778
1871	6,532,122	8,929,138	498,736
1872	6,400,341	9,765,860	594,114
1873	5,318,491	10,490,930	606,397
1874	5,323,879	15,187,800	800,951
1875	5,329,141	14,559,740	735,730
1876	5,053,771	12,475,335	569,060
1877	4,456,633	17,961,820	785,365
1878	4,017,395	11,058,200	450,689
1879	4,852,051	14,343,400	586,437
1880	5,313,988	19,514,100	864,356
1881	6,044,757	19,149,400	786,417
1882	4,681,508	15,226,700	617,717
1883	4,156,511	13,370,700	541,712
1884	4,259,748	15,721,300	615,929

From the above table there are some points to which our attention should be drawn:

Firstly, it is a significant fact that the imports of British cotton yarn into China differ from her imports of cotton manufactures from Britain. The import of British cotton yarn increased rapidly and steadily from £104,414 in 1865 to £800,951 in 1874 and £864,356 in 1880. The rapid development in the trade in cotton yarn began after 1870 when the total import from Britain was about 11,630,442 lbs., valued at £701,778. We have recorded that cotton yarn which represented 11% of all cotton imports came exclusively from Britain.

But, through the remaining years of this period, small quantities of coarse Indian yarn began to appear among Chinese imports, and their appearance synchronizes with a fall in the import of British yarn or cotton piece goods. We therefore find that on the one hand the growing import of foreign yarn means the beginning of the growing of the local spinning and weaving industry and on the other hand an increase in the amount of British yarn exported to China tended to reduce her piece-goods exports to China because China could make use of foreign yarn to fill the native loom.

Secondly, the Chinese import of British piece-goods considerably increased from the percentage of 56% of the total imports from Britain to China during 1843-1864 to that of 62% during 1865-1884, that is to say, from the total value of British cotton manufactures £32,068,202 in the last period to £100,612,357 in this period. But British trade with China in piece-goods did not develop as did her trade in yarn even though the annual average value of the total imports of British yarn to China was far behind that of the British piece-goods trade with China. During the later part of this period 1875-1884 the import of British cotton manufactures to China had fallen off to four million pounds. The failure of the Chinese imports from Britain to increase must be connected with the decrease in the British trade in cotton goods exported to China. We should then examine the reasons by which the Chinese market could not expand during this period for the piece-goods exported from Britain to China.

(a) The Chinese found their own product better suited to their needs, and so imported cotton cloth was an article of use only among the wealthy in China and not of general use among the Chinese people. The so-called T-cloths produced in Britain had shown a development out

of all proportion to that of the rest. Because of the cheapness of raw cotton in China, the importers of British T-cloths found it impossible to compete with the native article for the everyday use of the mass of the people; British piece-goods were either too dear or too light to stand the wear and tear incident to daily labour. So it is a fact that China herself could produce an article of more durable quality which was better suited to the wants of her people and at low cost. Doubtless, in districts affected by flood or famine, the Chinese buyer either would not or could not purchase the superior article supplied by Britain. In short, the import of British piece-goods was only to supply a special rather than a universal requirement of the Chinese consumer. This is the chief reason by which the growing trade in British cottons with China was thus deferred.

(b) The British export of cotton goods to China was also affected by her competitors who during this period proved successful in this trade. The Americans invaded the Chinese market with heavy piece goods with a certain measure of success, though not with the profits which they had anticipated. It was a case of Lancashire, with cheap and efficient production and relatively dear raw material, against America with more costly methods of production but material relatively cheap in America. America also supplied China with the more durable type of cotton goods while Britain supplied her with the better quality of cottons which were only used by the people of special class and therefore the luxury of the rich.

Thirdly, the above figures offer another proof that the Chinese imports of British cottons increased in volume more than in value, when we find that the total import of British cotton yarn into China during 1870 and 1878, and during 1874 and 1882, gives the following

comparison:

Year	Cotton yarn Quantity lbs.	Value £
1870	11,630,442	701,778
1878	11,058,200	450,689
1874	15,187,800	800,951
1882	15,226,700	617,717

In nearly the same volume of British cotton yarn exported to China, the declared values differ very widely in different times and the value has fallen off considerably. A striking feature of the British cotton trade with China during the period was the rapid fall in the price of cottons. So, it is a significant fact that in the articles of foreign manufactures or production imported for sale in China, the average price in silver declined very considerably. China had obtained her supplies at a lower cost even in silver since the fall in the gold value of silver. The prices of British T-cloths and cotton yarn imported for Chinese consumption during 1875-84 were as follows for each year indicated.

Year	1870-4 Average	1875	1876	1877	1878	1879	1880	1881	1882	1883	1884
		H	A	I	K	W	A	N	T	A	E	L	S
T-cloths by piece	2.50	2.16	1.98	1.75	1.71	1.80	1.95	1.90	1.80	1.76	1.07
Cotton yarn by 1/10 piece	2.85	2.80	3.00	2.80	2.33	2.40	2.50	2.55	2.56	2.47	2.30

Lastly, in the British import trade with China, cottons were still the predominant factor during this period even though their prices have shown a tendency to decline and the growing of this trade was hardly looked upon as satisfactory by the British merchants. The values for the period show the unique importance of British cottons among the imports from Britain to China and their responsibility for the fluctuations of the whole. For this purpose the following

figures are presented.

	British exports to China £m. (Declared value)	British cotton & yarn imported into China £m.
1865-68 (Average)	7.15	4.61
1869-72 "	9.35	6.74
1873-76 "	8.22	5.92
1877-80 "	7.74	5.32
1881-84 "	7.93	5.42

b. Woollens. The Chinese import of British woollens requires no long comment. It changed very little during this period and it represented 15 per cent of the total imports from Britain into China. The total value of this trade more than doubled in this period compared with the last period but its percentage declined as this import constituted about 19.6 per cent in the last period. Even in this period the total value of the imports of British woollens into China fell from the annual average value of £1,323,164 during 1865-74 to that of £1,111,233 during 1875-84. On the whole, the British woollen trade with China remained steady throughout this period, and after the first boom, there was fluctuation with no very marked progress. So, the trade in woollen goods between Britain and China was on a decline. The decrease in this trade is to be attributed chiefly to the fact that in China the mass of the people who were clad in cotton clothing found woollens beyond their means, while the well-to-do preferred silk and furs. The British woollen exports to China suffered like her exports of cottons to China by the fall in prices. The growth of this trade meant an increase in its volume much more than in its value, as was the case in the cotton trade. In order to show its decline in importance, the following table may be studied.

British woollens exported to China during 1865-84

Year	Woollen manufactures Declared value £	Woollen and worsted stuff Quantity Yards	Declared value £
1865	278,661	16,831,783	1,253,453
1866	328,440	21,422,842	1,333,234
1867	212,885	22,782,790	1,410,729
1868	272,447	19,072,874	1,115,510
1869	349,098	22,118,114	1,289,525
1870	314,510	16,556,680	874,370
1871	246,571	15,578,526	714,331
1872	372,879	15,823,190	818,968
1873	342,619	15,319,270	821,439
1874	182,094	12,604,390	699,878
1875	312,347	14,807,020	861,064
1876	316,535	12,181,900	660,457
1877	340,798	17,963,050	900,679
1878	361,336	15,928,800	780,928
1879	328,926	18,665,400	839,696
1880	364,111	20,464,500	915,509
1881	283,208	21,721,100	1,047,006
1882	227,546	13,772,300	731,442
1883	143,418	13,944,700	684,466
1884	186,303	18,001,300	826,549

c. All Other Articles. This term means British imports into China other than those of cottons and woollens. British trade with China in these articles constituted about 15 per cent of all imports from Britain into China. Trade between China and Britain in these articles shows a gradual growth, their imports rising from £727,706 in 1865 to £1,462,631 in 1884, and throughout the period, the value of these imports was annually averaged at £1,252,195. In the development of trade in these imports from Britain to China, we can see that from the 'sixties the Chinese taste for foreign articles had grown. Particularly, such commodities as metals, machinery for mill work, and telegraphic wires and apparatus were imported into China from Britain in increasing amounts, and thus the beginning of industrial projects in China may be traced back to this period.

Among these other articles, metals head the list in the British exports to China. They constituted about 5 per cent of all the

imports into China from Britain, and they represented about forty per cent of all these other articles. Among the metals, there was a slow growth in the imports into China from Britain of iron and copper. The total imports of these two metals annually averaged £328,349 during this period, but British trade with China in lead shows a decrease in its value. This is due to the fact that iron, steel and copper were used in China for a variety of purposes, while lead was still used only for the lining of tea chests. The following table shows the detailed conditions of British metal exports to China during 1865-1884.

Annual average value

	Iron	Copper	Lead
	£	£	£
1865-74	210,096	79,833	151,421
1875-84	256,522	108,333	180,868
1865-84	234,266	94,083	116,144
% of the total of other articles	18.7%	7.5%	9%
% of the total imports into China from Britain	3%	1.1%	1.4%

Among these "other articles" exported from Britain to China, certain significant ones remain to be mentioned. Such articles as arms and ammunition, telegraphic apparatus and machines carry a small value when these imports are measured as the percentage of the value of total imports into China from Britain. But, the growth of the trade in these articles shows the progress of China's foreign trade in some of its interesting aspects. In a civil war like the Taiping Rebellion for example, the various attempts of the Imperial force to make use of the Western arms met with great success, and, after the Rebellion, the Imperial Government of China showed no disposition to prohibit British trade with China in arms and ammunition. During the

twenty years 1865-84, the British exports of these commodities reached an annual average value of £97,172, and the total value amounted to £1,943,449. The imports of British telegraphic apparatus and machinery into China appeared in their trade, and we find that the annual average value in telegraphic apparatus is £44,634 during 1869-1884, and in machinery, £71,377. It was said that before 1880 China was without telegraphs, or mills for cotton or wool. They were imported originally for the use of the British people in China.

5. Specie Movement and Trade Balance between Britain and China.

In the trade between Britain and China, as well as the imports and exports, there was also the specie movement, that is to say, the import and export of British gold and silver into and from China. The statistics for estimating such movement during this period are more satisfactory than for estimating them during the last period. The following table shows the Chinese imports and exports of bullion and specie from and to Britain for each year of this period, 1865-84.

Year	Value of Chinese import of treasure from Britain £	Value of Chinese export of treasure to Britain £
1865	1,237	...
1866	2,891	...
1867	4,204	...
1868	1,397	354,192
1869	1,616	727,636
1870	543,461	134,681
1871	3,069,716	13,100
1872	61,893	38,760
1873	628,468	313,055
1874	654,327	24,800
1875	454,399	863,131
1876	824,090	1,249,729
1877	187,066	2,047,685
1878	431,424	1,621,056
1879	1,158,405	527,492
1880	38,069	1,125,702
1881	32,402	962,587
1882	41,071	446,775
1883	250,731	917,552
1884	68,521	761,134

From the above table, the specie movement is comparatively larger during this period, when the British trade with China had increased manifold. During the twenty years 1865-84, the total value of imports of British treasure into China was £12,129,067, and the total value of the exports of Chinese treasure to Britain was £8,455,388. Of the former, the annual average value was £713,475 in 1868-84, and of the latter, it was £422,769 in 1865-84. So, during this period, there was a great and growing valuation of specie movement in China's trade with Britain and China's import of British treasure exceeded her export of treasure to Britain by nearly twice the amount. From 1871 to 1884, we have an estimate of the total net imports of silver into China from all sources, and they are totally valued at 80 millions measured by Chinese Haikwan Taels. The 80 million taels equal £26,000,000, if the exchange value of the tael stood on an average at 6/6d for this period. Chinese imports of British treasure amounted £8,455,388, during 1871-84, and they represented 32.5% of China's total imports of silver.

This above estimate only gives a rough idea of the general variations, but it is clear that silver provided the measure for the wholesale commercial transactions of China, and British traders were thus driven to resume the exportation of specie or bullion into China for buying the tea and silk for which they came to China.

But it is by no means the fact in this period as in the first period, British trade with China was balanced only by the constant importation of specie and bullion from Britain into China. There was a way found in the last period, namely through opium and cotton, of providing the funds required for buying Chinese products. These means, supplemented by the establishment of the Manchester cotton

trade, sufficed to carry the British trade with China throughout the second period. But, in the period now under our consideration, we find that the tide gradually turned the other way, when we make some investigation of the visible and invisible exports and imports of Britain in her commercial dealings with China. The value of Indian opium imports into China, however, bore a great relation to the British balance of trade with China. We have now to deal with the balance of trade.

Indian imports into China did not form a part of British commerce but the tendency to decline in the Chinese imports of British goods was concealed in the commercial statistics by the increase of Indian products exported to China, as the Indian opium remarkably continued to figure prominently in China's import trade. As we have stated, the Indian opium trade with China was not a question of commerce but chiefly one of revenue of the Indian Government and of taxation - - of which a ninth of the whole income of Great Britain and a seventh of that of British India has been made up. A portion of the revenue of India had also to be annually remitted to England for payment of the dividends on Indian stock and a portion of the Governmental expenses. These remittances were profitably made via China, by means of the opium sold there; and failing this, serious changes would have had to be incurred, which would have curtailed both the resources of the Indian Exchequer and the trade not only between Britain and India but between Britain and China. In China, again, during this period, scarcely eight million pounds worth of manufactured goods of Britain could find a market; yet the shipments of Chinese produce to Britain amounted to not less than twelve million pounds, and this difference was paid by opium.

The opium trade had thus formed an essential element in every trading operation between the three countries. So, it was fully recognized that China might become of more commercial importance to Britain, if the Indian Government abondaned the revenue from the cultivation of opium, and, if she did so, Britain would submit to the inconvenience of importing silver for the balance of her trade in China.

Nevertheless, facts drifted to the other side, during the coming period and even in this period, Britain was no longer to assume the importing of specie only for the balance of her trade in China. Notwithstanding the fact that the Indian opium trade with China has shown a growing importance in connection with the balance of trade between Britain and China from the last days of the monopoly of the British East India Company until the very end of this period, all the so-called 'invisible' imports and exports must be at present brought into account as the significant elements by which a true picture of the real balance-sheet of British commercial transactions with China can be presented. We shall hear no more of the importance of Indian opium in China's trade with Britain; for it lost its importance in China's import trade in next period. On one hand, at the very end of this period, the continued prosperity of the Indian opium trade in China was soon replaced by the gradual growing of China's opium cultivation in superior quality. On the other hand, from the next period onwards, British trade with China was no longer to assume the import of Indian opium into China as the only means of remittance of funds via India in the settlements of her commercial transactions with China. The only evidence may be found from the fact that the Chinese proposal on the restriction of the opium trade in China had been accepted by Great Britain. Until 1905, the entire aspect of

this trade, therefore, was completely changed by the agreement between Great Britain and China for the gradual reduction of opium exports from India. But during this period, Indian opium still remained as the chief item in the balances of payments among the three countries -- Britain, China and British India. Upon this statement a very detailed and reliable estimate of their commercial transactions may be prepared as follows:

Sino-Indian trade during 1865-1884

1865-1870

Indian Exports:		
Merchandise....	£10,714,964	
Opium.....	61,077,151	
		£71,972,115
Chinese exports.....	7,591,908	
		£64,200,207
Treasure:		
From China to India.....	£35,189,874	
From India to China.....	192,565	
	£34,997,309	
Balance of trade against China.....		£29,202,898

1871-1884 (Value in Rx.)

Indian exports:		
Merchandise....	27,730,172	
Opium.....	154,725,140	
	182,455,312	
Chinese exports.....	19,787,655	
		162,667,625
Treasure:		
From China to India.....	28,284,988	
From India to China.....	1,495,678	
	26,789,310	
	135,878,315	=£132,148,357
Balance of trade against China.....		£161,351,255

Anglo-Chinese trade during 1865-1884

Chinese exports.....	£247,513,485	
British exports.....	161,622,063	
		£85,891,465
Treasure:		
From Britain to China....	£12,129,067	
From China to Britain....	8,455,388	
	£3,673,679	
Balance of trade against Britain....		£82,217,786
Balance of payment against China....		£79,133,469

Sources: British Parliamentary Papers.
1871 Vol. L; 1874 Vol. LXX; 1875 Vol. LXXX; 1878 Vol. LXXVII
1890 Vol. LXXVIII; 1888 Vol. LXXVII; 1880 Vol. LXXVI

In the above tables the general facts concerning the visible merchandise trade balances between Britain and China, and between China and India, and the visible imports and exports of bullion and specie among the three countries, have been all presented. If a comparison of these figures shows that no such economical connections can be established among their transactions in the balance sheet of interchangeable payments, it will be reasonably held that the visible adverse balance of British trade with China should be settled by the remittances from the interest on her great volume of investments and from the service on her shipping in China.

A surplus of merchandise imports in Britain have early been the normal conditions of her trade with the outside world. During this period, the value of Chinese merchandise exports to Britain exceeded her imports from Britain by eighty million pounds sterling, while there was an excess of British treasure exports to China over her imports of treasure from China. The difference between the total inpayment and outpayment of the British trade with China may well be held to be covered by the earning from her services in China.

It seems to be that the bulk of the British treasure sent to China had gone into her investments in China, hardly less widely scattered. It is evident that during this period, the growth of British banks in China and her shipping in Chinese seas was a sign of Britain's rapidly expanding interest in her trading with China. But, the fact regarding the growth of British export of capital during this period for an investment in China remained unknown, because the information is still in many respects inadequate. An investigation, however, has been made by those who have been interested in the subject of foreign investments in China and we shall now turn to the

study regarding these British investments in China, as an export of British capital to China, and the British shipping in China's foreign trade.

C. The First Period of British Investments in China

There can be no doubt of the fact that British investments in China began early. Except that trade is one form of investments, the actual investments of Britain in China fall under three headings; population and firms, loans to China and shipping. They had taken place a hundred years ago, but the growing importance of British investments in China appeared in 1865-1884, though on a small scale. From 1865 until the very beginning of the next period may be set off as the first period of British investments in China.

1. British Business Investments in China.

a. British Population in China.

Because of the predominance of British trade in China, in the field of foreign population there we find that until after 1880 the British formed over 50 per cent of this population, as reported by the Chinese Customs. In 1865 the British population of Shanghai was 60 per cent of the total foreign population but in the following years the decline in this percentage was steady. After the British acquisition of Hongkong, it is fairly certain that over half the foreign residents of China were British until about 1885.

b. British Banks in China.

The beginning of Chinese banks organized upon Western banking system is not to be found in this period, even though exchange bills of old native banks were, as Marco Polo related, in full use since ancient times. Foreign banking transactions as did occur during the

Canton days were done through British bankers such as Baring Brothers at Canton. Since the time of the cessation of the East India Company's monopoly, the British banking institutions have then operated mainly in Hongkong. The pioneer of these was the Oriental Banking Corporation which in 1845 did open their agency in Hongkong. Two years later an agency of this bank had been opened in Shanghai. In 1853 this bank found in Hongkong a rival in the Chartered Bank of India, Australia, and China, which formed, with two million sterling as capital, a branch in Shanghai during 1857. In 1854 the Merchantile Bank of India began its business both in Hongkong and Shanghai, with the capital of 1.5 million sterling. It was in the 'sixties that British banking had developed to an extent altogether unprecedented and unexpected.

The chief British bank, still the largest and strongest of all British banks in China, is the Hongkong and Shanghai Banking Corporation. It was incorporated in 1866 under the Hongkong Government. In 1864 it was organized at Hongkong and began business with the original capital of silver $2.5 million. Until 1880 this had been increased to silver $5 million. At the end of the last century the paid-up capital was about ten million silver dollars, and the deposits more than times as much. Since the 'seventies the activities of this bank had expanded to various ports of the world, and it has played the most important part in Chinese commerce and political intercourse. Its name has thus been most prominent in connection with British interests in China, and with Chinese Government loans, of which it was the pioneer, and of which it has continued to be the most representive channel. It should not be, therefore, left unnoticed here.

c. British Firms in China.

Of British firms in China, first formed in Canton as licensed companies under the East India Company, or after the removal of the Company's monopoly, and still remaining in some form or other until recently we may mention Jardine, Matheson & Co., Messrs. Butterfield and Swire, Dent & Co., Livingstone & Co., Holliday, Wise & Co., Reiss & Co., David Sassoon & Co., E. D. Sassoon & Co., Dent, Beale & Co., etc. In the old Canton days, most of them were intimately connected with the opium trade, and owned their own clippers. They later opened their branches at Shanghai. Among them, the two largest British concerns - - Jardine, Matheson & Co., Ltd., and Messrs. Butterfield and Swire were the typical examples of present day British enterprise we have chosen to study in China. The Chinese names for these firms are "Ewo Hong" and "Taikoo Hong". The Chinese word "Hong", or business house, is invariably used by British residents in China when referring to them or similar firms, and the man who is the local head of the business is called a "Taipan".

Jardine, Matheson & Co., the so-called "Ewo Hong" in China, was the offspring of factory days in Canton. The headquarters of the 'Ewo Firm' in China, originally in Macao and Canton, are now in Hongkong and Shanghai. The 'Ewo Taipan' is, almost automatically, it seems, a director of various local companies. The Butterfield & Swire firm - - the so-called 'Ta-koo' in China, is the other great British firm ubiquitous on the China coast. The original founders, were, it is said, piece-goods merchants in China. Though comparatively new in many of British firms it has made remarkable progress in its business, and it has been interested chiefly in shipping. Some of its vessels came from Scott's shipbuilding yard on the Clyde.

These are the two great British firms engaged in the commerce of China. In the next period, we shall see the activities of these two firms in China, and these have been many; their ramifications in fact are almost bewildering.

As to British insurance firms in China, we shall mention the two oldest ones. The Canton Insurance Office Ltd. was established in 1836, and retained its position as long as the other firms. It is affiliated with Jardine, Matheson & Co. and its funds now amount to over one million pounds sterling. The Union Insurance Society of Canton Ltd. founded 1836 is one of the oldest and largest of British incorporated companies in China. It is in a very sound financial position, while its capital has increased from the original fund of about one million pounds sterling to six million pounds sterling at the present day.

These are but examples of British concerns in China during the period under our consideration. It was said that in 1875 there were 343 foreign firms in China, of which 211 were British. This is sufficient to show that British interests in China even in an early period have been large. No estimate of British holdings is, however, available but we can safely say that in manufacturing as well as in shipping, the British firms in China played an important part from the beginning.

2. British Early Loans to China.

The first British bank to undertake loans to the Chinese Government was the Hongkong and Shanghai Banking Corporation, from which the first loan to China was made for about £1,400,000 in order to pay war compensation to Russia, in 1865. From that time until 1877, there were negotiated at least twelve loans, amounting to perhaps £9,000,000. Most of these were negotiated with British banks. The Hongkong and

Shanghai bank, through its offices in Shanghai, or Hongkong, or London, made eight loans, five to the total amount of £4,486,000, and three in taels to the total amount of 7,550,700, or say a total of both sterling and total loans of approximately £5,500,000. The Oriental Bank, and Jardine Matheson & Co., loaned to the extent of 3,000,000 taels while Baring Bros. loaned £1,500,000.

Altogether the British loans to China in this early period probably did not exceed £8,500,000. This number is an approximate calculation, of course. These loans, now all repaid, were floated on the general security of the Chinese Government, without pledging specific revenues. Thus China began her use of external credits for military and administrative rather than for productive purposes.

From 1887 to 1894 there were no loans floated. China was reluctant to borrow Western capital for foreign interference might follow. So, during the period under our consideration, British loans and investments in China, have so little influenced the movements of specie and bullion that they bore no great relation to the balance of trade between Britain and China.

3. British Shipping Engaged in China's Trade.

Shipping was of importance in British investments in China. But, next in importance to the merchandise carried was the shipping which carried it. The total tonnage of all shipping - - foreign and Chinese - - under the view of the Chinese Maritime Customs increased from 6.6 million in 1864 to 18.8 million in 1884. The tonnage under the British flag was 43 per cent of the total in 1864, 45 per cent in 1871, and 64 per cent in 1884. It was said that during this period the British share of this shipping was not as high as 60 per cent. But, British tonnage continued to grow in importance and it

showed a steady growth throughout the period. The following table shows the development of the carrying trade in China under the principal flags during some years of this period.

Tonnage of Vessels entered into & cleared from Chinese ports

	1864		1865		1874		1884	
	Tons.	%	Tons.	%	Tons.	%	Tons.	%
British	2,862,214	43.13	3,467,980	48,6	4,738,793	50.9	12,152,949	63.55
American	2,609,390	39.30	2,645,900	37.0	3,184,360	34.3	2,140,714	11.40
French					137,252	1.5	93,963	0.50
German					530,377	5.65	939,765	5.00
Japanese	1,099,293	16.60	982,867	13.8	480	.005	215,105	1.10
Norwegian					22,507	0.24	10,455	0.05
Others					197,784	2.10	460,197	2.40
Chinese	64,588	0.97	39,548	0.6	494,237	5.30	2,993,613	16.00
Total	6,635,485	100	7,136,301	100	9,305,801	100	18,804,788	100

In the above percentages, American tonnage from a position of close rivalry with the British, fell to small proportions. Germany made no strong bid for a share in the Chinese coasting trade. Japan practically did not entered this field until the next period. British shipping adequately supplied more than half the total tonnage until 1895. On the whole, this period shows a total collapse on the part of the United States with large increases to the credit of British and Chinese shipowners. This growth of the Chinese tonnage was then the great change in the carrying trade of China.

In 1872, the China Merchants' Steam Navigation Company was formed, and in 1874 it started its shipping on the coast and rivers of China. The Company hoped to secure a monopoly of the trade with ports not open to foreign commerce, but it did not succeed in doing so, while by 1800 it owned only some thirty ships of about 29,000 tons.

Considering foreign shipping along the coast and on the rivers of China, we find the predominance of the British more striking. The great foreign shipping companies in China were all British since the decline of American interests in the 'seventies. In 1865 a

British company - - Hongkong, Canton & Macao Steamboat Co. - - undertook to run vessels between Hongkong, Canton and Macao. In 1881 the Indo-China Steam Navigation Company took over the ships of Jardine, Matheson & Co. one of the great British trading firms, and developed important lines. In 1873 the China Navigation Company started its shipping on the coast and rivers of China. This Company has been affiliated with one of the greatest British firms, Butterfield & Swire. These are but the chief examples, from which it will be seen that British activity in the carrying trade in China has been on the increase.

Since the time when P & O vessels ran between Shanghai and London via Hongkong, the steam communication between China and Britain was accomplished in the last period. During this period, the running of British ships in the coastal and internal trade of China was in great activity, for they carried the goods up the Yangtze to Hankow, and navigated the rivers to Canton and Tientsin. Of these British ships, those managed by Messrs. Jardine, Matheson & Co., and Messrs. Butterfield & Swire, were and are the most important, as we have said. Here we can examine the reason of the successful competition of British shipping with a newly organized Chinese company. The British maritime companies, managed by her biggest trading companies, were financially sound. The capital of the China Merchants' Steam Navigation Company was created at various times from the original one million taels in 1872, to three million taels in 1882, and eight million Chinese dollars in 1912. The position of British shipping companies, since 1875 onwards, steadily improved, the British investments in the above two biggest companies amounting to 2.2 million pounds sterling.

The British tonnage of all ocean-going ships which were engaged

in China's trade, continued to increase during this period. The direct trade between China and the Continent of Europe was growing, however. No account of British ocean-going shipping should be taken as an estimate of British investments in China, because ocean-going ships represent an investment in the carrying trade of the world and not an investment in China. The fact remains that in Britain the invisible income from her shipping engaged in China's trade was still large enough to leave her a surplus for further investment, when China's foreign trade went by sea. The tonnage of British and foreign vessels, entered and cleared from and to China and Hongkong under the view of the British customs during 1865-1884 is shown in the following.

	ENTERED		CLEARED	
	China	Hongkong	China	Hongkong
Year	Tons.		Tons.	
1865	90,511	14,408	80,375	42,848
1866	97,653	4,684	87,324	54,070
1867	90,892	7,764	105,617	60,989
1868	103,772	9,734	88,758	79,449
1869	99,507	10,047	101,154	79,900
1870	99,316	6,278	74,245	90,330
1871	109,724	12,471	67,951	90,241
1872	135,617	13,000	51,034	124,753
1873	128,366	7,531	26,582	62,144
1874	102,999	12,479	27,031	58,999
1875	136,815	358	33,624	78,355
1876	136,843	7,085	29,627	79,407
1877	150,222	24,907	28,534	91,536
1878	170,288	12,425	22,227	67,788
1879	138,513	12,505	15,875	37,731
1880	180,816	11,298	25,450	70,201
1881	152,822	10,769	24,537	100,980
1882	167,097	16,538	38,438	52,047
1883	185,982	9,922	72,602	49,521
1884	182,921	10,847	66,653	70,465

D. The Position of British Trade in China's Foreign Trade

The enterances and clearances of shipping under the cognizance of the Chinese Maritime Customs are, as were pointed out above, an index of the progress of the business of shipowning and of the trade

in general, but not of the relative progress of the trade of different foreign countries. The percentage shares of the certain foreign countries in Chinese trade (imports and exports) in 1865, 1867, 1877 and 1884 may be compared in the following table.

	1865	1867	1877	1884
Great Britain.....	--	40.0%	33.0%	25.8%
Hongkong.....	--	25.0%	30.0%	34.0%
British India.....	--	17.5%	14.0%	11.9%
Others.....	--	3.5%	3.0%	3.3%
Total British Empire...	69.0%	86.0%	80.0%	75.0%
European Countries..... (inc. Russia)	19.9%	1.9%	5.0%	8.3%
U. S. A.	4.0%	6.3%	6.3%	7.6%
Japan.....	3.1%	2.6%	3.7%	3.8%
Other Countries.....	4.0%	3.2%	5.0%	5.3%
Total.....	100%	100%	100%	100%

From this it is seen that during this period Great Britain enjoyed about 60% of the total direct trade of China. But of this, 25% belonged to Hongkong, which acts as a port of transhipment not only for Britain but for other states. This estimate is of course inadequate but within a small margin of error, and the fact must be borne in mind that the special position of Hongkong as a distributing centre presents a difficulty when comparison is made with the estimate of the distribution of trade among the various countries trading with China. It has been said that in the 'seventies of the last cectury no less than 90 per cent of China's imports came from Hongkong, India and Great Britain, and they received about 70 per cent of her exports. It is clear that the trade of China in this period as in the last

period was largely with Great Britain. American trade with China shows only slight development. Russia's increase in the frontier-trade with China was as before. Japan created a new trade with China with smaller value. India occupied the second position in trade with China but her trade showed a great decrease. Since 1864 all values of the Chinese import and export trade have been stated in the Haikwan tael which had its average annual equivalent in sterling as far back as the year 1864, we are then able to make out the following table showing the actual value and the percentage share year by year of British trade in the Chinese total trade during 1865-1884.

Year	China's imports from Britain H. Tael000's	% of China's total imports	China's exports to Britain H. Tael000's	% of China's total exports
1865	--	--	--	--
1866	15,673	20.4	34,451	61.3
1867	18,830	26.3	33,550	58.0
1868	21,782	33.4	38,181	61.7
1869	24,830	36.2	31,863	52.8
1870	24,181	36.8	29,029	52.5
1871	26,137	36.3	35,845	53.6
1872	26,253	37.4	38,689	51.4
1873	20,991	30.3	37,278	53.7
1874	20,069	29.8	33,617	50.4
1875	21,133	30.2	29,165	43.5
1876	20,873	28.8	35,268	43.6
1877	19,994	26.3	27,784	41.5
1878	14,952	20.4	27,610	41.1
1879	20,333	24.0	26,125	36.1
1880	21,881	26.8	27,824	35.7
1881	23,738	25.3	22,731	31.8
1882	18,756	23.7	22,309	33.1
1883	16,930	22.6	24,570	35.0
1884	16,945	22.8	19,465	29.0

Chapter IV

Historical View

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Chapter V

The Changing Period of China's Economic Relations with Great Britain

1885-1899

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CHAPTER V

The Changing Period of China's Economic Relations with Great Britain 1885-1899

A. The Historical View

1. The General Characteristics of the Period, 1885-1899.

In the period now under review in this chapter, the processes of change, which we noted at work before in the vital questions not only of Anglo-Chinese commerce, but of their diplomatic relations, were continued very much further. The British trade into China during this period presents a real change, from these earlier conditions. Though it is by no means a complete change, yet in its simplest presentment, it is revolutionary; and in attempting to estimate its real significance, we are involved in the consideration of some questions which are concerned with Anglo-Chinese economic relations.

As regards China's foreign relations, the period now under consideration withnessed a complete change not only in the relations between Great Britain and China, but also in those of the Chinese Empire to all the Western Powers. Since the time when China's door was thrown open to foreigners and their trade, Great Britain has exercised a predominant influence, commercially and diplomatically. In the first stage of China's international relations, 1834-1842, she had, single-handed, opened the trade of the Chinese Empire to the nations of the West; in the second and third period, 1844-1884, she occupied a leading position in Chinese intercourse with the Western Powers; but now in this fourth period, 1885-1899, she appeared to lose all control in the direction of affairs. Before 1885, therefore, China's foreign relations had been with a group

of Powers among whom Britain was practically the acknowledged leader. China had been able to take her place as an independent negotiator. After 1885, however, the leadership of Great Britain was challenged. China, during this period, did not enter into a single agreement as the result of independent negotiation. Before 1885, the European States practically followed Britain in creating treaty-relations with China with a view to enlarging the sphere of intercourse with her, and yet every concession was made grudgingly by China, and more or less on compulsion. After 1885, the conflicting ambitions of the various powers were made clear, as the conventions of 1869 and 1876 show. So, the end of the last period brought a new stage in the struggle among the powers for political preference in China, and the beginning of this period marked the first step in the course of unrestrained attack upon the territorial integrity of China.

For some purposes the period under consideration must be subdivided. It is therefore not unreasonable to take the year 1885 as that marking the beginning of a new era of political and economic activity in China on the part not only of Britain but of the other great western powers. The year 1895 during which Japan went to war with China marks a turning-point in the Chinese relations - - economically and political - - with the outside world of perhaps more ultimate importance than the year 1885. At the end of this period we find the great Boxer Rebellion in China. It broke out in 1900; but there is good ground, for considering 1899 as the conclusion of an era of British trade with China and of her international relations in the Far East, both of which had began about sixty years before. The important changes in China's relations with Britain and their treaties will be briefly considered. After

considering these, we shall deal with the changes in the economic relations between Britain and China during the period now under our consideration.

2. The Years of Peace in China 1886-1894.

The years from the close of the Sino-French war in 1885 to the opening of the Sino-Japanese war in 1894 were years of peace. There are few facts which can serve as some indication of the weakness of China. In the affairs within China, except that some growth in the population was the result of the restoration of peace after the Taiping Rebellion, China in general suffered from drought and flood. In 1888 the Yellow River flooded nearly the whole of the northern provinces. During 1892-93, and 1894, the whole of northern China suffered again from drought and famine. The wide spread poverty was intensified by the trouble from a Mohammedan rebellion in the north-west during 1894.

The relations between Britain and China during the last period had been entirely peaceful. From 1885 until the year 1899, a similar pacific relationship between them was still maintained; disputes were negotiated and treaties amicably made. Owing to the reason that the Chefoo Agreement failed to receive its immediate ratification from the British Government on 18th July, 1885, an additional Article to the Agreement was signed, which dealt more fully with the opium question, and left the arrangement of levying liken in foreign settlements, these matters being reserved for further consideration between the two countries. Both the Agreement and the additional Article were ratified on May 6th, 1886.

In 1886, Chinese control of Burma was practically given up. The attention of Britain, after her annexation of Burma, was

directed to the commerical prospects of the unexplored regions of China and the desirability of opening a trade route from Burma into Yunnan and from India to Tibet. A Convention of 1886, dealing with Burma and Tibet, provided for the settlement of commercial conditions by a frontier trade convention. In 1890, one of the open clauses of the Chefoo Convention of 1876, matured into the Chungking Agreement, by which the City of Chungking was opened to British trade, and by the Sikkim-Tibet Convention of the same year the right of British India to trade with Tibet was accepted in principle. This document was given an appendant Agreement in December, 1893, by which Yatung was opened to British trade with ample protection. In the following year a convention was signed to give effect to Article III of the Convention of 1886, and provided for the regulation of the frontier trade between Burma and China and for the opening of a port for this trade. Tengyueh, in the province of Yunnan, was later designated. In 1895, another Convention was signed, and, by an article of this Convention, the West River of China was opened to foreign trade, with treaty ports and consular stations at Wu-Chow in Kwangsi, Samshui City and Kongkum Market in Kwangtung, as well as four ports of call - - Kongmoon, Kumchuk, Shiuhing, and Takhing. Other treaties with Britain during this period mostly provided for the delimitation of the boundries between Burma and China, and between Tibet and India, and do not require special study, except to note that they account for the activity of the British Government in the southwestern parts of China, and that an unfortunate incident in that region was thus brought about.

Since 1885 the character of the Chinese problem was profoundly modified. In 1885 China recognized the French annexation of Tonkin

and Annan, and in the following year Britain brought Chinese suzerainty over Burma to an end. So, from 1886 onwards, the principle of joint action by the treaty powers was thus brought in. This is the most radical change in the foreign relations of China. Here we can see that British energy in the southwest of China was stimulated by France's policy of colonization in the Far East, and the advance of France in south China aroused British suspicion. Thus was brought about a new principle of each of the competing powers exacting for itself exclusive privileges to the serious detriment of its rivals in China. The action of British diplomacy in China was then in accordance with the policy of other Powers, each seeking its own advantage at the expense of its competitors and of China. British diplomacy was therefore compelled to adapt itself, however unwillingly, to the new principle. And, China from this time onwards was to find herself more and more deeply implicated in the foreign rivalries and jealousies of the Western Powers.

In Great Britain, for some twenty years after the death of Palmerston, British intervention in the affairs of China had been on principle, reduced to a minimum. During 1886 this state was brought to an end. The Salisbury Unionist Ministry formed in 1886 gave the signal for an era of British imperialism, which under Lord Salisbury had become an active principle in the van of progress. In China, British imperialism swept along its path all the international activities of the West.

Until 1895 the policy of the British Government in regard to China was in the pursuance of her aim to maintain and improve the facilities for her trade. As we have seen before, every change

of Chinese policy led to a great extension of trade with Europe, in which Great Britain usually took a leading share. But complications in China's foreign relations soon followed. Russia established herself in Manchuria and then France in the south of China. The only difficulties which Britain was to experience were a result of the changes brought about by her new relationship with China. For this period, Anglo-Russian rivalry was to play a prominent part in every phase of China's affairs, and only a little less important than the Anglo-Russian rivalry was the fact that the relations between England and France were unfriendly, especially on account of southern China where the French had established themselves. The growing rivalry between France and Great Britain in other parts of the world, and the approchement between France and Russia toward the close of the last century, naturally served to intensify Anglo-French friction in the southern part of China.

During the early part of this period, even in China's foreign relations, no decisive event occurred, but later foreign encroachments began in China, and these laid a definite basis of international rivalry in China. Of the four original treaty powers, the policies of France and Russia were much alike, that of Great Britain we have already described and that of the United States we shall deal with later. It is obvious that the ambitions of each were primarily territorial. But the difference between them is that while the Russians had a considerable commercial interest in the northern parts of China, the commercial activities of the French in China were negligible. British acquisition of possissions in China led inevitably to a conflict with France, and her vast interests in China found Russia as competitor not only in commerce but also in diplomatic

circles.

As we have pointed out, before the last period closed two factors of supreme importance had emerged namely; Russia securing for herself successive concessions from China and Japan after 1868 in the making of a modern state. When a Dual Alliance between France and Russia the old rival of Britain, was declared in Europe, the ever-open Chinese question involved the British in disputes with France in the Far East also. British attention never turned to the small island Empire, who, because of her territorial approachment to China, was destined to take part in China's foreign affairs.

In the last period, the events of 1868 for the Japanese Empire in the East as well as those of 1871 for Imperial Germany in the West should be taken as decisive factors having a direct bearing on the character of this period in the Far East. During the decade which followed the year 1885 these two new states, both destined to become first-rate powers, began to play important parts in China's foreign relations. Of these two, Germany played no important part in China until the last decade of the century or more. Japan, in the Far East, soon became a source of long-standing troubles for China. We shall deal with her, now.

3. Consequences of the Sino-Japanese War of 1895.

In 1895 came the critical moment of this period when China and Japan went to war over Korea; "it is decisive," said Sir F. Whyte, "because it revealed the power of Japan, because it awakened Japanese ambition on an Imperial scale, because it set in motion the process which brought China to the brink of partition by the development of 'spheres of influence' (interest), leased territories, concessions, etc.." (34) So, in the war, on the one hand, Japan's easy victory

revealed China's military inferiority, her financial weakness, her administrative inefficiency, and official corruption. And it revealed also the ambition of Japan, though at the time the world was too greatly concerned with the plans of Russia to give full weight to the attitude of the Japanese. On the other hand, the world awoke to the fact that with the rise of the island kingdom of the Pacific, a new and powerful factor had entered into the politics of the Far East. The war with Japan also brought into the open the jealousy of the great powers as it was the first step in the course of unrestrained attack upon the territorial integrity of China, which led to the Boxer Uprising at last, and to the attempt of the powers themselves to curb each other by the adoption of the "open door" policy and by voluntary agreement as to "spheres of influence and interest." The result was a scramble for influence and preferred position in various parts of China, who, in her weakened condition, could not but yield to whatever demands were imposed upon her by armed force.

The Sino-Japanese war was brought to an end by the Treaty of Shimonoseki, in 1895, which stripped China of certain territories such as Korea, Formosa, the Pescadores Islands, and the Liao-Tung Peninsula. But thereupon a group of three European powers - - Germany, Russia, and France - - intervened, and ordered the victor to give back the Liao-Tung Peninsula and Port Arthur in the name of the integrity of China. Japanese seizure of Chinese territories in this treaty was the signal for an unseemly scramble for Chinese territory on the part of four of the other Great Powers of Europe. This was one of effects of the Treaty with Japan.

Next, the Treaty of Shimonoseki provided for the opening of new treaty ports, the navigation of the upper Yangtze, the right to rent warehouses in the interior, to import machinery and to start foreign manufactures in the ports these to be under foreign control and ownership. The right of foreigners to engage in industry in China had been the aim of foreign merchants and diplomatists for years past. Now it was brought into effect in Article VI of this treaty, which deserves our special attention because its effect upon the industrial development of future China is very great. Also, in pursuance of Article VI of the treaty, a subsidiary treaty of commerce and navigation was signed in 1896, following closely the lines of China's treaties with the European nations. It was the foreign rights and interests in China that "the rights granted to the Japanese by the operation of the most-favoured-nation clause, contained in the treaties between China and the other powers, became immediately available to the nations of those powers." (35) Japan had thus obtained some important commercial benefits which were shared by all the Treaty Powers, and they also shared alike all the commercial advantages extorted by Japan. China was thus compelled to grant to foreigners many commercial privileges which she had hitherto refused. The Treaty with Japan, therefore, ranks high in the great series of general treaties which had determined the commercial relations of China with the rest of the world. This is another important result of the treaty of 1895.

Finally, the Treaty of Shimonoseki initiated a far-reaching change in the internal economy of China. The results of this change can be fully estimated when we deal with the British investments in China during this period. But from the very first the essential

conditions of the British economic relations with China were modified profoundly. By the treaty with Japan, foreign capital and foreign methods of industrial organization at length obtained free access to the great centres of population in China, as we have pointed out. The payment of an indemnity of two hundued and thirty million taels - - £40,000,000 - - to Japan provided another bone of contention for the powers for the foreign loan would enable China to liquidate the Japanese war-indemnity. British financiers were ready to make this loan to China, guaranteed by the British Government, and requiring the security for the loan with certain concessions in addition. Thus opened a new chapter of Chinese financial history, and the treaty with Japan in 1895 was indirectly responsible for another phase in the growth of economic relations between Britain and China.

4. Britain in the "Battle of Concession".

China, at the close of her war with Japan, appeared to be a hopeless wreck, but more than two years elapsed before the opening of a phase of foreign encroachment which threatened the actual partition of the Chinese Empire. Thus the foreign relations of China during some years after the close of the Japanese war, and until the end of the period which we are now considering, were characterized by such unrestrained foreign encroachment that the break-up of China was freely predicated in the "Battle of Concession".

In the "Battle of Concession", first came the seizure of Chinese territory. In 1897 the Germans seized Kiaochow Bay, the missionary offering the necessary pretext. In 1897 a Russian squadron occupied Port Arthur. In 1898 France secured the lease of Kuangchow Bay, and in the same year, Britain countered the Russian move by obtaining a lease of Weihai-Wei, with the islands in the bay, in the province

of Shantung (July 1st, 1898), to be held so long as Russia retained Port Arthur; and 1899 she acquired an extension of the Hongkong territory.

Nor was this all. Concurrently with the seizure of these concessions, the policy of territorial aggression was developing into a new principle of 'spheres of influence', by which was implied the promise of non-alienation of territory to another power. It is not difficult to appreciate the cause. In fact, if territorial aggression were to continue, the turn of other powers might come. Each power had her own designs not only for present claims, but for future ones. The doctrines of 'sphere of influence', therefore, looked like a mask for partition. From 1897 until 1899, France secured from China a 'declaration of non-alienation' of Hainan to any third power, and Japan claimed Fukien as her sphere, Germany, Shungtung, and Russia, the territory north of the Great Wall. In 1898 Great Britain claimed these rights and obtained a similar declaration for the provinces bordering the Yangtze. Britain, too, secured from China definite assurances on another two important points: First, an assurance in regard to the loan, and next, a declaration to the effect that the office of Inspector-General of Customs should be held by a British subject so long as the British trade with China exceeded that of any other nation.

The 'sphere of interest' doctrine was openly applied to railway and mining as well as to other concessions. In other words, the competition of powers for the privilege of providing capital for railway and mining operations in China was another form of the struggle for a slice of the melon. So, at the end of this period, began the general scramble by powers for railway and mining concessions.

The details of this story are extremely complicated, but in generel the results were that the powers had prior rights to provide capital for the development of mines and railways in the areas which they delimited as 'spheres of interest'. Russia set the ball rolling by claiming this special right in Manchuria, but she did not gain her ends in the long run. Britain, demanded and received such concessions from the Chinese Government as to securing in the Yangtze valley railway and mining privileges. Britain successfully managed these concessions. We shall give later an estimate on the capital Britain furnished for the building of railways and for the working of mines in China.

Following the Sino-Japanese War the railway problem in China became critical. China, even decided to build them, but not having the requisite capital, she had to recourse to foreign capital, thereby giving the powers a chance to gain increased control of her country. The powers, in their "battle of concessions", thus exacted from China many railway building privileges. They were obtained, not by foreign governments, but by foreign syndicates which were supported by their national governments. Britain in 1877 was the first nation to construct a railway in China; this was from Shanghai to Wusung, a distance of twelve miles. From 1888, many English engineers were appointed in charge of railway construction in China. Thus did Britain win the first of many battles on behalf of her interest in China. British interests had thus gained the control of the proposed line from Shanghai to Nanking, and the Hongkong and Shanghai Bank was financially interested in the north line from Peking and Tientsin to Manchuria, and in the south section which connected Tientsin and the Yangtze. At the end of 1898 the railway

concessions acquired by the powers totalled 6,420 miles, in which Britain held the lion's share and her concessions amounting to 2,800 miles, including the Yunnan-Yangtze and the Hankow-Canton lines.

In the concessions which were granted by China to foreigners to work mines, Britain secured the exclusive right of priority in exploiting mines in the provinces of Yunnan and Szechwan. In addition, the Anglo-Italian corporation, the Peking Syndicate, had obtained mining and railway rights to work iron and coal mines in Honan and Shansi.

As to the development of Chinese industry, railway building and mining, it is necessary to give a detailed statement here. The year 1895 or 1896, rather than the year 1898, marks the beginning of important changes in China from the point of view of modern industry, railways and mines. It will, therefore, be convenient to consider the closing years of the period now under our consideration in connection with the following period during which more important developments took place. These developments during the years preceding 1898 exercised no important influence that can be discovered upon the Anglo-Chinese trade. And, from 1885 to 1895, China did not undertake either industrial development, railway building, or mine opening from British sources upon a scale that need be considered in the study of the economical relations between Britain and China. Certain developments of Chinese industries, railways and mines, during 1895-1900 require to be briefly mentioned, however.

There were in China in 1896, 12 cotton mills, five of which were under foreign management. In 1897, three shipping companies in China controlled the Yangtze river of which two were under British corporations. It was in the same year that the first colliery was

opened at Tongshan where a mining company was formed. While the shareholders were all Chinese, they determined to use European methods. Thus commenced the Chinese Mining Company, with its purely native control. To carry the coal from this mine to Tientsin a railway in China was built in 1888. This line, a distance of eighty-one miles, together with its later extensions from Tientsin to Peking, and from Tongshan to Manchuria and beyond, came to be known as the Imperial Railways of North China. Thus far had the Chinese railways progressed up to the year 1900.

By the Treaty with Japan, the Yangtze River and most of its tributaries were thrown open to foreign shipping. In 1898 regulations for the control of steam navigation in inland waters were issued by the Imperial Government of China, and under these rules steamers began a traffic which developed to large proportions and foreign steamers of considerable size, plying to non-treaty ports, came under the rules. But these rules were by no means to check the concessions to foreign navigation in Chinese rivers, as by this time the powers had taken advantage of China's weakness to exact their aggressions to a great extent.

The Chinese Government was, however, in a bustle of preparation for resistance against foreign aggression in railway and mine, as these aggressions had been used by them as instruments for further territorial aggrandizement. In 1898 was established the Bureau of Mines and Railways in order to control the working and exploitation of mines and railways in China. And by the same year a set of twenty-two "Regulations for Mines and Railways" was drawn up with a view to stimulating the investment of Chinese capital in the future undertakings of the country. But these regulations were

difficult to execute especially those connected with the investment of foreign capital, and they were subsequently modified considerably.

5. Great Britain and the Chinese Revolutionary Movement.

The defeat of China in the war with Japan was followed by the "Battles of Concession", in which successive acts of foreign aggression led in many respects to the collapse of young industrial work in China. These were the immediate causes of a reform movement in China. At the end of the last century, startling changes in the affairs of China occurred; here and there were indications that China would not remain in her former backward state. Reform movement sprang up; a policy of rapid progress on modern lines gained favour even at the Imperial Court where the young Emperor was successfully brought under the influence of the constitutional reformers. Thus began the so-called "hundred days of reform" during which scores of edicts were issued with a view to setting aside ancient custom at one stroke. Every thing was to be changed. Then came reactions at Peking from the conservative party, which appealed to the Dowager Empress, now retired from the office of regent, to resume the reins of power. She brought the reform movement to a close making the Emperor a state prisoner as long as he lived, and again took upon herself the burdens of the Empire. This vigorous suppression of reform followed an imperial hostility to foreigners in the court. That the leader of the reformers was offered shelter in exile by a British consul on a British vessel, was the source of the imperial hatred of foreigners.

However, the failure of the Imperial reform movement was not the end of a changing in China. It was early in the year 1885 that the Chinese revolution found its leader. Dr. Sun Yet-Sen, Cantonese,

came to the front to lead China in a revolution. Since 1644 during which time China was under the rule of the Manchus, the seeds of revolution had been in the process of germination. Since 1834, the 'Opium War', the 'Arrow War', the Taiping Rebellion, and the French War, had been won against China. Blow after blow sufficiently awakened China to a realization of its perilous condition. To be defeated by the Japanese, a race despised, was indeed a rousing blow, not to the government only, but to thoughtful classes throughout the country. China's weakness was revealed to the world. The powers were looked upon as eagles gathering to their prey. It seemed indeed as if the melon was already being divided amongst them. The imperial reform, though it collapsed in a coup d'êtat was not a dead service, for it did throw light on Chinese revolution. Thus Sun Yet-Sen confirmed himself as antidynastic and republican. Fundamentally, China's revolutionary movements were the result of her contact with foreign ideals, and everything in these movements was in particular in touch with Great Britain. The Chinese revolution really began with the date during which Britain carried out an armed attack on Canton. Canton was the place where the reformers and revolutionists hailed from. As to Sun Yet-Sen, he was born of a Christian father in 1867 and educated under Christian influences, chiefly British. In 1892 he became the first graduate under Sir James Cantlie of the Hongkong School of Medicine, now part of the Hongkong University. In 1894 he failed in a raid on Canton from Hongkong so he fled abroad and organized a party for the overthrow of the Manchu Dynasty and pro-republicanism. In London he was kidnapped by the Chinese Legation, and his career would doubtless have been cut short had not a note thrown out of a window by him

been carried to Dr. Cantlie who prevailed upon Lord Salisbury to compel his release. It will later be shown that Dr. Sun had friendly feelings towards the West and his plans for the reconstruction of China would have profoundly affected British interests in the Chinese Republic.

6. British Diplomatic Relations with the Other Powers in China.

For a long time Great Britain had been consolidating her predominant position in China, but in the beginning of this period she felt that her leadership was being challenged by France and Russia. While Russia carried out designs against Manchuria in the north-east of China France pressed China in the south. Britain's policy, to maintain the status quo of China and to open China to trade, could be no longer upheld, seeing she had for over 40 years enjoyed the most favoured position in China, and was naturally carrying out her active policy in order to extend her influence and secure her vested interests in China.

In China a rapid change was brought in by the war with Japan. She was reduced to a state of foreign subjection and lay as a sick Empire with jealous vultares waiting to divide her carcass. To the British, an entirely new situation in China arose when she found that France, Russia, Japan, and Germany began to advance territorial claims at her expense, and that she began to rival with the other powers in obtaining privileges in China.

In regard to the policy of the British Government towards China as well as towards the other powers in China, it had two important objects: (1) equality of opportunity not only for trade but for territorial expansion, and (2) balance of power in China. In pursuance of both of these aims the British necessarily became the chief

advocates of the most-favoured-nation treatment. Britain's uses of China's concessions to powers as a "club" with which to secure equal treatment were in complete harmony with the diplomatic policies of the powers in China. The Chinese concessions to any power were therefore taken by Britain as grounds for demanding fresh concessions to her for equal treatment. Although she had no idea of encouraging the alienation of Chinese territory, she had demanded the Yangtze as the sphere of her interest and she had shared with the other powers in Chinese concessions during "Battles of Concession".

In order to maintain balance of power in China, Great Britain was openly opposed to the actions taken by Russia and Germany in the seizure of ports in the Northern part of China. She had always secured a share in any of the benefits obtained either by Russia and Germany in the north or by France in the south. The alienation of territory by China was taken as sufficient grounds for demanding compensatory concessions. Such was Britain's unvarying policy by which her principle of balance of power in China had existed up to this time.

Moreover, the steady growth of Russian influence in China was a constant source of anxiety to the British Government, and, by 1895, this anxiety had become focussed upon Tibet, which was to become the centre for diplomatic disputes between China, Russia and Britain. Towards the end of the century the friendship between France and Britain had shown signs of cooling, and the French policy of colonial empire-building in Indo-China led inevitably to a conflict with British interests in Hongkong. To a certain extent the German co-operation with Russia was dictated by European considerations, Japan had deliberately forced a war with China and involved herself

in disputes with Russia over the alienation of Manchuria from China. The easy victory of Japan in the war with China revealed to the world that a new power had arisen in the East. Russia, Germany and France decided to take definite action by which Japan was forced to renounce her claim to the possession of the Chinese Liaotung Peninsula. Great Britain declined an invitation to join with the three Allied Powers in inflicting this humiliation upon Japan, whom Britain was the first of the European Powers to welcome into the family of nations. The more probable explanation is that the British Government wished to give Japan a free hand in North China as compensation for future aid in checking the Russian advance, and Japan thus served as a protection to the Indian Empire. Japan was thus welcomed as an effective barrier against Russia, and Britain was therefore willing to sacrifice British commercial interests in Manchuria for the sake of securing the friendship and future co-operation of China's conqueror.

Russia, an aggressive power with a modern army and navy on the flank of her recently commenced Trans-Siberian Railway, had been most successful in compelling a victorious state to forego any foothold on Manchuria of which she was already contemplating the absorption, and also in maintaining cordial diplomatic relations with the Imperial Court of China. In 1896 a Russo-Chinese treaty was concluded to strengthen the existing bonds of friendship between the two Empires. France was her ally. Germany supported her policy in the Orient with a view to turning her attention from the Near East, thus eliminating the danger of a clash between Russia and Germany's ally. The balance of power in China would be materially altered by the growing influence of Russia. Britain found it very difficult to make dealing with that power, and her relations to the Russian Empire

became much more strained. The counter-move of Britain to the latest Russian advance in Manchuria, took the form of the acquisition of Weihaiwei Bay as a naval station, which would enable her fleet to share with the Russians the control over North China. The new French position which constituted a possible threat to Hongkong, again involved the British in disputes with France. Britain, on the one hand, concluded an agreement with Russia, by which Manchuria was recognised as the Russian, and the Yangtze valley as the British sphere of influence, and thus a direct conflict with Russia was avoided. On the other hand, Britain, with a view to weakening the Russo-French entente, endeavoured to foster more friendly relations with the German Imperial Court. She, therefore secured the friendship of the German Government and she therefore intended no interference with German interests in Shantung. The Franco-Russian diplomatic success in loans to China had been extremely distasteful both to Britain and Germany. British dissatisfaction was due partly to the fact that British financiers had lost the opportunity of making loans; but an even more serious ground for British objection to the loan agreements lay in the fact that the loans had been guaranteed by her rival state - - Russia. The Kaiser's government had striven to support France in Russia's affections, and the exclusion of Germany from a share in important financial operations was regarded as an act of base ingratitude. A consequence of these resentments was to drive Germany and Britain into closer co-operation in further loans to China. It is obvious, therefore, that Britain and Germany, under the pressure of Franco-Russian relationships had thus been drawn closer together in China. At this time, however, many points of colonial and commercial interests in China and else-

where made Britain's attitude to Germany somewhat uneasy, and the result was that relations between the two countries became more and more strained. The British Government was driven to win friendship with Japan, as will be seen in the following period.

7. Great Britain and the United States' Open-door Policy to China.

Of the five powers most vitally interested in the results of the contemplated partition of China - - Britain, France, Russia, Germany and Japan, not one, owing to the intense jealousy between them, was quite sure that the results of a partition would not prove detrimental rather than beneficial to its own interests. China, under the principle of balance of power, was removed from threatened disruption by the powers, even though she had good reason for regarding the policy of equality of opportunity, as the open attack of the powers on the independence of her Empire.

When the powers' struggle for concessions reached its climax the United States of America held aloof from the scramble for concessions. Her policy towards China was entirely non-aggressive which led her government in 1899 to take the initiative in securing from the various powers concerned, assurances that what had been called the "open door" would be respected. Strictly interpreted, this open-door policy was not new but was founded upon the most favoured nation clauses. By it the powers still obtained equal opportunity. But it was by no means to recognise any further earmarking of spheres of influence or interest. It was first advocated by the British Government and her support of this policy was cordial for in 1898 she had announced that "the policy of this country is effectively to open China to the commerce of the world".(36) Far more difficult to understand is the British attitude toward the partial dismemberment of

China at the hands of powers. She regarded China's defeat as evidence that the Chinese Empire could no longer stand alone, much less resist the aggressions of any outside power, while the predominance of her trade and influence in China had been brought to an end by the powers' acts of aggression. Of the six chief powers of East and West which had shown an active interest in Chinese affairs, most of them, had obtained a slice of the melon, and Britain was by no means to stand apart and had joined the powers to form schemes for profiting by the threatened fall of the Chinese Empire. Yet from the welter Britain succeeded in picking up some trifling advantages though her losing position in China was by no means restored. The further activity of her competitors was steadily to menace the traditional supremacy of her commercial interests in China.

It was in China where Britain risked losing one of Lancashire largest markets, if Russia or other conquering powers absorbed the country. After the days of the "Battle", her chief object was to improve the existing commercial conditions in China. In order to maintain this end, the British Government was steadily to prevent any increase of Russian influence in North China and also firmly to opposed the Germany's dreams of a possible partition of the Chinese Empire.

Thus it is more easy to understand Britain's unvarying policy to China for she had no desire to see the break-up of the Chinese Empire. British interests, commercial as well as imperial, had hitherto demanded the maintenance of China's sovereignty and territority. She, therefore, was rigorously devoted to the policy of "open door", by which the trade of all nations was guaranteed and the integrity of China was also safeguarded, since the former could not be maintained

without the latter.

For setting forth the principle of the "open door", the Anglo-German Agreement of 1900 is noteworthy. In 1900, indeed, China, disorganized by the 'Boxer' outbreak and the European counter-campaign, seemed on the verge of dissolution, but Great Britain and Germany concluded an agreement to uphold the 'open door' of China for all nations' trade. It was said that this pact prevented excessive demands being made, and offered China a genuine guarantee of protection.

B. The Course of Trade between Britain and China during 1885-1899

1. Changes in the General Course of Sino-British Trade 1885-1899.

The development of the economic relations between Britain and China was now to enter upon a new and changing period. In going into the Anglo-Chinese trade and the British investments in China in this chapter, we shall consider the changes that are to be observed in the character of the Anglo-Chinese economic relations. Before going into the changes in the aggregate movements of trade between China and Britain during this period, we have to see the comparative importance of Macao and Hongkong in Sino-British trade.

a. The Position of Hongkong and Macao in Anglo-Chinese Trade.

It was in Macao where a trading port was established in 1537 when direct trade between China and Europe was inaugurated by the Portuguese who first used Macao as their commercial basis. For this peninsula the Portuguese paid a rental to China until 1849, when they declared the independence of the port. Macao was formally ceded to Portugal in 1887, and therefore it should be treated as Portuguese territory. The Chinese customs has since accounted the trade in Macao or in Hongkong as foreign. If Hongkong, though

politically a foreign port, has been considered as a port of the Chinese commercial area, Macao and other leased places should hence be treated as such also. The figures which account Anglo-Chinese trade are thus worked out, without reference to their political status.

Even Macao is assigned to the port for Anglo-Chinese trade but no effect in modifying the course of their trade will be felt either in Britain or in China. Macao during the eighteenth century was the chief port for western trade with China. The cession of Hongkong to Britain in 1842, and the commercial prosperity of that port led, however, to the downfall of Macao, which has long been and still is in a decadent condition. But as to Hongkong, its position had a great effect in altering the course of Anglo-Chinese trade.

If Hongkong were taken as acting as a British port of transhipment for the world trade as well as for China's trade, it would be seen that the British Empire enjoyed an annual average of nearly sixty per cent of the total direct trade of China. But for the purpose of completing an account of the course of Anglo-Chinese trade, Hongkong should be assigned as a port of the Chinese commercial area. Hongkong has played and was playing a larger part in the handling of goods moving either from China to Britain or vice versa. Figures from British sources show exports from Britain to China and Hongkong several times as great as the imports from them. Hence it is certain that when Britain made increasing use of the warehouses and piers of Hongkong and when Hongkong was the chief gateway and warehouse of China, the Sino-British trade through Hongkong was responsible for an increase or decrease in their direct trade.

b. The General Course of the Import and Export Trade between Britain and China.

The period under our consideration is the period which extends from the middle eighties almost to the end of the nineteenth century. It has come to be known in Great Britain as 'The Great Depression', and to be looked back upon as the time when British prosperity was first seriously challenged by the rise of foreign competition in China's trade as well as in the trade of other parts of the world. For Britian, it was a period of rapid economic change and, it was the time in which British overseas trade suffered some economic distress, and when there were serious fluctuations in certain trades.

In China, with the year 1885, an increase in the total trade began and this increase continued at a very even rate until the close of 1899. The imports and exports of China's foreign trade, as measured in Haikwan Taels, show, on the whole, a steady progress, marked in particular years by the usual fluctuations of business. The only point worth notice in China's foreign trade is the growing disproportion between the values of imports and exports in the last few years of the period. In considerating this disproportion, a significant fact is brought out by a comparison of her import and export trade with Britain. We shall now attempt to illustrate this fact.

As to the character of the Sino-British trade, accurate and elaborate information is available in the reports issued by the Chinese Imperial Maritime Customs. Unfortunately, Chinese statistics fail to give exact data as to the distribution of trade, owing to the disturbing influence of the entrepot business of Hongkong. For Chinese trade with Britain it is possible to fall back on the British accounts. But it is clear that the sterling values of the trade between China and Britain would give a varied and different impression

for their trade as compared with Chinese taels value, and it is therefore necessary to place side by side with the Chinese figures, the value of China's trade with Britain as estimated in the United Kingdom in gold, even though a direct comparison is impossible for as we have said, the great entrepot trade of Hongkong defied the analysis of the Chinese customs reports.

	British imports from				British exports to			
	China	Hongkong	Macao	Total	China	Hongkong	Macao	Total
Year	£	£	£	£	£	£	£	£
1885	8614069	968414	5384	9589867	5187288	3757523	...	8944811
1886	8040938	1556062	17659	9614659	5249056	2310532	...	7559588
1887	6667043	1409241	38649	8114933	6243002	2546535	...	8789537
1888	6457673	1296690	44644	7799007	6203590	2804761	...	9008351
1889	6115591	1129190	14895	7259676	5038895	2181718	...	7220613
1890	4830850	1225064	1996	6057910	6608982	2528212	1235	9138429
1891	4713508	1010702	4860	5820070	6456593	2531328	151	8988072
1892	3583248	836705	8085	4428038	5776055	1799812	35	7575902
1893	3894258	885634	6932	4786824	4616666	1830277	92	6447035
1894	3543362	630818	3266	4177446	4453616	1809194	963	6263773
1895	3343865	759441	18662	4121968	5257832	1908813	814	7167459
1896	2973887	797158	17561	3788606	6717353	1822037	1153	8540543
1897	2684722	606314	14184	3305220	5142342	1975374	180	7117896
1898	2668064	726637	5824	3400525	5039264	2225115	507	7264886
1899	3069452	888126	6324	3958902	7040460	2688609	633	9729702

The above figures from British sources corroborate the Chinese figures showing the different values as follows:

	Chinese exp. to Britain	% of China's tot. exp.	Chinese imp. from Britain	% of China's tot. imp.	Total value of exp.&imp.	% of China's tot.trade
Year	H.Tael000's		H.Tael000's		H.Tael000's	
1885	21,992	33.8	23,992	26.8	45,984	29.8
1886	19,746	25.5	22,035	24.7	41,781	25.0
1887	16,483	19.2	25,667	24.5	42,150	22.1
1888	16,701	18.0	30,393	24.0	47,094	21.5
1889	15,657	16.1	21,167	18.7	36,824	17.5
1890	13,095	15.0	24,608	19.1	37,703	17.4
1891	13,772	13.6	29,628	21.8	43,400	18.3
1892	10,476	10.2	28,870	21.0	39,346	16.4
1893	11,668	10.0	28,156	18.3	39,824	14.7
1894	11,500	9.0	29,944	18.0	41,444	14.1
1895	10,571	7.4	33,960	18.8	44,531	13.7
1896	14,053	10.7	44,571	21.0	58,624	17.1
1897	12,945	7.9	40,016	18.9	52,961	14.0
1898	10,716	6.7	34,962	16.0	45,678	12.1
1899	13,963	7.1	40,161	14.7	54,124	11.5

From the above figures the following changes in the general course of the trade between Britain and China are brought out: Firstly, a comparison of the figures from Chinese sources with those from British sources will show a great difference in the valuations calculated by the two sides. We therefore give in the following a comparative table from which we can gauge the relative calculations of the values between a gold-using and a silver-using country.

	1885	1894	1899
British imports from China	£8,614,000	£3,543,000	£3,069,000
Chinese exports to Britain	H.T.21,992,000 (£5,819,633)	H.T.11,500,000 (£1,840,000)	H.T.13,963,000 (£2,094,450)
British exports to China	£5,187,000	£4,454,000	£7,040,000
Chinese imports from Britain	H.T.23,992,000 (£6,357,880)	H.T.29,944,000 (£4,791,040)	H.T.40,161,000 (£6,024,150)
Rate of exchange	5/3½	3/2⅜	3/0⅛

We have however no reason to be satisfied with the results of the above comparison as the decline in the exchange value of taels and in the silver value of trade was no doubt considerable, and so it failed to materialize in terms of pounds sterling. But, by reference to the figures calculated both from the valuations in the silver unit and from those in the gold unit, the general nature of the Anglo-Chinese trade during this period is sufficiently indicated. Secondly, Anglo-Chinese trade during this period was generally stagnant and its course was often disfigured by years of retrogression. The following table gives a general view of their trade during this period.

Total trade of Great Britain with China, during 1885-1899

Year	Excluding Hongkong	Including Hongkong
	£	£
1885	13,801,357	18,527,294
1886	13,289,994	17,156,588
1887	12,910,045	16,865,821
1888	12,661,263	16,762,714
1889	11,154,486	14,465,394
1890	11,439,832	15,193,108
1891	11,170,101	14,803,131
1892	9,359,303	11,995,820
1893	8,510,924	11,226,835
1894	7,996,978	10,436,990
1895	8,601,697	11,269,951
1896	9,691,240	12,310,435
1897	7,827,064	10,408,752
1898	7,070,328	10,659,080
1899	10,109,912	13,681,647

From the above table, it may be said that in the total trade between Britain and China either in Haikwan Taels or in pound sterling there had been practically no increase. Throughout this period their total trade was on the whole on a downward trend. The total value of the Anglo-Chinese direct trade decreased; it was 13.8 million pound sterling in 1885 and 10.1 million pound sterling in 1899. If the British trade with China and Hongkong were put together into an account, the average value of the Anglo-Chinese trade for the fifteen years 1885-99 would be 13 million pound sterling, a decrease of about 35 per cent when compared with the average of 20 million pounds for the years 1865-1884.

If Anglo-Chinese direct trade were measured in Chinese taels according to Chinese customs reports, it would show a small increase in the fifteen years 1885-99. Their direct trade was totally valued at about 671 million taels in which the annual average value was about 44.7 million taels. In 1885 the total trade between China and Britain was about 45 million taels and in 1899 about 54 million taels. The highest point was reached in 1896, the remaining

years of the period marking the higher points. But, according to the figures from British sources, the highest point of Anglo-Chinese trade was reached in 1886, and the years in the earlier part of the period marked the higher points. Thirdly, if we now turn to the consideration of the values of the British import and of her net export trade from and to China we find that the difference between the merchandise imports and exports was so great that throughout the period the Anglo-Chinese trade balances were also great, as the figures show in the following table:

	British imports from China, Hongkong and Macao.		British exports to China, Hongkong and Macao.	
	Total value £	Annual average £	Total value £	Annual average £
1885-89	42,376,142	8,475,228	41,522,900	8,304,580
1890-94	25,270,288	5,054,056	42,413,211	8,482,642
1895-99	18,575,221	3,715,044	39,820,486	7,964,097
1885-94	67,646,430	6,764,643	83,936,111	8,393,611
1890-99	43,845,509	4,384,551	82,215,697	8,221,570
1885-99	86,221,651	5,748,110	123,738,597	8,249,240

From the above figures some facts can be brought out.

(a) Throughout the period now under consideration, the exports from Britain to China maintained a level except for certain decreases in 1893 and 1894 as shown on page 26. But the course of British imports from China was different; they fell considerably and steadily throughout the whole period. On the whole, in the British trade into China, the merchandise imports and exports were about equal to each other at the beginning of this period, but at the end they were unequal. Exports showed a little progress in value, while the drop in imports evidently implied some vital revolution in the direct

commercial relations between Britain and China which has affected only the one side of the balance.

(b) We also find that in the total value of the Anglo-Chinese trade there was no obvious increase, due entirely to the fact that Chinese imports into Britain fell more continuously and to a lower point than ever before.

(c) An important difference between the periods we have dealt with and the period now under consideration become apparent when the averages of the import and export trades between China and Britain are compared. Since China was thrown open to trade with Britain, as far as the visible items of the Anglo-Chinese trade were concerned Britain was characteristically an importing nation, and the actual difference between the value of British imports from and her exports to China was so great as is indicated by the following figures.

	British imports from China & Hongkong		British exports to China & Hongkong	
	Total value £m.	Annual average £m.	Total value £m.	Annual average £m.
1st. period (1834-42)	35.63	3.96	8.35	0.93
2nd. period (1843-64)	186.36	8.47	56.60	2.83
3rd. period (1865-84)	248.03	12.40	161.62	8.08
4th. period (1885-99)	86.22	5.75	123.74	8.25

It is to be noted from the above that a great change had set in during 1885-99 while the general character of Anglo-Chinese trade had been modified. This modification must have some essential connextion with the change in China's export trade with Britain, the fall in

in the value of Chinese exports to Britain was continuously and steadily obvious in such figures as 9,8,7,6,5,4 and 3 million pound sterling from 1885 to 1899. The direct exports from China to Britain were valued at £8,614,069 in 1885 and at £3,069,452 in 1899. They then decreased by about 64 per cent. According to the Chinese customs reports, the Chinese net exports to Britain also showed a considerable decrease, while they fell from 21,992,000 taels in 1885 to 13,963,000 taels - - a decrease of about 36 per cent. It will be, no doubt, obvious to us that in the Chinese trade with Britain the merchandise trade balance could be unfavourable to China, even not referring to the invisible imports.

c. General Reasons for the Undeveloped Course of Anglo-Chinese Trade.

Of the general course of the Anglo-Chinese trade during the period under consideration, we have seen that there was no rise in the total value of their trade, and in the British export trade into China there was no notable increase but in her imports from China the total value decreased rapidly and considerably. We shall examine the conditions by which the trade between China and Britain was supposed to be harassed during this period.

In Britain the depressed conditions of trade and industry were not favourable for the development of her overseas trade with China. For China the last 15 years of the nineteenth century was mainly a period of misfortunes. Particularly, the closing years of the last century were years of disquiet and distress for China. The peaceful operation of Anglo-Chinese trade was disturbed first by the Sino-French war and next by the Sino-Japanese war. Flood and famine recurred periodically in different regions of China, and prosperity in one province only compensated for adversity in another. The

effects of the misfortunes of China tended to maximize the disturbance in the normal course of her trade with Britain.

Next, there was the tormenting effect of the fall in the gold value of silver. Chinese commerce and British trade in China were both affected profoundly in their general course by this one constantly unfavourable movement. Firstly, by the continuation of the decline in the gold value of silver, the rapid fluctuations in the exchange value of silver was brought about. Secondly, the changes in the prices of goods for foreign markets had been made more rapid as the result of the risks to trade, partly due to the long decline of the gold value of silver and partly due to the fluctuations in the foreign and native exchange. This change has been pointed out in the last chapter, but we must study it further.

As to the rapid fluctuations in silver values, the main facts may be summarized briefly. The value of the Chinese Haikwan taels, as measured in gold, in 1872, as we have seen, was approximately 6/8; it declined gradually to 5/7, and then dropped sharply from 5/3½ in 1885 to 4/11 in 1891 and 3/4 in 1896; it then fell to 2/11 in 1898, and reached about 3/- during a temporary rise in 1899 and 1900.

The above mentioned result of the rapid fluctuations in silver value, i.e., in exchange, was no doubt to make the speculative aspect of trade more important and so to make what may be called illegitimate speculation more common. The fluctuations affected the profits of the merchants - - foreign and native - - as a whole, while they rendered their business uncertain and a prey to speculation. The sudden and rapid fluctuations, therefore, rather than the fact of the decline in the value of silver injured the merchants. Furthermore, in Chinese market the uncertainties of exchange was

widened in its continuity and intensity, by the monetary stringency which began with the outbreak of the war with Japan. This stringency lasted until the end of the last century, and it gained in intensity with the lapse of time.

Concerning the falling price of silver we have some facts as to the prices, that is, the prices in silver of Chinese imports and exports. As we have seen in the previous period there was a fall in the prices of Chinese imports and exports, which may be regarded as the effects of changes in the gold price of silver. No one doubts that falling prices are bad for trade and that they had been a serious factor in retarding the progress of trade between gold-using and silver-using countries. Throughout the period now under our consideration the fall in the price of goods was more concentrated in the years of the 'great depression' in Britain. It was in part due to the shortage of gold and in part to a monetary cause. Indeed, commerce in China suffered from the fluctuations in prices as well as in the exchange value of silver. But, it was hardly held that in China the continued fall in the gold value of silver and the fluctuations in the exchanges were naturally coupled with the tendency to permanence on the part of silver prices of commodities - - imports or exports. If attention is drawn to the actual prices in silver taels for the commodities in which China traded, it is discovered that during this period the silver prices of imports and exports in China had not declined but risen, with the fall in exchange. As a matter of fact, the index numbers in Britain and in the rest of the chief trading countries of the West show that the rise in prices began in the year 1897. In China the prices of imports rose probably three or four years earlier. The course of

import and export prices during this period and the following period will be shortly indicated while we deal with the imports and exports in the Anglo-Chinese trade; but we do not intend to enter upon a discussion of the reasons for the upward trend of these prices.

d. The Relation between the Falling Exchange and Anglo-Chinese trade.

In the preceding paragraph, we have seen that in China there was a series of successive disturbances to trade - - such as the disturbance of monetary exchange and the falling exchange, which were brought out by the widespread rupture of the link between silver and gold. During the period under consideration, the fall in the gold price of silver was held much more responsible for the disturbances in the trade between a gold-using and a silver-using country, while there was a continuous and persistent decline in the Chinese exchange synchronous with the fall of silver.

So, it was widely held that the depreciating currency stimulated exports and thus encouraged national production. And therefore, if falling exchange stimulated exports it should prohibit imports. In order to examine this exchange stimulus theory, let us search for any correlation between the falling exchange and the movements of imports and exports in the Anglo-Chinese trade. Since 1873 during which the fall of the gold value of silver commenced, and for some years before 1873, the fall of exchange in the Chinese market had been announced, the Chinese exports to Britain expanded not quite so remarkably as did her imports from Britain. In 1880-84 Chinese exports to Britain actually declined while her imports from Britain did not increase. It is scarcely necessary in the last period to point out that every fall in exchange was invariably accompanied by increased exports from China to Britain when the tael-sterling

exchange value oscillated between five and six shillings per tael.

But, during the period under consideration, a heavy depreciation in the tael-sterling exchange value continuously occurred while there was a greater and steadier decrease in Chinese exports to Britain, but her imports from Britain throve generally. The following table shows in parallel columns the rate of tael-sterling exchange and the centesimal variations of British imports and exports from and to China and Hongkong in each year from 1885 to 1899.

Year	Average rate of exchange	British imp. from China & Hongkong	British exp. to China & Hongkong
1885	5/3½d (100)	100	100
1886	5/0⅝d (95)	100	85
1887	4/10¼d(92)	84	98
1888	4/8⅜d (89)	81	100
1889	4/8¾d (89)	75	81
1890	5/2¼d (98)	63	102
1891	4/11d (93)	61	100
1892	4/4¼d (82)	46	85
1893	3/11¼d(74)	50	72
1894	3/2⅜d (60)	43	70
1895	3/3¼d (62)	43	80
1896	3/4 d (63)	39	95
1897	2/11¾d(56)	34	80
1898	2/10⅝d(55)	35	81
1899	3/0⅛d (57)	41	109

It is particularly noticeable that in the above table, there was a decrease in most imports from China to Britain and an increase in most exports from Britain to China while the falling exchange in China was remarkably steady throughout the period. It is enough to show that as regards the exchange stimulus theory there was no exact traceable connection between exchange and exports. No doubt is thrown, however, on the so-called exchange stimulus theory when it is applied to a study of the relation between the falling exchange and the prosperity of trade, everything else being assumed as equal. In considering the effect of the declining exchange on the course of

trade if many other factors are to be taken into account it may be as difficult to avoid the opposite conclusion at which we have just arrived.

2. Chinese export Trade with Britain and Her Chief Exports to Britain.

As we have stated, the total trade between Great Britain and China remained unimproved in this period, in comparison with last period. This unimprovement is chiefly noticeable in the Chinese export trade with Britain, and the fall in the value of Chinese exports to Britain was fairly steady throughout this period. The value of the total exports shows a continuous decline and a considerable drop until 1899 during which a slight rise can be seen. We shall now examine the Chinese export trade with Britain for the purpose of discovering what changes took place during this period.

During this period China's exports to Britain continued to consist of a few commodities, but by no means in the same degree as in the last period or periods we have dealt with. We must remember that during the last period, tea and silk together had formed approximately 90 per cent of the Chinese total exports to Britain. But now during this period these two commodities together made up about 61 per cent of the total value of China's exports to Britain, and by this period the percentage had fallen to about 30 per cent. On the other hand, in the Chinese exports to Britain, the sundry articles other than tea and silk grew in their percentage and value. The course of China's export trade with Britain during this period is fairly shown by the accompanying table.

China's exports to Britain during 1885-1899

(1885-89)	Tea	Silk	Sundry Articles	Total
Total value	£25,206,725	£5,845,898	£11,202,288	£42,254,911
Average	£ 5,041,345	£1,169,179	£ 2,240,457	£ 8,450,982
%age	59.6	13.9	26.5	100
(1890-94)				
Total value	£10,760,434	£3,902,542	£10,582,173	£25,245,149
Average	£ 2,152,086	£ 780,508	£ 2,116,434	£ 5,049,029
%age	42.6	15.5	41.9	100
(1895-99)				
Total value	£ 5,591,387	£2,113,440	£10,807,839	£18,512,666
Average	£ 1,118,277	£ 422,688	£ 2,216,156	£ 3,702,533
%age	30.2	11.4	58.4	100
(1885-94)				
Total value	£35,967,159	£9,748,440	£21,784,461	£67,500,060
Average	£ 3,596,716	£ 974,844	£ 2,178,446	£ 6,750,006
%age	53.3	14.4	32.3	100
(1890-99)				
Total value	£16,351,821	£6,015,982	£21,390,012	£43,757,815
Average	£ 1,635,182	£ 601,598	£ 2,139,001	£ 4,375,781
%age	37.4	13.7	48.9	100
(1885-99)				
Total value	£41,558,546	£11,861,880	£32,592,300	£86,012,726
Average	£ 2,770,569	£ 790,792	£ 2,172,820	£ 5,734,181
%age	48.3	13.8	37.9	100

a. Tea. The export of Chinese tea to Britain had begun its fall from a high place in China's trade with Britain. During the period

now being considered, the export of tea in the Anglo-Chinese trade as well as in China's other external trade continued to decline in importance; its decline was steady and continuous, nearly year by year. This is a striking feature of the above table which shows the reduction of the amount of tea exported from China to Britain as compared with silk and the other articles exported to Britain. Certain significant changes in the Chinese tea trade with Britain may then be brought out .

(a) During this period the value of the total exports of Chinese tea to Britain showed a considerable decrease, while at the same time the amount of tea exported from China to Britain was also declining. As we have ween in the above table, during the early years of this period the total value of the tea exported from China to Britain was about 59 per cent of the total value of the Chinese exports to Britain. By the middle of the period this percentage had declined to somewhat more than 42% and during the closing years of this period it was as low as 30 per cent. Throughout this period the total amount of Chinese tea exported to Britain declined from an average of 111,703,600 lbs during 1885-99, and 52,804,800 lbs during 1890-94 to 29,080,600 lbs during 1895-199, and it was continuously to drop during the following period. The following figures show the decline of Chinese tea exported to Britain, not only in value but in amount, during 1885-99.

Tea Import to Great Britain

	From China		From Hongkong		Total	
Year	lbs000's	£000's	lbs000's	£000's	lbs000's	£000's
1885	131,234	6,045	8,354	403	139,588	6,448
1886	135,960	5,960	8,938	425	144,898	6,385
1887	110,507	4,261	8,342	343	118,849	4,604
1888	98,098	4,016	6,496	265	104,594	4,281
1889	82,719	3,285	5,415	203	88,134	3,488
1890	68,551	2,617	5,138	194	73,689	2,811
1891	57,024	2,203	5,132	196	62,156	2,399
1892	50,575	1,820	6,262	227	56,837	2,047

1893	49,912	1,774	6,087	209	55,999	1,983
1894	37,962	1,331	5,685	189	43,647	1,520
1895	34,329	1,249	5,286	166	39,615	1,415
1896	31,116	1,120	3,687	107	34,803	1,227
1897	25,131	881	3,240	92	28,371	973
1898	24,154	857	2,758	81	26,912	938
1899	30,673	926	3,963	113	34,636	1,039

(b) In the general decrease in the importance of tea among the exports from China to Britain the period now under consideration presented no change from the last period we have dealt with. In this period as in the last period, the decline in the export of Chinese tea was mainly connected with the decline in the comparative importance of the British market for the black leaf tea was exported from China to Britain. The chief markets for Chinese green tea in the United States and Canada, and for Chinese brick or tablet tea in Russia showed no decline, but somewhat of an increase during this period. It was the black leaf tea which was exported from China to Britain, and its export declined during this period by about one half. Britain was still one of the great tea-drinking countries, with the biggest per capita consumption. As we have seen in the last period, the year 1875 was the culminating year during which the shipments of tea from China to Britain was in volume - - 169,762,945 lbs - - the highest on record for the Anglo-Chinese tea-trade, valued at £11,408,053. But about twenty years later, China supplied Britain only with about thirty million pounds of its consumption of tea; being valued at about one million sterling. In the early years of the last period the export of Chinese tea had amounted to over thirty million pounds, and at the end of the last century it was reduced to its old level, as we have seen in the table.

(c) The decline of China's tea export to Britain was brought about by the intense competition of India and Ceylon. During this period Ceylon crowded Chinese tea gradually out of the British market, and

the Indian tea expanded its markets in Britain steadily and largely at the expense of China tea. In 1885 the British brought 66% of their tea imports from China and Hongkong, and only 31% from India and Ceylon. But in 1889 the import of tea into Britain was only 12% from China and Hongkong and 85% from India and Ceylon. Thus China was no longer the significant supplier of tea to the British market in the last period, and during the period under consideration her supply of tea to Britain decrease steadily from year to year. The reasons for the loss of the British market to China tea, and by which the interrelated changes of China and India in the tea imports into Britain took place, will be discussed later when the Anglo-Chinese tea trade will be dealt with in the following chapter. Now we present some sets of figures in order to illustrate the relations between the broad changes in the character and distribution of the China tea trade and the well-marked developments of the tea trade in Britain.

	Chinese exports of		British imports of tea from				
	"all teas"	black tea	China		Hongkong		India
Years	H.Tael000's		lbs000's	£000's	lbs000's	£000's	lbs000's
1885-89	154,366	124,630	558,518	23,567	37,545	1,639	407,846
Average	30,873	24,926	111,704	4,713	7,509	328	81,569
1890-94	146,089	110,436	264,024	9,745	28,304	985	558,541
Average	29,218	22,087	52,805	1,949	5,661	197	111,708
1895-99	152,172	100,933	145,403	5,033	18,934	589	668,834
Average	30,434	20,186	29,081	1,007	3,787	118	133,767
1885-99	452,627	335,999	967,945	38,345	84,783	3,213	1,635,221
Average	30,175	22,340	64,530	2,556	5,652	214	109,015

British imports of tea

Year	India		from Ceylon		Others		Total	
	£000's	lbs000's	£000's	lbs000's	£000's	lbs000's	£000's	
1885-89	21,169	77,631	4,410	26,051	1,199	1,109,590	51,943	
Average	4,234	15,526	882	5,210	240	221,918	10,389	
1890-94	24,289	319,375	14,449	27,332	1,092	1,197,576	50,590	
Average	4,857	63,875	2,890	5,466	218	239,515	10,118	
1895-99	26,755	473,949	18,358	42,560	1,462	1,348,070	52,167	
Average	5,351	94,790	3,672	8,512	292	269,614	10,433	
1885-99	72,213	870,955	37,217	95,943	3,753	3,653,236	154,700	
Average	4,814	58,064	2,481	6,396	250	243,549	10,313	

The above figures require a few commemts. The first column shows the steady decline of Chinese exports of all teas throughout the period; the second defines the special province of that decline. It was limited to black tea, the ordinary commodity as known in Great Britain. But the fall in the total of "all teas" is actually less than the fall in the total of black tea. The third column suggests that the United Kingdom was largely responsible for the change, while the fourth puts us on the track of the explanation. The last column shows that the general course of the tea trade in Britain steadily developed, and her consumption was naturally to keep pace with the growing imports of tea from her possessions, but not from China.

(d) As to the price of tea, we have to refer to the following tables: the first shows the prices of tea at the point of landing in Great Britain; the second shows the prices of tea exported from the three tea producing countries, during 1885-1899.

Landing value of tea in Great Britain from

Year	India d	Ceylon d	China d	Hongkong d	Others d	Gen.price d	Index no. of wholesale price of tea (1900=100)
1884	...	...	...	...	...	...	137.9
1885	...	...	...	...	...	12.06	141.2
1886	...	...	...	...	...	11.77	137.8
1887	...	...	...	...	...	10.58	123.9
1888	11.82	13.27	9.82	9.79	10.09	10.99	128.7
1889	11.50	12.36	9.53	9.00	10.10	10.79	126.3
1890	11.23	11.91	9.16	9.06	10.06	10.65	124.7
1891	11.04	11.62	9.27	9.17	9.89	10.70	125.3
1892	10.24	10.97	8.64	8.70	9.74	10.07	117.9
1893	9.88	10.48	8.53	8.24	9.51	9.74	141.1
1894	9.88	9.91	8.41	7.98	8.85	9.59	112.3
1895	9.91	9.79	8.73	7.54	8.76	9.63	112.8
1896	9.85	9.61	8.64	6.96	8.84	9.55	111.8
1897	9.71	9.29	8.41	6.81	8.24	9.36	109.6
1898	9.43	9.08	8.51	7.05	8.45	9.13	106.9
1899	9.25	8.80	7.24	6.84	8.51	8.82	103.3

Export value of tea in

Year	India d	Ceylon d	China d	Index no. of tea export from China (1913=100)
1884	13.33	11.63	7.26	61.2
1885	11.43	11.69	7.22	64.4
1886	11.36	11.71	6.81	64.2
1887	10.91	10.21	6.10	59.2
1888	10.13	9.01	5.91	59.4
1889	9.09	8.58	6.41	64.0
1890	8.77	9.00	7.48	65.4
1891	9.24	7.87	7.85	75.2
1892	8.52	6.98	6.28	67.8
1893	8.27	7.30	5.95	71.2
1894	7.07	7.15	4.92	72.6
1895	7.93	6.62	5.12	73.8
1896	7.91	6.70	5.28	74.8
1897	8.03	6.22	5.11	81.0
1898	8.59	6.19	4.84	79.7
1899	7.82	6.40	5.23	81.9

For the purpose of making some points clear, it is necessary to cut short the long list of figures in the above tables by which are indicated the fluctuations in the declared value per lb of tea at the time of its landing in Britain and at the time of its export from

the three main tea producing countries.

Year	Export value in India d	Ceylon d	China d	Landing value in Great Britain from India d	Ceylon d	China d
1884	13.33	11.63	7.26	14.12	17.26	10.59
1890	8.77	9.00	7.48	11.23	11.91	9.16
1895	7.93	6.62	5.12	5.12	9.79	8.73
1899	7.82	6.40	5.23	5.23	8.80	7.24
Dec. in 1884-1899	5.51	5.23	2.03	4.87	8.46	3.35
% of dec.	41	45	28	34	49	32

It will therefore be seen that the value of the tea, both at the point of export, and also at the point of landing, has decreased in much the same proportion during this period. In the comparison of the landing values in Britain with the declared values of the tea exported from India and China, it will then be found that the average price of Indian tea underwent a more continuous decline than did that of China tea, while they had equally profited from a falling exchange. The index for the wholesale price of tea in Britain shows that the price of tea in 1899 fell below 3.2 per cent of its price of 1885, and that the general prices of tea fell persistently as the downward movement in price-level showed the great depression in Britain. As to China tea sold in the British market, its average in price at the point of export fell as well as its landing price throughout this period, even though its percentage proportion of decrease was smaller than that of the other variety of tea imported into Britain.

But, we find that a decline of Chinese tea prices in Britain was a decline of the gold price of tea, and it was by no means a decline of the silver price of tea in China. The falling prices have reacted differently on the gold-using country and on the silver-

using country. Accordingly the calculations of the Chinese customs statistics, the actual price H. Taels for tea exported into foreign countries had not only remained steady but had shown a fair rise. As we have stated before, the upward movement of export prices did take place in China during the years of a sharply falling gold value of silver. But it was far from the effect of the falling exchange. It was commonly held that the steady fall in exchange should have stimulated the export of tea from China. Doubtless, in certain years such a stimulus was temporarily provided, as the tea merchants, watching carefully the London exchange and raising their tael prices accordingly, generally succeeded in reaping the temporary advantage at the expense of the foreign exporters. But of any permanent stimulus evidence was sadly lacking. The advantage of the fall in each exchange was more than equalized by the fall in gold prices largely due to Indian competition. In fact, the gold price of tea in London fell more than the gold price of silver, and so the tea trade continued, though by their own account the traders were annually ruined. A higher price had even been paid as a stimulus to the Chinese producers of tea. But the price in China to the native growers showed little variation, as the silver value of native products for native consumption remained fairly steady, and tea-production for export was far from being a fixed and necessary part of the agricultural economy of China. No great expectations were therefore entertained of the advantage to China from the falling exchange.

b. Silk. The period under consideration was the period of vigorous growth in the export of silk from China. Unlike tea, silk then provided no revolutionary changes for discussion in China's foreign trade. But in the Sino-British trade, the course of the

silk trade between them was far from satisfying the Chinese producers and the British traders in China. So, in the matter of silk as well as in tea, Britain was evidently fast disappearing from the ken of the Chinese. But, in the long run, silk in the Anglo-Chinese trade would differ from tea. Tea had declined, relatively and absolutely, but silk could maintained its position in the total exports from China into Britain.

During this period, as already noted, tea accounted for about 48 per cent of the total of China's exports to Britain, while silk accounted for about 14 per cent; and whereas, the share of tea had dropped steadily throughout the period, that of silk had not dropped. The course of the silk trade between China and Britain during this period started in the first five years during the boom of their general trade, fell in the next five years, and declined sharply in the remaining years. In general it may be said that the export of silk to Britain shows a decrease throughout this period and at about the same rate as the decline of the total exports from China to Britain. In the fifteen years from 1885-1899, the total exports of China to Britain declined and the silk declined in exports. So, it is hardly right to argue that in the Anglo-Chinese trade during 1885-1899 the export of silk held no responsible share in the decline in the total value of China's exports to Britain.

Also, we find that during this period, Britain lost much of the silk trade which had grown up while she was the centre for the distribution of Chinese goods in the West. Thus the silk exports from Britain to the continental states declined in value, and at the same time there was no growth in Britain's imports of silk from other sources.

The following table shows China's exports of raw and thrown silk and Britain imports of silk from China.

Year	Chinese exports of silk H. Taels	Piculs	British imports of silk from China £
1885-89	91,983,000	319,890	5,845,898
Average	18,396,600	63,978	1,169,179
1890-94	118,295,000	389,419	3,902,542
Average	23,659,000	77,884	780,508
1895-99	109,351,000	293,972	2,113,440
Average	21,870,200	58,794	422,688
1885-99	319,629,000	1,003,281	11,861,880
Average	21,308,600	66,885	790,792

From the above table it will be seen that China's total exports of silk to Britain steadily declined in volume and also in value. This total export of silk did not include a small amount of unclassed silk products. These fell under three different headings in the reports of British customs, and all decreased in quantity and value as we can see from the following figures.

S I L K (R A W & T H R O W N)

	from China		from Hongkong		Total	
	lbs	£	lbs	£	lbs	£
1885	1,444,960	954,725	58,437	38,972	1,503,397	993,697
1886	1,217,002	760,629	465,978	326,232	1,682,980	1,086,861
1887	1,416,660	899,975	471,789	326,663	1,888,449	1,226,638
1888	1,722,452	928,225	280,658	182,776	2,003,110	1,111,001
1889	1,671,818	1,131,642	427,281	296,059	2,099,099	1,427,701
1890	1,048,033	710,712	409,951	275,589	1,457,984	986,301
1891	1,277,061	819,082	389,724	250,773	1,666,785	1,069,855
1892	767,447	461,840	133,258	82,800	900,705	544,640
1893	1,255,935	758,974	189,560	118,100	1,445,495	877,074
1894	729,315	422,742	3,178	1,930	732,493	424,672
1895	791,350	399,729	29,300	15,540	820,650	415,269
1896	571,580	271,551	138,190	69,068	709,770	340,619
1897	628,442	298,170	65,240	31,989	693,682	330,159
1898	838,914	387,035	32,300	16,119	871,214	403,154
1899	1,193,953	604,229	33,580	20,010	1,227,533	624,239

SILK (KNUBS, HUSKS & WASTE)

Year	from China		from Hongkong		Total	
	cwts	£	cwts	£	cwts	£
1885	31,697	353,305	2,318	28,483	34,015	381,788
1886	29,825	326,628	14,911	181,328	44,736	507,956
1887	28,860	334,944	17,963	231,425	46,823	566,369
1888	38,146	396,288	18,065	205,341	56,211	601,629
1889	37,090	410,301	16,227	172,140	53,317	582,441
1890	32,991	361,855	15,272	163,450	48,263	525,305
1891	43,104	415,660	18,677	199,402	61,781	615,062
1892	16,958	169,842	13,590	149,352	30,548	319,194
1893	24,457	202,710	13,913	147,854	38,370	350,564
1894	30,229	247,477	8,101	77,172	38,330	324,649
1895	25,330	189,261	10,281	85,579	35,611	274,840
1896	23,628	162,638	15,413	137,364	39,041	300,002
1897	20,830	134,795	12,250	111,620	33,080	246,415
1898	34,268	221,557	12,189	112,137	46,457	333,694
1899	33,247	215,322	20,852	176,840	54,099	392,162

SILK MANUFACTURES

Year	from China	from Hongkong	Total
	£	£	£
1885	49,629	40,919	90,548
1886	77,941	59,249	136,190
1887	101,955	61,703	163,658
1888	70,235	71,446	141,681
1889	125,763	77,893	203,656
1890	87,533	55,310	142,843
1891	58,734	55,181	113,915
1892	48,996	45,077	94,073
1893	61,067	43,370	104,437
1894	44,389	31,806	76,195
1895	50,432	40,417	90,849
1896	44,648	17,078	61,726
1897	39,033	14,085	53,118
1898	29,899	6,391	36,290
1899	36,760	2,964	39,724

As we have noted before, the factors which led to the deterioration of China's silk trade with Britain can be briefly indicated. In the course of years the silkworm all over the world was attacked by disease. But in Europe disease made no headway as the Pasteur methods of detection had been introduced. In China, the failure to adopt the scientific remedy of microscopic examination has meant the persistence of disease which attacked the eggs of the silk worms. Thus the demand for export in China was not infrequently to exceed

the supply from native products. Also in Europe the value of reeling silk by machinery had long been recognised, but in China the defective method of reeling by hand was still in operation. The inferior raw material and the hand reeling method were naturally to cause a fall in silk production and the inability of China to meet the demand of British silk importers.

Furthermore, it was a long time since China had possessed a monopoly of the sources of the silk supply to Britain where she had to meet her rivals in the competitive silk trade. Italy and France continued to be China's most important competitors in the silk trade with Britain. The sudden growth of Japan's trade in silk had not yet brought her into sharp competition with any country. China's proportion in supplying Britain with silk was in this period reduced to an extent she had not reached before.

Silk, like tea, during this period, had maintained its local silver price intact. This price had considerably risen, and in the meantime, its gold price in Britain had continuously fallen. Its falling quotations followed closely the fall in exchange. In the following indices the fall in the gold price and the rise in the tael price of Chinese raw silk are indicated.

Year	Index number of silver price of silk in China (Price in 1913=100)		Index number of gold price of silk in Britain (Price in 1900=100)
	Raw silk	Manufactured silk	
1885	46.0	72.0	108.5
1886	50.0	89.0	105.9
1887	52.8	78.3	105.2
1888	52.8	86.8	94.8
1889	55.0	80.9	108.2
1890	55.4	79.0	109.5
1891	52.0	81.2	104.1
1892	54.8	76.7	100.9
1893	54.5	79.5	99.3
1894	59.0	72.9	100.7

1895	61.8	78.0	97.5
1896	65.6	77.0	96.7
1897	69.9	81.2	95.1
1898	74.0	85.8	96.5
1899	87.5	90.3	98.5

It seems to be true that the fall in the gold value of silver was an encouragement to the silk export trade of China as a whole. But in the case of Anglo-Chinese trade, it has been said that neither tea nor silk were to be vitally affected by the fall in the gold value of silver. As a result of foreign competition in the British market, China's silk showed no signs of vitality, and the effect of the falling exchange upon the export of Chinese raw silk to Britain remained unpromising.

c. Sundry exports from China to Britain.

During this period, in the Anglo-Chinese trade, we find that sundry goods exported from China to Britain considerably increased not only in their volume and value but in their variety. This has been and continued to be a noteworthy feature of China's export trade with Britain. Thus, it seems to us that China at the end of the period under consideration was actually becoming an exporter of raw material, even from the British point of view.

In the fifteen years from 1885-1899, China's sundry goods exported to Britain amounted to £32,592,300 out of her total export trade with Britain of £86,012,726, and they constituted about 38% of all her exports to Britain. The annual average export of the sundry goods from China to Britain during the last twenty years from 1865 to 1884 about one million pound sterling. It doubled itself when we find that it was annually averaged at £2,173,000 during 1885-1899. It will be seen that an increase of the sundry exports

in the Anglo-Chinese trade was a growth in the export of provisions, and especially of materials for British industries, such as bristles, raw cotton, hemps or similar vegetable substances, straw platting, feathers, animal hairs, hides, skins and furs.

Preserved foods. Among the provisions, fruits and vegetables preserved in sugar require only to be mentioned. They did not appear in China's export trade with Britain until 1890 after which they rose in the value of their export amounting in 1892 to £35,187.

Bristles. The export of bristles has been long recorded in Anglo-Chinese trade. Britain ranked with the United States as the chief importer of these articles. Their export from China to Britain rose from 489,384 lbs. valued at £56,872 in 1885, to 1,802,340 lbs. valued at £192,539 in 1895. It showed a slight fall during remaining years of this period. But bristles were bound to be an important export in China's trade with Britain because in China the pig provided the principle meat dish for the table.

Raw cotton. China was one of the chief cotton-planting countries of the world. Most of this shipment went to Japan. Its export to Britain was necessarily reduced to a minimum ; for Britain had already turned to rely upon her Indian supply. Its export was not recorded until 1892. During 1892 cotton was exported to Britain to the extent of only 12 cwts with a value of £24. During the years after 1892 this trade with Britain did not show any progress.

Hemps. This export included the similar vegetable substances, and it was unimportant in the last period of China's trade with Britain. But the export of these goods grew towards the later years of this period and we find that their export to Britain in 1885 was 61,214 lbs with a value at £105,150 and in 1899, 10,892 lbs valued

at £337,126.

Straw platting. This was one of the Chinese home industries introduced expressly for her trade with Britain as the principal demand was from Britain for the making of hats and bonnets. It was, therefore, an old-established export of China and it showed remarkable progress as long as China did not find Japan in competition with her in this trade with Britain. Its export to Britain was first recorded in 1889, at 7,381,309 lbs., valued at £477,935 and constituted a normal movement throughout this period.

Feathers. Feathers were imported from China into Britain either for beds or ornaments. This trade remained undeveloped in this period. In 1885 their export amounted to £25,987 and rose to about fifty thousand pounds sterling in 1899.

Minor articles. Hairs, hides, skins and furs of all kinds, and camel and sheeps wool were minor articles with great future possibilities among Chinese exports to Britain. Anglo-Chinese trade under this heading became increasingly valuable when Britain was regarded as one of the principal importers of these articles. The total of the Chinese sundry goods exported to Britain accounted for 37.9% of the total value of exports from China to Britain during this period and showed a great advance as the following figures indicate:

Articles	Year	Total value	% of all sundry goods imported into Britain	% of China's exports to Britain
		£		
Vegetables (preserved)	1892-99	388,429	2.3	1.2
Bristles	1885-99	1,874,926	5.7	2.2
Raw cotton	1892-99	117,324	0.7	0.4
Hemps	1885-99	2,362,255	7.2	2.7
Straw platting	1889-99	3,988,865	17.0	7.8

Feathers for bed	1885-99	371,507	1.1	0.4
Hairs	1885-99	1,402,593	4.3	1.6
Hides, raw	1885-99	582,177	1.8	0.8
Skins	1888-99	3,020,152	12.0	5.1
Wools, sheep and etc.	1885-99	1,151,871	3.5	1.3

Britain had thus provided for large quantities of Chinese exports classed as sundry goods. As to the silver prices of these sundry goods, a fall in the gold price of silver was followed by a rise of the silver price of the sundry goods. At that time the lowering of frieghts through the opening of the Suez Canal caused the gold price of Chinese sundry goods to be much more cheaper than before. Thus the main advantage was to the consumer in a gold-using country such as Britain. It is said that the stimulus of a falling exchange seems to have shown itself to some extent in the growth of Chinese sundry goods exported to Britain. On the whole, the advantage of the falling exchange seems to have remained with the Chinese producer in the form of a rise in silver prices. Then the general effect of the fall in exchange seems to have been to provide a temporary stimulus in certain sundry exports from China to Britain. But this stimulus was greatly reduced by the general fall in gold prices in Britain, and China was hardly to reap much benefit in her export trade with Britain.

3. British Export Trade with China and Her Chief Exports to China.

The characters of the British export trade with China has been referred to, and we have pointed out that the course of this export trade with China was modified during the period under our consideration. In the merchandise trade between Britain and China as before

stated, the exports of China to Britain always exceeded her imports from Britain. But during this period China became more an importing nation of British goods. Furthermore, the expansion of the British export trade with China, though it became less marked in this period, reached in 1899 the highest peak of British export trade with China since she had opened trade with her. Information either from Chinese or British sources, indicated that during this record year of 1899 the total exports of Britain to China were valued at £9,729,069, or at H. taels 273,756.

As we have stated, the British export trade with China, as a whole, remained undeveloped if we compare its annual value of this period with that of the last period. Also, among her exports to China, the chief articles were still limited to a few established exports, China being still regarded as a market for Lancashire cottons or cotton piece goods. The Lancashire cotton industry remained Britain's largest source of export, and the backbone of her cotton sales was the market in India and China. So the export trade of Britain with China during this period was as yet almost entirely in textiles even though articles other than cottons and woollens began to grow in importance in the British export trade with China at the end of the last century. Before considering the importance of individual articles imported into China from Britain during this period, it is necessary to have a general idea of the main items of the Chinese imports from Britain. This will be found in the following table on page 54.

British exports to China and Hongkong during 1885-1899

	Cotton manuf.	Cotton yarn	Woollens	All other art.	Total
1885-89	£	£	£	£	£
Total value	26,500,499	2,508,270	5,215,094	7,299,037	41,522,900
Aver.	5,300,099	501,654	1,043,018	1,459,807	8,304,580
% of total exp.	63.8	6.0	12.6	17.6	100
1890-94					
Total value	24,925,363	1,852,549	4,055,649	7,577,174	38,410,735
Aver.	4,985,072	370,509	811,129	1,515,434	7,682,147
% of total exp.	64.9	4.8	10.6	19.7	100
1895-99					
Total value	24,544,664	1,589,806	3,078,443	10,604,286	39,817,199
Aver.	4,908,932	317,961	615,688	2,120,857	7,963,439
% of total exp.	61.6	4.0	7.7	26.7	100
1885-94					
Total value	51,425,862	4,360,819	9,270,743	14,876,211	79,933,635
Aver.	5,142,586	436,082	927,074	1,487,621	7,993,363
% of total exp.	64.3	5.5	11.6	18.6	100
1890-99					
Total value	49,470,027	3,442,355	7,134,092	18,181,460	78,227,934
Aver.	4,947,002	344,235	713,409	1,818,146	7,822,793
% of total exp.	63.2	4.4	9.1	23.3	100
1885-99					
Total value	75,970,526	5,950,625	12,349,186	25,480,497	169,750,834
Aver.	5,064,701	396,708	823,279	1,698,699	7,983,389
% of total exp.	63.4	4.9	10.3	21.4	100

a. Cotton goods. In the discussion of the import trade of Britain with China during this period, attention should be called to the fact that during 1885-1899 cotton goods formed about 70 per cent of the total value of the British exports to China, and throughout this period the imports of British cottons to China remained in the annual average value at about five million pounds sterling. British trade with China in cottons showed no remarkable development in this period but the growing importance of the British cotton goods exported to China formed a remarkable parallel to the growing decline in China's import of Indian opium. So looking to the future British export trade with China was already being put on a healthy basis.

In China's foreign trade cotton goods imported from all sources hold the first place during this period while British cotton goods took also first place among her exports to China and remained in the first place until the end of last century. The two chief kinds of cotton goods imported into China from Britain should now be separated under the following headings: (a) cotton manufactures and (b) cotton yarn.

(a) Cotton manufactures. Doubtless, over the whole period, China's import of British cotton manufactures increased much more than did her imports of British cotton yarn while cotton manufactures took the first place among the British exports to China. According to the following table, the sterling value of British piece-goods exported to China showed a slight increase in the early part of this period and a slight decline in the middle part, while yarn has at least fallen 50% in spite of the great relative increase of the total imports of yarn into China. The export of British cotton goods to China and Hongkong in the fifteen years from 1885 to 1899 may be

shown by the following figures.

Year	Cotton piece-goods £	Cotton yarn lbs.	Cotton yarn £	Total £
1885	5,380,076	20,373,900	783,308	6,163,384
1886	4,641,296	10,599,200	366,796	5,008,092
1887	5,718,719	11,882,200	405,676	6,124,391
1888	6,009,602	17,474,000	632,933	6,642,535
1889	4,750,806	8,828,900	319,557	5,070,363
1890	6,143,688	14,768,900	557,924	6,701,612
1891	5,880,520	13,144,800	460,761	6,341,281
1892	5,081,488	8,501,300	267,166	5,348,654
1893	3,821,788	8,769,500	277,901	4,099,689
1894	3,997,879	9,769,500	288,797	4,286,676
1895	4,724,256	11,224,800	302,141	5,026,397
1896	5,599,212	9,076,400	282,867	5,882,079
1897	4,330,633	11,246,000	333,272	4,663,905
1898	4,460,569	13,109,700	364,735	4,825,304
1899	5,429,994	11,344,700	306,791	5,736,785

In order to show the place of the British exports of cotton goods in China's import trade of cottons, the following tables may be studied. For purposes of comparison the British figures are again placed side by side with the Chinese.

	China's import of cottons from all sources		from Great Britain	
	Piece-goods (million H. tael)	Yarn	Piece-goods (£million)	Yarn
1885-88(average)	25.1	10.4	5.97	0.54
1889-92(")	28.0	18.8	6.10	0.39
1893-96(")	34.3	23.0	4.81	0.28
1897-1900(")	44.4	39.4	5.10	0.27

	Total of piece-goods & yarn from all sources		Total of piece-goods & yarn from Great Britain	
	Total value H. taels	Average H. taels	Total value £	Average £
1885-89	178,166,000	35,633,200	29,008,769	1,933,918
1890-94	248,260,000	49,652,000	26,777,912	1,785,194
1895-99	392,064,000	78,412,800	26,134,450	1,742,296
1885-99	818,490,000	54,566,000	81,921,151	5,461,410

Some facts may be brought out by the figures in the above tables. The Chinese figures show a steady increase in the silver

values of foreign cottons imported into China, and imply, owing to the fall in tael prices, a still greater increase in volume throughout the period, with exceptions in particular years. It has been said that, the prices of foreign imports fell greatly when a fall in the gold value of silver occurred.(37) But during this period, the silver value of British cottons imported into China had shown an upward move as a whole even though the prices of foreign goods imported into China actually suffered some vicissitudes, some rising slightly, others falling considerably, owing to special circumstances. To illustrate the prices of British goods imported into China, the following table compiled from Chinese information may be examined.

Year	British drillings H. taels	British yarn H. taels (per piece)	t-cloths H. taels
1885	1.95	2.20	1.05
1886	1.83	2.20	1.07
1887	1.81	2.40	1.16
1888	1.95	2.30	1.05
1889	1.92	2.20	1.19
1890	1.88	2.00	1.05
1891	1.80	2.07	1.04
1892	1.86	2.00	1.01

Cotton manufactures or cotton piece-goods. As before stated, the progress of the British cotton trade with China was the progress of the export of her piece-goods to China. The British export of cotton manufactures to China varied with the total British export to China during this period. But there was no remarkable development in this British export to China. China's import of British piece-goods only constituted about one fifth of her total import of piece-goods from all sources. If compared with the figures of the last period 1865-1884, the total value of China's import of piece-

goods from Britain showed no increase in this period, while we find that the annual average of the cotton manufactures imported into China from Britain was about the same in this period as in the last period amounting to about five million pounds sterling. In China's import of British piece-goods, even within this period, there was only a moderate growth or a very slight increase while we find that in 1885 the value of China's import of British piece-goods was £5,380,076 and £5,429,994 in 1899. The heavier and coarer British piece-goods in the Chinese market had to compete with the American piece-goods and felt indeed the growing competition of India, and later of Japan. This was the main reason for Lancashire goods in the China market not meeting with growing demand during this period.

There was much talk throughout this period of the competition between Britain and America for the trade in the heavier piece-goods. America, in general, held the field and seemed to be increasing her lead, but she could not compete with Britain in the trade of fine cloths.

Therefore, the strenuous efforts of Lancashire, in the years 1885-1899 had met with a certain measure of success, as China's import of British piece-goods was considerably greater than her import of American goods, and the British export of cottons to Chian fluctuated much less from year to year than did the American export of cottons to China.

It has been said that British exports were of the finer weaves and were bought by those whose purchases were less influenced by changes in prosperity and agricultural production. And thus British goods in the Chinese market had the advantage of widely known trade-marks, or "chops". Also, the British avoided altering the piece each season by keeping the quality of the product stable, and by this

means the prices their goods fetched in China were kept steadier year after year. Therefore, in the cheap and lighter type of cottons - - lighter, if compared with American goods - - Britain still held the Chinese market unchallenged. But, neither Britain nor America were destined to hold their monopoly of the cotton trade with China indefinitely. As we have seen, Indian T-cloths, owing to their length and width compared with Chinese makes, were specially suited to Chinese native tastes. Also, it is worth remarking that during the remaining years of this period the slowly growing imports of certain fine piece-goods into China from Japan would suggest that Japan was to prove Britain's formidable rival in the cotton-goods trade as in the general trade of China. We shall hear more about this later.

(b) Cotton yarn. Yarn during this period, was the most significant item in China's foreign trade. But in her trade with Britain there was a great decrease in the quantity of yarns imported from Britain which never shared in the prosperity of the yarn trade with China. As the first result of the development of cotton spinning in India, the increased import of Indian yarn into China in this period suggested that it was India which was beginning to clothe the millions of China. If so, British yarn found no favour among thousands of Chinese who had been unable to purchase the piece-goods of Britain. The import of the British yarn decreased by more than 50% in 1885-99, and this decline was indeed rapid. From the British point of view, the decrease in British yarn import into China was, however, a small matter, since a new development in her trade with China in piece-goods might be expected as the possible effects of this decline. But, in reality, Britain has never clothed the masses in China. There were signs in this period of a still more vital change in China's

industries than in her foreign trade. That India was sending cotton yarn into a cotton-raising country threw light on the native manufactures of China. In China, the cloth mills were then centred in Shanghai, Hankau and Ningpo, numbering about 5 with 93,000 spindles and 820 looms in 1894. The advance of the native industry was profoundly checked by the growing trade between her and Japan, as in Japan the development of cotton spinning caused her market to extend to China for raw cotton. An opportunity was thus presented to Japan to clothe the millions of China with Chinese cotton spun on Japanese spindles.

It is therefore noteworthy that during this period Japanese yarn, as well as piece-goods, began to appear on the Chinese market, and this, like many other changes in China's trade and in her subsequent commercial progress, was sufficient to show that the competision of Britain and Japan in the supply of cotton-goods to China would become inevitable. Though in this period the competition between them was as yet feeble it was not unlikely that it would grow so strong that China's market for British cottons would sadly lack in development.

b. Woollens. Anglo-Chinese trade in woollen goods had been on a decline during the last period. In this period it then calls for slight notice. On the whole it tended to drop even though there were temporary revivals in some years. During 1865-84 the British export of woollens to China had amounted to about 24 million pounds sterling, being 15% of all exports from Britain to China. This sum during 1885-99 dropped to about 12 million pounds sterling, only representing about 10% of all Chinese imports from Britain. The Chinese import of British woollens in this period was therefore no greater than twenty years before. However, it was still the second of the British exports to

China to be worthy of our consideration, and as compared with the total of woollens imported into China from all sources, the decrease in the woollen imports from Britain resulted in a decrease of her total imports of them.

Reasons which have been attributed to the decrease in the British trade in woollens with China have been mentioned before. The Chinese until the last period of the Imperial Dynasty, did not want woollens as materials for clothing; the well-to-do persons always preferred their native silks, and as for the common people the wadded cotton was more suitable for their winter clothing, while in the north the poorer classes could keep themselves warm with sheep skins in their fireless homes. Moreover, in the north and Manchuria British woollen goods had already begun to feel the competition of coarse and heavy Russian fabrics which were more suited to the needs of climate and people. In so far as woollens tended to be a luxury of the rich in China, the effect of variations in price was doubtless less conspicuous than in the case of cottons. The general conditions of China's imports of woollens from Britain and from all sources may be illustrated by the following table.

	Woollens imported into China			
	from Britain		from all sources	
	Total value (millions of £ sterling)	Average	Total value (millions of H. taels)	Average
1885-89	5.22	1.04	24.95	4.99
1890-94	4.05	1.81	21.26	4.25
1895-99	3.08	0.62	21.29	4.26
1885-99	12.35	0.82	67.50	4.50

As to the quantity and the declared value of China's import of British woollens - - including woollen and worsted stuffs and woollen manufactures during 1885-1899, we may present the following figures.

British woollens exported to China during 1885-1899

Year	Woollen & worsted yarn yards	£	Woollen manufactures £	Total £
1885	22,708,100	1,095,973	56,947	1,152,920
1886	24,115,700	1,148,563	62,789	1,211,352
1887	23,533,400	1,045,895	72,378	1,118,273
1888	22,428,500	940,720	64,705	1,005,425
1889	17,452,500	686,843	40,281	727,124
1890	18,506,500	778,938	64,260	843,180
1891	21,128,800	895,455	63,811	959,266
1892	19,017,300	772,653	51,300	823,944
1893	20,097,400	801,568	66,995	868,563
1894	14,085,800	533,296	27,735	560,696
1895	13,599,200	523,642	56,438	580,060
1896	17,288,300	716,674	68,551	785,159
1897	13,583,600	545,902	42,375	588,277
1898	11,023,000	427,369	67,039	494,408
1899	14,222,700	550,469	80,070	630,539

c. Sundry imports from Britain. During this period we find an important factor in the Anglo-Chinese trade; namely varieties of articles other than cottons and woollens appearing among British exports to China, and their appearance began to synchronize with the growth of the British export trade with China. The development of the trade between them was made evident in the sundry goods exported from Britain to China. Naturally, the growth of these British exports of sundries merits comparison with the decline in her old exportations of cottons and woollens which can be no longer regarded as the chief imports of China from Britain

The growth of British sundry goods in her trade with China would indicate that the Chinese during this period had learned to make general and popular use of certain western conveniences and to buy them from Britain in much greater quantities. On one hand, the great growth of British exports to China in sundries, in quantities as well as in variety, became so important as to bring about certain changes in the Anglo-Chinese trade, and China hereafter began, at the latest at the end of the last period, to introduce into the country the

railways and industrial equipment which had long been characteristics of modern states. On the other hand, the Chinese began to appreciate the enjoyment of western materials, even though in the Anglo-Chinese trade of this period we find but very few luxuries imported into China from Britain.

Among these commodities classfied as 'sundries' exported from Britain to China, and as illustrating the commercial development of this period, were metals - - mostly for railway materials, machinery for mills, telegraphic wires, arms, coal and soap. Figures illustrating the growth of these imports during this period are as follows.

Articles	Year	Total value £	% of all sundry goods exported from Britain	% of China's imports from Britain
Iron	1885-99	6,164,748	24.2	5.1
Copper	1885-99	1,412,357	5.5	1.2
Lead	1885-99	1,454,002	5.7	1.2
Zink	1892-99	98,403	0.7	0.2
Others	1892-99	120,136	0.8	0.2
Total	1885-99	9,249,646	36.3	8.8
Telegraphic wires & etc.	1885-99	234,593	0.9	0.2
Machinery	1885-99	3,122,605	12.3	2.6
Arms & etc.	1885-99	1,121,118	4.4	1.0
Coal	1885-99	478,784	1.8	0.4
Soap	1885-99	669,530	2.6	0.6

Metals. Among the metals imported into China from Britain, iron ore and iron manufactures increased more rapidly than did that of other metals during this period. The fairly consistent increase in the British exports of metals to China was due to an increase in her export of iron to China; as we find that the other metals such as copper lead, zink etc., decreased during 1885-1899. The iron import into China from Britain doubled itself and formed over 5 per cent of the total value of the Chinese import trade with Britain. Also, China's

imports of metal of all kinds from all sources increased steadily and proportionately with her import of metals from Britain, as the following table shows:-

Year	China imports of metals from Britain Total value (millions of £)	China imports of metals from all sources Total value (millions of H. taels)
1885-9	2.76	30.23
1890-4	2.97	35.98
1895-9	3.51	44.09

Machinery. There was practically no report from the Chinese customs on the import of machinery until 1888. But in British records machinery and parts thereof for mills etc. had appeared in her export trade with China in the last period we dealt with. During this period this export from Britain had grown from £546,735 in 1885-89, and £947,716 in 1890-94 to £1,628,154 in 1895-99, while the total value of China's import of machinery increased from 719,000 H. taels in 1888-9, and 3,955,000 taels in 1890-94 to 44,090,000 taels in 1895-9.

Telegraphic wires and arms. Britain had found a market in China for these goods during last period. But during this period these exports from Britain showed no development and even decreased slighty, thus forming no considerable part of the total import into the Chinese market. The following figures show a marked indication towards a decline of these exports from Britain during 1885-1899.

Year	Telegraphic wires Total value £	Arms Total value £
1885-89	85,403	701,155
1890-94	77,386	162,649
1895-99	71,504	257,314

Coal and soap. During this period, the import of coal from Britain into China was not in such increasing demand as that of soap which

was very popular. China was rich in coal but as yet unmined, and so she imported from Britain coal to the value of £132,799 in 1885-1889. This amount dropped in the next five years 1890-94 to £118,036. During 1895-99 it rose to £227,949, and had thus almost doubled itself in the British trade with China. China's import of British soap, which had constituted only 0.6% of the total value of her imports from Britain, steadily increased during this period, from £115,662 in 1885-1889, and £223,970 in 1890-94 to £329,898 in 1895-99. The growing import of these industrial articles will be seen in the following period of Anglo-Chinese trade though most of them, such as soap, candles and hardwares had even during this period become ordinary articles of Chinese consumption; for the wide use in China of goods of foreign make assumed some importance not only in China's trade with Britain but in her foreign trade as a whole. In China's import of miscellaneous articles for industries, Britain had been unsuccessful in her competition with the cheap and attractive goods from Germany and Japan. It was said that British coal was ousted by Austrian and Japanese. The want of development in China of industrial organization and transport did not extend her market for British coal but rather for coals from the other foreign countries.

However, British trade with China in these miscellaneous goods had grown as we can see from the following table which illustrates the percentage increase - - percentage of the total value of British exports to China - - in miscellaneous goods exported from Britain to China.

1834-1842	7.0%
1843-1853	7.8%
1854-1864	20.3%
1865-1884	15.5%
1885-1899	21.4%

4. Movement of Treasure between Britain and China.

Of the movement of specie and bullion, Chinese customs records go back no further than the year 1888, and we have to rely upon information from British sources, which show the following statistics of completed value for estimating the movement of treasure between Britain and China.

British import of gold & silver from China & Hongkong

	China		Hongkong		
	Gold	Silver	Gold	Silver	Total
Year	£	£	£	£	£
1885	545,004	...	648,702	917	1,191,660
1886	648,702	...	509,595	...	1,158,297
1887	514,293	...	537,227	...	1,051,520
1888	380,929	220	671,812	...	1,052,961
1889	241,613	63	356,517	...	598,193
1890	141,905	106	118,121	55,827	315,959
1891	556,813	78	579,391	2,900	1,139,182
1892	1,601,202	150,000	696,926	700	2,448,828
1893	927,906	...	517,209	200	1,445,315
1894	1,477,507	...	580,693	...	2,058,200
1895	651,393	300	462,296	...	1,113,989
1896	786,386	72,350	226,522	...	1,085,258
1897	487,704	10,800	194,465	...	498,504
1898	1,156,509	10,000	209,486	12,000	1,387,995
1899	200	...	300	40	540

British export of gold & silver to China & Hongkong

	China		Hongkong		Total
	Gold	Silver	Gold	Silver	
Year	£	£	£	£	£
1885	...	85,980	...	289,155	375,135
1886	100	231,925	...	195,337	427,362
1887	...	159,749	...	172,426	332,175
1888	...	41,333	18	108,012	149,363
1889	...	68,240	5,000	336,471	409,711
1890	...	121,300	60	325,940	447,300
1891	...	22,180	300	260,091	282,571
1892	...	50,300	...	180,634	230,934
1893	...	670,900	...	1,663,997	2,234,897
1894	...	980,230	...	2,170,959	3,151,189
1895	...	716,180	10,500	1,303,097	2,029,777
1896	...	106,400	...	675,151	781,551
1897	...	164,200	...	376,003	540,203
1898	...	178,450	...	631,507	809,957
1899	...	1,587,350	...	553,891	2,141,241

From the above figures, the total value of gold and silver directly imported into Britain from China during 1889-99 was £8,272,835, and into China from Britain was £4,665,830; the former constituted 10% of China's total export of treasure and the latter 18% of China's total import of treasure. The inflow of treasure was thus more concerned with China's import trade with Britain than the outflow of her treasure was with her export trade with Britain. During this period the balance of trade was steadily against China, and, as a consequence, a considerable outflow of treasure from China into Britain took place.

China was a silver-using country while gold provided the measure for the wholesale commercial transactions of Britain. A considerable inflow of gold was thus assumed to be important for Britain, as an inflow of silver was assumed to be important for China. There was therefore a large amount of gold exported from China to Britain, but from Britain to China a greater quantity of silver was imported. As China does not produce any considerable quantity of gold, it must have been either hoarded or introduced from abroad by Chinese emigrants. To China, owing to the unfavourable balance of trade, even with Britain, the noticeable export was in gold, which to the Chinese was a mere commodity and readily sold under the stimulus of a higher price. The relation between the total movement of gold and silver into and out of China and the movement of treasure between China and Britain is seen in the following:

	China's import 1888-1899			1885-1899
Year				
Treasure	Gold	Silver	Total	Silver
Total value of import	H. taels ...	H. taels 89,237,000	H. taels 89,237,000	H. taels 101,271,000
Average	...	7,436,000	7,436,000	6,684,733
Total value from Britain	...	£ 4,707,063	£ 4,707,063	£ 5,184,717
Average	...	392,255	392,255	345,641

Year	China's export 1888-1899			1885-1899
Treasure	Gold	Silver	Total	Gold
Total value of export	H. taels 74,934,000	H. taels 14,425,000	H. taels 88,359,000	H. taels 74,640,000
Average	6,245,000	1,202,000	7,447,000	4,976,000
Total value to Britain	£ 8,410,067	£ 243,917	£ 8,653,984	£ 10,118,066
Average	700,839	20,326	721,165	674,538

We thus find that there was a movement of silver toward China, during 1885-99, at an average of about 6,684,733 H. taels from all sources, and at about £345,641 from Britain while there was a movement of gold against China, during 1888-99, at an average of about 4,976,000 H. taels exported from China, and about £674,538 exported from China to Britain. Owing to the facts that silver fell in its gold price and that in the world market commodities must be valued in gold, gold was thus made dearer in terms of silver, and the export of gold from China to Britain was thus stimulated and the import of silver into China from Britain was also stimulated.

As to the connection of the merchandise trade with the movement of treasure, it is worthy of note here that during this period there was an excess of British merchandise exported to China and as a consequence there was an excess of China's treasure imported into Britain; the excess of the latter failed to cover the excess of the former. China was therefore indebted on the total of her commercial transactions with Great Britain. The following table shows a corrected amount of treasures which moved between Britain and China (including Hongkong).

Movement of treasure - gold and silver - between China & Britain

Year	British import from China Total	Average	China's import from Britain Total	Average
	£	£	£	£
1885-89	5,052,631	1,010,526	1,693,746	338,749
1890-94	7,407,484	1,481,497	6,446,891	1,289,378
1895-99	4,086,286	817,257	6,302,729	1,260,546
1885-99	16,546,401	1,103,093	14,443,366	962,891

5. Balance of Merchandise Trade between Britain and China.

We have stated that in the merchandise trade between Britain and China, British imports from China always exceeded her exports to China until this period during which the trade balance turned against China. As a violent change in the Anglo-Chinese commercial relations, Britain was no longer an indebted nation in her merchandise trade with China. On one hand, the balance of trade between China and Britain and their balance of payments steadily became adverse to China, and, on the other hand, Britain, while trading with China, no longer regarded the importation of Indian opium to China as means of paying for the excess of her imports from China. In further discussing Chinese economical relations with Britain, opium was thus to hold no place, because British trade with China in Indian opium declined for the reason that, opium cultivation within China made restriction of this trade inevitable. China's trade in Indian opium with the British Empire during this period suffered a collapse, from which, it seemed destined not to recover. Indian opium was therefore undergoing in China the same experence as Chinese tea in the United Kingdom.

So, the characteristic of British trade with China was changing. It was China, not Britain, who had to consider the means of paying off excess in the trade between them. This total excess for the period under consideration was valued at £37,516,946. Thus China, with an excess of merchandise imports over exports of such a great amount, had to export gold and silver into Britain. But the excess of gold and silver imports from China to Britain over exports from Britain to China was only valued at £2,103,035. This amount apparently failed to cover the surplus of merchandise imports into China from Britain. So, China was indebted during this period. This movement of merchan-

dise and gold or silver has been correctly termed the movement of visible goods. Of the invisible goods and services imported into China from Britain, the most important items were British capital either invested in China or loans to the Chinese Government. The consideration of the liability of China for loans from Britain and the import of capital invested by the British raises a further point. During this period, the figures concealed under their general totals show that there were vast changes both in the character of the British commodities entering into China's foreign trade and the invisible assets of China. Unfortunately Chinese statistics fail to give us exact data as to the proceeds of capital and loans from Britain for development of railways and mines in China. But, in considering the balance of trade between China and Britain by visible or invisible goods and services imported into China, China was characteristically a debtor country. In dealing later with British investments in China our attention will be drawn to the divergence between China's imports from Britain and her exports to Britain - - the so-called visible goods in the Sino-British trade - - which was greatly aggravated by the rapid increases of China's loans from Britain since 1895. China's importation of British capital was sufficient to balance her trade with Britain. But, we have to remember that the existence of loans from Britain and capital invested by the British necessitated the outpayments of interest and amortization to Britain. Our consideration of the balance of trade between China and Britain has therefore been confined only to visible, but not to invisible goods.

6. British Shipping Engaged in China's Trade.

Britain succeeded in retaining to the end of the last century a very large proportion of China's carrying trade. In this trade there

was a great increase in the efficiency of shipping due to the growing substitution of steam for sailing vessels. In the carrying trade to and from China as in her coastal and internal trade, the preponderance of British shipping was the most evident fact shown by shipping statistics, either Chinese or British. In the carrying trade to and from China the British tonnage during this period increased very irregularly if compared with the previous period and did not show as great an increase in the previous period even as it had shown. But throughout this period, British tonnage engaged in the China trade decreased - - entries and clearances - - from 1,422,111 tons in 1885-89, and 1,100,872 tons in 1890-94, to 886,394 tons in 1895-99. This decline in British shipping engaged in the carrying trade of China calls for some comments. Firstly, a general change had been brought about by the diversion of trade from London to Marseilles, Genoa, and the German ports. This was the natural consequence of the opening of the Suez Canal and the progress of French and German shipping. Secondly, much of the loss in British imports from China was due to the disappearance of the entrepot trade of London, with the increase in direct business relations between the Continent and China. These general statements can be supported by the figures in the following tables. The first table shows the total number and tonnage of British vessels entered from and cleared to China and Hongkong, during 1885-1899. The second table shows the statistics compiled from the first table.

British shipping engaged in the China and Hongkong trade

E N T E R E D

Year	British		Foreign		Total	
	Vessels	Tons	Vessels	Tons	Vessels	Tons
1885	121	195,650	10	9,506	131	205,156
1886	134	211,486	12	12,958	146	224,444
1887	124	199,515	13	13,443	137	212,968
1888	102	159,700	7	6,960	109	168,660
1889	89	144,309	3	2,739	92	147,048

1890	77	133,284	6	9,735	83	278,019
1891	87	154,685	2	1,586	89	156,271
1892	70	125,887	1	536	71	126,423
1893	75	143,077	1	1,808	76	144,885
1894	64	131,703	1	488	65	132,191
1895	57	121,785	-	-	57	121,785
1896	41	91,787	1	792	42	92,579
1897	41	102,956	-	-	41	102,956
1898	6	13,758	1	2,124	7	15,882
1899	16	42,417	2	4,656	18	47,073

	C L E A R E D						ENTERED & CLEARED	
1885	87	121,763	33	41,510	120	163,273	251	368,429
1886	87	116,307	14	16,620	101	132,927	247	357,381
1887	72	98,373	14	14,430	86	112,803	223	325,771
1888	70	98,525	9	5,752	79	104,277	188	272,937
1889	53	76,483	6	7,888	59	84,371	151	231,419
1890	66	97,603	7	10,009	73	107,616	156	385,635
1891	71	110,691	3	4,078	74	114,769	163	271,040
1892	21	36,080	5	4,605	26	40,685	97	167,108
1893	25	42,114	3	2,856	28	44,970	104	189,855
1894	61	125,744	6	8,914	67	134,658	132	266,849
1895	57	113,632	5	6,607	62	120,239	119	242,024
1896	54	106,684	9	18,099	63	124,783	105	217,362
1897	52	117,660	10	17,995	62	135,655	103	238,611
1898	50	103,845	10	13,654	60	117,499	67	233,381
1899	33	71,872	14	26,646	47	98,518	65	145,591

	E N T E R E D					
Year	British		Foreign		Total	
1885-9	Vessels	Tons	Vessels	Tons	Vessels	Tons
Total	570	910,660	45	35,606	615	946,266
Average	114	182,132	9	7,121	123	189,253
1890-4						
Total	373	688,636	11	14,153	384	702,789
Average	75	137,727	2.2	2,831	76.8	140,558
1895-9						
Total	161	372,703	4	7,570	165	380,273
Average	32.2	74,541	0.8	1,514	33	76,055
1885-99						
Total	1,104	1,971,999	60	57,329	1,164	2,029,328
Average	73.6	131,467	4	3,822	77.6	135,289

	C L E A R E D						ENTERED & CLEARED	
1885-89								
Total	369	511,451	76	86,200	445	597,651	1,060	1,543,917
Average	73.8	102,290	15.2	17,240	89	119,530	212	308,783
1890-94								
Total	244	412,236	24	30,462	268	442,698	652	1,145,487
Average	48.8	82,447	4.8	6,092	53.6	88,539	130.4	229,097
1895-99								
Total	246	513,693	48	83,001	294	596,694	459	976,967
Average	49.2	102,739	9.6	16,600	58.8	119,339	91.8	195,393
1885-99								
Total	859	1437,380	148	199,663	1,007	1,637,043	1,171	3,666,371
Average	57.2	95,826	9.8	13,311	67.1	109,136	78	244,425

In considering British shipping along the coast and on the rivers in China we still find the British tonnage was above 60 per cent of the total tonnage recorded by the Chinese Maritime Customs. It was reported that British shipping was 65% of the total shipping in Chinese waters in 1855, it rose to about 69% during the years of the Sino-Japanese war and fell to 59% by 1899. It has been said that at no time in the history of the foreign trade of China has British shipping been of greater importance than during the closing years of the nineteenth century. The percentage figures of the tonnage of shipping that came under the notice of the Chinese Maritime Customs during some years of the period under consideration were these:

	1877	1894	1897
British	54.2%	69.2%	64.8%
U.S.A.	4.7%	0.4%	0.8%
German	4.1%	6.7%	5.0%
Japanese	0.9%	1.3%	2.0%
Others	2.9%	3.7%	4.3%
Chinese	33.2%	18.7%	23.1%

From the above figures British shipping in Chinese waters continued to increase reaching its highest point in the nineteenth century. At the same time a considerable increase in Japanese and German tonnage is also to be noted.

The British share in China's foreign trade.

In discussing the British share in Chinese foreign trade, the shipping statistics shown above only illustrate the general movement of commerce while they mark the general volume of trade and the relative importance of the powers trading with China. But, they must be used with the reservations already noted in the previous period, because they are far from being a sufficient guide to the respective shares of the trade enjoyed by the various ship-owning powers. The following table showing the total and percentage of the Chinese

trade with various countries trading with China, during 1885-99, is compiled from the statistics of the Chinese Customs reports.

Year	Britain Total value H.tael 000's	Britain % of tot.	Hongkong Total value H.tael 000's	Hongkong % of tot.	British Empire Total value H.tael 000's	British Empire % of tot.	U.S.A. Total value H.tael 000's	Japan Total value H.tael 000's	Total (Total value) H.tael 000's
1885	45,984	29.8	51,138	33.1	118,959	77.5	11,613	6,755	154,413
1886	41,781	25.0	57,443	34.5	121,426	72.9	14,333	6,913	166,517
1887	42,150	22.1	89,154	46.8	143,149	75.2	12,314	7,678	190,356
1888	47,094	21.5	103,393	47.1	166,519	76.0	12,109	9,337	219,228
1889	36,824	17.5	98,958	47.0	151,121	71.9	10,890	13,071	210,209
1890	37,703	17.4	104,988	48.6	160,087	74.6	11,841	12,221	215,902
1891	43,400	18.3	105,864	44.7	169,399	71.5	16,776	11,506	236,959
1892	39,346	16.4	110,518	46.0	171,467	71.4	16,847	14,756	240,007
1893	39,824	14.7	129,181	47.8	195,709	72.5	17,170	17,190	269,959
1894	41,444	14.1	133,218	45.3	204,116	69.3	15,706	18,386	293,751
1895	44,531	13.7	142,966	44.0	215,316	66.6	20,476	32,017	323,240
1896	58,628	17.1	142,639	41.6	235,629	68.7	23,054	28,769	342,704
1897	52,961	14.0	150,528	40.0	236,940	63.0	30,268	39,191	375,736
1898	45,678	12.1	159,298	42.1	233,962	61.9	29,150	43,469	377,782
1899	54,124	11.5	189,942	40.4	286,235	61.0	43,975	53,148	469,541

In studying the above figures, we come to the following conclusions, by which the position of British trade with China in China's foreign trade may be apparently indicated.

(a) Throughout this period the growing importance of Hongkong's trade with China is a noticeable fact shown by the above figures. As the percentage of China's trade with Hongkong increased, the proportion of her direct trade with Britain and with British Empire fell. Also, we can see that Britain made increasing use of Hongkong as a distributing centre in her trade with China.

(b) The percentage of China's trade with Europe and with the United States, increased slightly, but actually it did not grow so rapidly as did the total trade of China. Japanese trade with China grew steadily and considerably during this period as in fact it had grown during the previous period, and British merchants in China noted the rise of Japanese competition. Doubtless, during this period China's

trade with the British Empire was far greater than with any state, the total trade of China with the British Empire, being of China's total trade over 65 per cent in which Britain and Hongkong claimed about 55 per cent.

(c) The figures given above clearly indicate the position of the British in the trade of China. The British share of China's foreign trade remained comparatively high notwithstanding growing rivals such as Germany, America, and Japan, all of which were destined to form important factors in China's foreign trade. But, British trade with China still held its own in the Chinese market as the trade in cotton textiles was almost entirely in British hands until the late 'nineties.

However, in view of some changes in the characteristics of China's foreign trade during this period, British trade with China was in many respects losing ground. Firstly, China imported from Britain considerably more than she exported to Britain. Secondly, the trade between Britain and China was less in this period than in the last period, and it declined much more in the latter part of this period. And lastly, most of Britain's losses concerned her position in relation to the various powers trading with China, or to the future; for during this period British trade continuously declined in the percentage of China's total trade in converse proportion with the increasing percentages of some leading countries - - such as Japan, United States and Germany - - in China's foreign trade. The following figures show a total value of exports to China from the three countries.

Exports to China and Hongkong

	Britain	Germany	U.S.A.
1885-89	£	£	£
Average	8,303,000	...	1,911,000
1890-94			
Average	7,678,000	1,542,000	2,065,000
1895-99			
Average	7,964,000	2,117,000	3,155,000

C. The Second Period of British Investments in China (1888-1902)

In considering British investments in China during the second period, the year 1902 rather than the year 1900, marks the end of the second period. British investments in China at the end of the last century are generally presented under two headings namely as business investments and as loans to the Chinese Government. The information on the former is neither as complete nor as exact as that on the latter. But the increased importance of British business investments in China can be estimated as far possible.

Between the year ending with the Sino-Japanese war and the very beginning of the century, foreign investments in China were growing and the way was thus opened up for the import of foreign capital for the industrial development of China. British economic position in China provided information of first importance in estimating British business investments in China, which increased considerably during the second period 1888-1902. The growth of British business investments, since information is not more satisfactory, must be estimated from such evidence as has been set forth concerning British firms, population, and shipping.

1. British Population and Firms in China.

The British population in China during 1888-1902 continued to grow, as did the number of firms. The Chinese customs figures show that the British in China numbered 3,604 in 1887, 4,929 in 1897 and 5,562 in 1899, while the number of British firms in China was 252 in 1887, 374 in 1897 and 401 in 1899. If we turn to the percentage of the totals we find that the British population and firms in China increased only in number and the British percentage dropped steadily throughout the years 1887-1899. In 1887 the British formed 45.6 per cent of the

total foreigners in China, in 1897 about 42.5 per cent, and in 1899 no more than 32.4; British firms formed 60.0 per cent in 1887, 58.8 per cent in 1897, and 43.0 per cent in 1899. The decline seems to have been fairly continuous until to-day. The reason lay in the increase in the numbers of Japanese, Russians, Americans and others. Of course, if figures for Hongkong are added a great change must be made in our estimates.

The growing importance of Shanghai and Hongkong at the end of the last period was probably to be explained by the development of British business investments in China. It was in Shanghai where British investments formed certainly half of the total British holdings in China by 1900. In Shanghai as in Hongkong and Tientsin the British had investments in public utilities, water, gas, and electricity being provided mostly by British private corporations. In 1900 the Shanghai Mutual Telephone Company was formed by a British corporation. After 1895, British corporations or individuals at Shanghai undertook to build cotton mills, to build or acquire silk filatures, and a considerable variety of industrial plants, in which one of Britain's important firms, Jardine, Matheson & Co. held the greatest interest in the Shanghai and Hongkong Wharf Co., and in a number of insurance companies in China the same firm also held a considerable interest.

In Hongkong before 1900 the British had three large sugar refineries, two engineering works, a rope factory, steam saw mills, and plants for a variety of industrial manufactures.

In the field of banking as in the field of shipping, British direct investments were of ultimate importance. Most of the important British banks and shipping companies in China have been already dealt with. Until 1900 the greatest foreign shipping companies in

China were all British while the British owned 80 or 85 fleets permanently stationed in Chinese waters and engaged in commerce. At the beginning of the century the Hongkong and Shanghai Banking Corporation, with a paid-up capital of one million sterling, continued to play the greatest part in Chinese finance and economics. In 1898 this bank, with Jardine, Matheson & Co. formed the British and Chinese Corporation for the purpose of railway building and industrial development in China.

2. Estimates of British Business Investments in China during 1888-1902.

We now turn to an estimate of British business investments in China at the beginning of the century. We shall refer to the views expressed by British and American writers who have interested themselves in the subject. A British writer in the Quarterly Review (vol. 207, no. 412), for July, 1907, supposed that the total of British business investments in China for 1897 was £14.3 million, and for 1907, £22.5 million. Professor Remer then suggested that "it seems reasonable to regard U.S. $90 million (£18.5 million) as the lower limit, and U.S. $200 million (£41.1 million) as the upper limit of British business investments in China".(38) His final estimate was to fall on U.S. $150 million (£30.8 million). We are therefore inclined to put the estimate of British business holdings in China for about the end of 1901 at £25.0 million and to maintain as fairly certain that it was between £18.5 million and £30.8 million. As no other estimate of British business is available it must have been at least £25 million which is not unreasonable. Doubtless, our estimate is a guess but a reasonable one, for it rests upon a considerable estimate on British business investments in many fields in China for the beginning of the century as shown in the following:

British business investments in China - - 1902

	£m.	% of the total
1. Land holdings	7.00	28.00
2. Shipping	2.06	8.24
3. Public utilities	0.40	1.60
4. Manufacturing	4.10	16.40
5. Banking	2.06	8.24
6. Imports & exports	8.20	32.80
7. Miscellaneous	1.18	4.72
Total	25.00	100.00

3. British Loans to the Chinese Government, during 1887-1902.

After a phase of no foreign borrowing from 1887 to 1893, China, during 1894 found herself obtaining funds from abroad. The British loans obtained by China in the early period of her borrowing from foreigners before 1888, as we have stated, had been largely for administrative purposes; those from 1894 to 1908 largely for the war with Japan and its consequences of indemnity, while those from 1898 to 1902 were mainly for economic purposes.

For war and indemnity purposes, the Imperial Government of China in 1894 and in 1895 negotiated with the British Banking Corporations three loans together amounting to £4,635,000. All were redeemed before the Great War. In 1896 and in 1898 the British and German Governments joined in an effort to get the Chinese Government to accept from an Anglo-German syndicate two loans which were for £16 million each, and of which the British share was 50 per cent of each loan.

In railway concessions by 1899, contracts covering 6,420 miles had been signed by China with foreign companies, while there were 2,800 miles of railway being constructed under British invention. In 1899 a British syndicate made a loan of £2.3 million, for the Imperial Railways of North China, namely the Peking-Mukden Railway.

For purposes other than railways for communications, a British corporation and a Danish company made loans to China to the extent of £210,000 in 1900, and of £48,000 in 1901. Half of the loan in each case is taken as British. Altogether the British loans to the Chinese Government from 1894 to 1902 totally amounted to £21,764,000. All were secured mostly upon the Maritime Customs revenue of China. The following table includes the British holdings of the obligations of the Chinese Government as at 31st. December, 1901.

General purposes	Maturity	Principal	Outstanding in 1901	
7% loan of 1894	20	£ 635,000	£1,345,679	
6% sterling loan of 1895	20	3,000,000	2,603,478	
6% cassel loan of 1895	20	1,000,000	934,648	
5% gold loan of 1896	36	(British share) £8,000,000	£7,548,832	
4½% gold loan of 1898	45	8,000,000	7,829,721	
				£20,262,358
Railways				
Peking-Mukden Railway 5% gold loan of 1899	45			2,303,076
Cable loans				
Shanghai-Taku new cable loan 5% of 1900	30	£105,000	£103,575	
Duplicate Taku-Chefoo cable loan 5% of 1901	29	24,000	24,032	
				£ 127,607
Total				£22,693,041

The whole amount outstanding on British loans to China at the end of 1901 was £22,693,041 while the total of loans was £21,764,000. These known obligations of the Chinese Governmetn must be entered in a total of British investments in China for the year 1901 as shown in the following:

British investments in China - - 1901

	£m.	% of total
Business investments	25.00	42.7
Loans to China	22.69	57.6

This, it is to be remembered, was at a time when British investments in China were of outstanding and predominant importance and it seems reasonable to accept 47.69 million pounds as the total of British investments in China at the end of 1901.

Chapter V

Historical View

Consult:

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Chapter VI

China's Economic Relations with Great Britain during the Pre-war Period 1900-1913

A. Historical View

1. The Boxer Rebellion of 1900
2. Anglo-Japanese Alliance and the Russo-Japanese War of 1904-1905
3. Chinese Revolution and the founding of the Chinese Republic
4. Sino-British Treaties and Agreements of the period under review

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3. Chinese exports to Britain
   a. Tea
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CHAPTER VI

China's Economic Relations with Great Britain during the Pre-War Period 1900-1913

A. Historical View

The close of the nineteenth century ended with the death of the Queen Victoria. During the Great Queen's Regin there was a long period of gradual and uninterrupted transition from the old to the new relation between Great Britain and the Chinese Empire, and there was also a long period of ever-increasing prosperity of British trade with China and her investments in China.

With the opening of the new century there was ushered in an epoch of unprecedented and wide-spreading economic relations between Britain and China, and also of quite astonishingly rapid changes in the affairs within China and in her international relations with the rest of the world as well as with Great Britain.

In the history of China's relations with Britain, there were certain outstanding events of the period under our consideration, which must be considered before the Chinese trade with Britain is dealt with.

The period between 1890 and the year before the outbreak of war in 1914 continued to be one of general unrestricted foreign aggression and scramble for "concessions" and rights in China. Reactions in China had taken place in the form of a threat against the imperial dynasty and against foreign influence in China.

1. The Boxer Rebellion: 1900.

The so-called Boxer Rebellion followed, upon the failure of both reformers and revolutionists as we have seen in the previous period, and as a result of the scramble for concessions of the years 1897-99. This movement was originally and in part directed against the Manchu

Throne. The court was shrewd and strong enough to turn it into an anti-foreign outbreak. As in the years before 1900 Chinese agitation against foreign aggression again grew in proportions and intensity. It became heated to a flash-point in 1900. Since Roman Catholic missionaries had freely used their influence for political as well as religious aims, disturbances broke out everywhere and were directed mainly against foreign Christians. Doubtless, these events added fuel to the flames. This anti-foreign spirit eventually took the form of the Boxer outbreak in 1900. This trouble was chiefly confined to the North-east, the South remaining peaceful. The Boxer outbreak culminated in the siege of foreign legations at Peking, and, as a result Peking fell into the hands of the allied armies in 1900 and after long negotiations a final protocal of peace was signed in 1901.

It is not necessary to trace the history of the anti-foreign outbreak or to discuss the question of the responsibility of the Powers and of China; our only concern is with the effect of the trouble on China's foreign commercial relations, more particularly with the United Kingdom. The final protocol of September 7, 1901, in which the position of Great Britain with China and with the other Powers was defined, would be left undiscussed here unless we were to deal with the British treaty-relations with China in the period now under our consideration.

The event of 1900 has its significance as it has been said that 'this is the prelude to a century of change and the keynote of the future history of the Far East.'(39) In the light of the whole of the history of China's foreign relations, a blind attempt to resist foreign influences for all time was finally made by the Chinese.

In 1900, China started a year of hostilities with all the powers of East and West. She was not only defeated, but she was also humbled and her humiliation was complete. This humiliation undoubtedly contributed to the feeling of the Chinese that a modern republic should be established along Western lines. The event of 1900 may be, therefore, regarded, on the one hand as evidence of a growing feeling of national patriotism in China, and on the other, it may be looked upon as foreshadowing the overthrow of the Manchu dynasty in 1911. In short, China, after seventy years of direct relations with western nations led by Britain to open her to trade, had by successive steps - - 1842, 1858, 1860,1885, 1895, - - in 1900 reached for good or evil, a stage of national change.

2. Anglo-Japanese Alliance and the Russio-Japanese War of 1904-5.

The Boxer settlement made the Powers more suspicious and jealous of each other in Chinese political affairs as well as in their economic interests inChina. It was the Russian Empire which had been given by the Imperial Court of China the opportunity she desired. Any opportunity she secured from China had brought a great increase in her political and economic influence in China. Her growing influence in China and her activities were sufficient to lead to international jealousy and finally to war. The nations which were destined to challenge the position of Russia in China were, firstly, Great Britain, and, secondly, Japan. By Russian behaviour in China, these two Empires, at last, were drawn together and they made an Alliance in 1902.

With the new century, the period of 'splendid isolation' of Great Britain came to an end. British diplomacy was set in action, with the first result that, in 1902, the Anglo-Japanese Alliance was formed, originally to counter-balance the advance of Russia on to the Pacific,

and to serve a useful purpose in the then existing balance of foreign influences in China. It was renewed in 1905, 1911, and lasted until 1923. On account of its effects on later affairs in the Far East, Britain has incurred much hatred both in China and in America. That it has worked mischief in certain ways cannot be denied. It was later to bear fruit first in the Russio-Japanese War, and next in the Great War of 1914.

The conflict of Russian and Japanese aggressions in China's Manchuria naturally led to war between them. The war gave Japan a standing as a World Power to which position the other European Powers were hostile. The Japanese triumph over Russia in this war had reactions upon China and on the world at large. Russia was pushed out of South Manchuria, and in China Japan stood where Russia had been before the war. With Russia's rights, Japan then acquired Russia's spirit in the Far East, and in her ascendancy in north-east China, she became a serious menace to Chinese integrity. This was of course due to the weakness of China; and that British alliance with Japan helped her to win this position is undeniable. Since Japan's defeat of a European Power, urgent economic expansion drove her forward till she proved a rival to British trade in China, but not during the period under consideration, for Japan was as yet greatly inferior to the British Isles in economic and imperialistic development. In 1913 the Japanese Empire controlled a commerce worth less than one-tenth of British commerce; and in territorial expansion Japan's Empire was but in its infancy, compared with the greatest of modern empires. Nevertheless, Japan had made a remarkable beginning in territorial expansion, in commerce, in shipping, and in industry. At this time, her factories, her discontented working classes and her capitalists all

bear witness to her fitness to challenge the leadership of British economic interests in China in a near future. Once and for all Japan has proved that she is able to all intents and purposes, to take the place of Britain, not only in the foreign commerce of China, but in the general interests of foreigners in China.

3. Chinese Revolution and the Founding of the Chinese Republic.

Among the outstanding events of this period in the Far East, more important even than the events we have dealt with was the Chinese Revolution, and, as a result of it, the Chinese Republic was later founded in 1912. The period from the close of the Sino-Japanese War to the end of the Russo-Japanese War was one during which China's chief peril was foreign aggression, but it was also a period of transformation during which a national consciousness was growing, taking as its motto, "China for the Chinese". China then began to awake from a nightmare of foreign aggression.

The Japanese triumph over a European Power made China feel that what one small Asiatic Power had done might surely be done by another, greater in area, population and resources. Thus there arose a renewed movement for reforms in the Imperial Government of China. These reforms however were not radical enough to satisfy the Young China Party, a revolutionary organization strikingly similar to Mazzini's historic "Young Italy". Their leader, Sun Yat-Sen, though compelled to live in exile, had worked incessantly for the success of the republican movement, which to make China a progressive republic. During this time both the reluctant Empress Dowager and the powerless emperor passed away, and revolution soon broke out against the Manchus. The growing success of the Revolution was achieved on 12 February, 1912, when the Manchus abdicated the throne, putting an end to the

Manchu dynasty which had ruled China for 267 years.

The Chinese Republic was now an important factor in the new situation in the Far East while the revolutionary significance for Chinese foreign relations lay in the awakening of those forces of nationalism. Doubtless, the impetus which brought the Republic into being sprang from the growing power of Sun Yet-Sen's national party - the so-called Kuomintang, which was always to wrest equality of status from the Powers.

The new republic was organized not under the inspiration of Sun Yet-Sen, who had engineered the Republic, but rather under the influence of an able general and a shrewd politician who was to uphold the personal government until his death in 1916. In 1913 a rebellion took place in the southern provinces against the personal government and a Reorganisation Loan was negotiated with the Consortium of five Powers (Great Britain, France, Germany, Russia and Japan), and by agreeing that these five Powers should appoint advisers to superintend Chinese finances. The Southern Party interpreted such foreign action as backing the personal government against Sun Yet-Sen's claim for the annulment of "unequal treaties" between foreign Powers and China. The Southern Party's rebellion soon failed, however, leaving the personal government more powerful than ever. But, the above-mentioned-point, which is often made by Chinese Nationalists, is important because it has since become one of the chief points in Chinese indictment of the Treaty Powers.

We note that all through the changes of the Revolution China was on the verge of awakening, believing that by increasing her foreign trade and industries, she would as a whole enrich herself. In this period the beginning of the development in Shanghai of Chinese banks

organized upon western banking princeples is to be found, and the two government banks of importance, the Bank of China and the Bank of Communications were organized, and before 1914, there were at least 8 private Chinese banks in Shanghai, while there were 12 foreign banking corporations with one or more offices in China.

Among the industries of China railway construction was during this period the greatest in development. In 1899 there were in China about 800 miles. But by 1913 China had 6,000 miles of railway in operation, and 2,300 miles under construction. Telegraphs, too, spread like a network over the country. Factories, as well, were being erected, mostly by foreigners who had been granted permission to engage in the textile industry in 1895. On the eve of the Great War, there were in China 45 textile mills, with 1,250,000 spindles, besides some 5,000 power looms and numerous mills for grinding grains. Mines, moreover, were being exploited by British, Japanese and Chinese capitalists, and were yielding treasures of coal, iron, tin and copper. Unfortunately, the development of industries and commerce was checked again by the usual succession of drought and river flood, from which the Chinese suffered during 1899-1913. Moreover, the backwarkness of the Chinese Government which added to the people's burden should not be neglected.

4. Sino-English Treaties and Agreements of the Period.

The treaties and agreements of importance to China and Great Britain during this period were those which arose out of the settlement of the Boxer uprising and those which, because of an international character, are concerned with the Powers in China. The first of these was the Peace Protocol of 1901, in which the future relations between the Powers and China were finally defined. In the Protocol,

except for certain provisions, such as those which provided for the future safety of foreigners at Peking and for the transformation of the Tsungli Yamen into a Ministry of Foreign Affairs (Wai Wu Pu, now known as the Waichiaopu), about which we are not concerned, the provisions vital to the foreign relations of China were those dealing with the money indemnity and the promise to negotiate amendments in the commercial treaties deemed necessary by the foreign governments, with the object of facilitating commercial relations.

The question of the indemnity was of extreme importance from the point of view of commerce, since the financial conditions of China had a profound influence on her value to the foreign investor and merchant. The real difficulty was not to fix the amount of the indemnity but to deal with the actual rate of exchange since China could offer only silver and the sum which she was to pay was in pounds sterling. Beginning with the year 1905, China agreed to make payments in gold to each power direct. The total payment amounted to 450 million taels (£67,500,000) with interest at 4 per cent from 1st. July, 1901. The British claim was 50,625,000 taels (£7,593,750) and constituted 11.25 per cent of the total indemnity. The large sum, together with interest, amounting to the total of £147,355,722, was to be paid in 39 years and to be secured by the customs revenues and by the balance of the yield of the salt gabelle.

In the Protocol, revision of customs duties provided that import duties were to be increased to an "effective 5 per cent ad valorem". We note that the revision was confined to import duties and the new duties were on articles classed in the "free list". The export tariff was left untouched.

In accordance with Article XI of the Protocol, a commercial treaty

was concluded at Shanghai between Great Britain and the Chinese Empire. It has been spoken of as the Mackay Treaty as it was signed for Britain by Sir James L. Mackay. This treaty dealt with various subjects such as extraterritoriality, trade-marks and the millionary question. Most of these subjects do not call for comment here, as the provisions regarding them never came into force until after the Great War.

In view, however, of present controversies, Article VIII which occupied one half of the Mackay Treaty, has a special interest as it dealt with a question all-important to commerce. In substance the British agreed with the Chinese Government to a maximum 12.5% import duty (i.e. a surtax of 150 per cent) and a maximum 7.5% export duty, in return for the abolition of the 'Likin Tax'. This did not come into force, because China took no immediate steps to abolish Likin. But, there is no doubt that this British promise of 1902 has played a great part in stimulating China to begin the reform of her tariff and of the system of her internal taxation, which has been gradually realized in modern times.

We now advert briefly to the British attitude to China during this period. Throughout the transition-period of China, Great Britain pursued her traditional policy and held aloof from Chinese political changes with a view to leaving the Chinese to work out their own system of government. She was so interested in the continuance of trade with China and in the spread of her commerce within China that she had no desire to see the partition of China by the Powers. As a matter of fact, the jealousy of the various powers restricted British influence to an even greater extent. The Anglo-German Agreement of 1900 and the Anglo-Japanese Alliance served to prevent the break-up of China by Russia, Germany and France, a contingency which America

disliked as much as Britain did, but which she would do nothing active to prevent. Acting on her unvarying policy in China, Britain endeavoured still to maintain the equality of opportunity and the balance of power, which had existed up to the period under review. While China in the process of revolution like Japan would awake from her lethargy and embrace European civilization of her own accord, Britain had deemed such as event not impossible and would have liked to let the Chinese put their house in order. Thus the Chinese Republic still continued to be a profitable field of investment for British financiers while most of China's foreign trade fell into British hands.

Subsequently when Britain with the other Powers arranged among themselves "spheres" of economic interest in the Chinese Republic, rivalries among the Powers in Europe led them to the verge of war, and, at this point there appeared in the Far East the great growth of Japanese industry and commerce together with the outburst of her national militarism, by which the equal opportunity of Powers had been so clearly threatened as we shall see in the later period with which we shall deal.

B. Course of Trade between Great Britain and China during 1900-1913

1. General Course of Anglo-Chinese Trade during the period 1900-13.

In going over the general course of Anglo-Chinese trade during the period now under consideration we shall call attention to the general characteristics of the trade between Britain and China, and of the foreign trade of each country.

Firstly, during the pre-war decade, there was world-wide commercial prosperity and also good commercial prospects in Great Britain and China. The period between 1900 and the outbreak of war was a period of unprecedented and world-wide commercial prosperity. It was a time

of vigorous growth of the international trade of the world, and this growth continued throughout the period under our consideration. Chiefly on account of an increase in the output of gold there commenced a period of unprecedented prosperity of the world trade. The increased gold supply and its sequence, rising prices, had brought about this prosperity and provided a stimulus to trade all the world over.

At the beginning of the new century the overseas trade of Great Britain showed an astonishingly rapid increase, and also with the foreign trade of China great progress was recorded. Of Britain's foreign trade it has been pointed out that her exports during 1900-13 nearly doubled, and her net imports increased by about 40 per cent. Of the foreign trade in China we are told that the total value reached a new level and that both imports and exports more than doubled. On the opening of the new century, China's exports, we are told, began to enter the world market, but she tended to buy imported commodities.

Secondly, we turn to the progress of trade between Britain and China, during the period under consideration. In the growing world-trade, as well as in the growing trade of Britain and of China, the Anglo-Chinese trade in general took its share. An increase in trade between Britain and China was again recorded during this period while we find that the total value of trade between them reached a new level. With the exception of some years after 1900 during which the Boxer Uprising took place, the total value of the Anglo-Chinese trade had not fallen short of ten million sterling, and on the eve of the War their total trade was greatly increased. The total value of their trade increased from £7,994,134 in 1900 to £19,701,042 in 1913. Thus it more than doubled during this period. The year 1913 was the record year of their trade. In the year 1900 occurred the collapse

of the Chinese market while the outbueak of the Boxer disturbances immeasurably accentuated the evils of the situation. So, to a large extent, the case was that the value of the total trade between Britain and China during this period did not, in fact, sink much below the level previously reached. The annual value of the direct trade between Britain and China for this period is shown side by side in Haikwan taels from Chinese customs reports and in pounds sterling from British trade returns in the following:

Total trade between China and Britain during 1900-1913

Year	(from British source) £	(from Chinese customs report) H. taels
1900	7,994,000	54,823,000
1901	8,944,000	49,785,000
1902	9,596,000	67,969,000
1903	9,477,000	60,628,000
1904	11,652,000	72,491,000
1905	15,644,000	104,536,000
1906	15,628,000	92,036,000
1907	15,611,000	89,671,000
1908	12,438,000	85,116,000
1909	13,448,000	87,809,000
1910	14,853,000	89,652,000
1911	17,096,000	107,292,000
1912	15,837,000	90,756,000
1913	19,701,000	113,257,000

In order to examine the progress of the direct trade between Britain and China, the following table which is compiled from the above figures is required.

	Direct trade between Britain and China during 1900-13 from British trade returns		from Chinese customs reports	
Year	Total value £000's	Annual average £000's	Total value H.tael000's	Annual average H.tael000's
1900-6	78,935	11,276	502,268	71,753
1907-13	108,984	15,569	663,553	94,793
1900-13	187,919	13,423	1,165,821	83,273

Of the Anglo-Chinese trade during this period, the annual average value did increase more in the remaining years than in the early years

of the period, and the growth was not at an even rate but by spurts reaching new levels in the years after 1910. For the following reasons the growth of the Anglo-Chinese direct trade during this period may be affirmed.

(a) As to the growth of the total trade between Britain and China in the previous period or periods, there is some doubt while we find that as a result of falling general prices in gold-standard countries and of a fairly continuous decline in the gold value of silver, it became possible for an increase in the Anglo-Chinese trade measured in Chinese taels, and impossible for that measured in pounds sterling.

The period now under our consideration was, as we have said, one of rising prices in Western countries and one during which the average value of silver in gold currencies, while it fluctuated widely, did not decline. During this period increasing purchases by Chinese of British commodities made themselves clearly evident in increasing total values, whether measured in pounds sterling, or in Chinese taels.

(b) Throughout the development of Chinese trade with Britain, the British in China led the way in opening China to the trade of the world. British merchants in China followed the goods which they imported further and further into the interior, and they went further into the interior of China to procure the goods which they exported. China's trade with Britain thus showed an increase during this first decade of the new century.

(c) The greater penetration of British trade into China meant a better opportunity was by means of the opening of new treaty-ports in China and the improvements of communication by river. In the new century the railway came to play a part of increasing importance. Without the improved transportation-facilities provided by the rail-

ways, the great trade of China with Britain in food materials, in industrial materials, such as eggs, beans and seed oil, and in the British-made industrial-goods could not have grown to the extent we shall see it did reach later. The railway during this period greatly extended the area in China open to British manufactures, and also facilitated the marketing of China's exports to Britain. In addition to the facilities of Anglo-Chinese trade during this period, changes in the condition and in the methods of British merchants in China serve as evidence of the progress in their trade.

But, there are some reasons which serve to make clear why the development of the trade between Britain and China during this period was about the same rate as during the previous period. Anglo-Chinese trade took no full share in the world-wide prosperity of commerce. It still remained small; while a comparison of the total trade of Britain, and that of China on one hand, with the increase of the total value of the trade between them on the other hand, has shown that Anglo-Chinese trade during this period increased less rapidly than did the total trade of China and of Britain. Further, China's trade with Britain in this period developed less rapidly than did her trade with the other countries, say, Japan, Germany and Russia.

The following figures in two tables show the important facts about imports and exports in the Anglo-Chinese trade during the period 1900-1913, and serve to make clear the above statements. The first table is made from the British trade returns and the second from the Chinese customs report.

Table I

	British imports from China £	British imports from Hongkong £	British imports from Macao £	British imports Total £	British exports to China £
1900	2,359,821	1,066,048	3,445	3,429,314	5,574,147
1901	2,116,119	602,841	9,252	2,728,212	6,773,599
1902	2,407,207	610,398	1,795	3,019,400	7,142,021
1903	2,679,367	582,764	1,006	3,263,137	6,740,637
1904	2,761,841	466,811	-	3,228,652	8,808,901
1905	2,340,346	386,440	60	2,726,846	13,141,108
1906	3,314,453	638,507	-	3,952,960	12,207,101
1907	3,471,933	618,860	-	4,090,793	12,035,059
1908	3,135,357	510,495	-	3,645,852	9,226,168
1909	4,870,101	455,674	20	5,325,795	8,465,079
1910	5,529,570	596,402	83	6,126,055	9,178,124
1911	4,893,544	734,628	250	5,628,422	12,140,454
1912	4,933,015	841,616	-	5,774,631	10,794,886
1913	4,671,608	675,276	490	5,347,374	14,864,206

Table II

	British exports to Hongkong £	British exports to Macao £	British exports Total £	Chinese imports from Britain H.taels	Chinese exports to Britain H.taels
1900	2,762,882	2,464	8,339,493	45,467,409	9,356,428
1901	2,612,725	533	9,386,857	41,223,538	8,561,045
1902	2,136,202	715	9,278,938	57,624,610	10,344,355
1903	2,719,614	881	9,461,132	50,603,772	10,024,095
1904	4,335,957	1,014	3,145,872	57,220,958	15,269,963
1905	3,716,937	1,171	6,859,216	86,472,343	18,064,270
1906	3,065,149	985	5,266,047	78,738,292	13,298,315
1907	3,225,249	1,442	5,261,750	77,562,700	12,107,645
1908	2,901,465	688	2,128,321	72,560,900	12,554,797
1909	3,567,350	750	2,033,179	68,229,788	19,579,097
1910	3,617,782	1,272	2,297,147	70,949,137	18,703,350
1911	2,789,328	7,491	14,937,273	89,997,051	17,294,626
1912	3,530,762	973	14,326,621	74,856,196	15,899,621
1913	4,354,128	829	19,219,163	96,910,944	16,346,413

The above figures from the Chinese source as well as from the British source serve as evidence of the progress of the Anglo-Chinese trade during 1900-13, while Chinese imports and exports from and to Britain, as measured in Haikwan taels and in pounds sterling, show, on the whole, an increase. But during this period in China's trade with Britain both imports and exports failed to grow in the early part as they did in the later part. As to this point we can refer to the following table:

	British imports from China and Hongkong		British exports to China and Hongkong	
	Total £	Average £	Total £	Average £
1900-6	22,348,521	3,192,646	81,737,555	11,676,794
1907-13	35,938,922	5,134,132	100,702,759	14,386,108
1900-13	59,287,443	4,234,817	182,440,314	13,031,451

In the figures as they stand in the above tables, there is another point worth notice namely that China's exports to Britain did not grow so rapidly as did her imports from Britain. So, the period now under consideration saw a comparative rise in the value of British exports to China and little progress in the value of her imports from China. Also, the fluctuations of British exports to China were greater than those of her imports from China, while both of them fluctuated during the early part of this period more than during the later years of this period.

On account of some disturbing factors, both political and economic in China, British trade into China naturally could not increase with a big stride, and China was much handicapped in the power of exporting commodities to Britain. No light could be thrown on China's export trade with Britain and the business slump was intensified, if not caused, by the internal troubles of China - - such as war, rebellion, indemnities and natural colamities. As an inevitable consequence, British demands for Chinese goods were seriously restricted. So, this period saw no remarkable development of the trade between Britain and China, owing to the above disturbing factors.

Furthermore, British trade with China as we saw did not develop so quickly as did the foreign trade of China. The percentage of China's total trade with Britain therefore showed somewhat of a decline. We shall see that Britain's share in the direct trade of

China was about the same or probably declined in this period. Of British imports and exports from and to China it is noticeable in the above tables that there was no comparative rate of growth in China's trade with Britain compared with the trade of China with the rest of the world. We shall now examine the reasons with a view to illustrating this case.

In the first place, during the years 1900-13, the comparative importance of Hongkong declined in the foreign trade of China. The decline of China's trade with Hongkong would indicate the growth of the northern and central ports of China. Throughout the period under consideration it was not Hongkong but Shanghai which maintained its position as the chief trading centre of China. The continued rise in the importance of Shanghai would indicate an increase in the growth of the relative importance of the western countries trading with China. Hongkong regarded as the economic area of China, played a large part in the handling of goods moving between China and Britain, and that she was no longer the chief port in Chinese trade with Britain would indicate a decline of the comparative importance of China's trade with Britain.

In the second place, there was a great growth of commercial rivalry among the leading powers which were trading with China. Throughout the period before the outbreak of the Great War there was evidence in the Chinese trade of growing foreign competition. Great Britain's trading supremacy was thus seriously challenged, and her share in the trade of China thus fell during this period.

Last, as regards the relation between the value of exchange and the value of imports and exports, we shall find that during this period, in the trade between gold-using and silver-using countries,

there is no correlation, as we have seen in the previous period, between the course of exchange and the movements of particular imports or exports, if we neglect to consider the other conditions existing in their trade. The following shows British imports and exports from and to China which followed their own developments regardless of the effects of the rising or falling of the gold price of silver in the thirteen years period. As a whole, the course of exchange, as shown in the following table, fluctuated more than did the movements of merchandise trade.

Table showing the index of China's trade with Britain (1900-13)

Year	Rate of exchange (1900 = 100)	Exports to China and Hongkong (1900 = 100)	Imports from China and Hongkong (1900 = 100)
1900	3s. 1½d (100)	100	100
1901	2s.11¾d (95)	113	80
1902	2s.7.72d (84)	111	88
1903	2s.7.67d(85)	113	95
1904	2/10.4d (92)	158	94
1905	3/0.06d (97)	202	80
1906	3/3.50d (106)	183	115
1907	3/3.00d (105)	183	119
1908	2/8.00d (86)	145	106
1909	2/7.19d (84)	144	155
1910	2/8.31d (87)	153	179
1911	2/8.25d (87)	179	164
1912	3/0.63d (98)	172	168
1913	3/0.25d (97)	230	156

The facts concerning the relation between the price of silver and the prices in gold or silver of merchandises in which China and Britain traded will be briefly considered later.

2. China's Export Trade with Great Britain.

Of the total value of China's exports to Britain, the increase was, according to the British trade returns, from about 3 million pounds sterling in 1900 to 5 million pounds sterling in 1913. Notable fluctuations include a fall in 1905, a sharp rise in 1910

and a fairly slight rise to 1913. We have seen that Chinese exports to Britain in the last fifteen years period, considerably fell in value as well as in volume. In many respects the decline was followed by the thirteen years period of decrease.

Firstly, China's export trade with Britain, although increasing in value, did not develop so quickly as did her import trade with Britain during this period. Secondly, as compared with the total value of the previous period, Chinese exports to Britain continued to fall as the figures stand so that the average annual value of Chinese exports to Britain was £5,743,110 in 1885-1899, and only amounted to £4,234,817 in 1900-1913. Thirdly, the percentage of China's total export trade with Britain declined continuously throughout this period, and we find that China's exports to Britain constituted 5.9% in 1900, and 4.3% in 1913.

A decline of China's export trade with Britain has been and would be a notable decline in the relative importance of the two commodities - - tea and silk - - in the exports. Tea and silk had been characteristic in the Anglo-Chinese trade of the last century when they together formed about more than sixty per cent. As we have seen in the previous period, Chinese export of tea to Britain had considerably declined, but during the period under consideration, the fall was not only in tea but also in silk. As a matter of course, in the Chinese exports to Britain, the decrease mentioned above was the decrease in the quantity and the value of the export of tea and silk, but, on the other hand, the remarkable increase in the annual value of China's total exports to Britain was not due to either tea or silk. This serves to bring out a general fact that during this period there was a change in the Chinese export trade with Britain in a large number

of commodities. The once flourishing tea and silk exports no longer assumed such importance as previously as they fell to the same place as the other commodities. It is no matter of surprise, therefore, to find that a variety of commodities which have been put in the list of sundry-goods could only be considered as the most interesting items of recent growth because there was an increase in the comparative importance of such goods during the last century in the vast miscellaneous class of China's exports to Britain.

Among the more conspicuous items of the Chinese export trade with Britain, many kinds of goods which have been classed in the miscellaneous list in the periods we have dealt with, would be expected to bulk more largely with the future development of China's trade with Britain, and so these goods would be assumed to be of the same importance as the old main exports - - tea and silk, and we shall deal later with these items of recent growth.

3. Chinese Exports to Britain.

The main exports from China to Britain may be then listed as tea, raw silk and silk piece goods peas, beans and the allied commodities of bean oil, of seed-oil of all kinds, and of soya beans, eggs, poultry and game, ginger, antimony, hides, skins and furs, feathers, wool, cottons, hairs of all kind , bristles and straw braid, hemps, mats and matting. By this long list of miscellaneous goods, we can see that during the period under consideration, raw materials provided the great bulk (approximately 50%) of Chinese total exports to Britain, with foodstuffs rising slowly to perhaps 35% of the total and manufactures and others to about 15%.

The principal facts to be noted about China's export trade with Great Britain, therefore, are that China has now come to rely primarily

upon her simple products such as various foodstuffs and raw materials rather than upon the rare and costly objects which provided the basis of the trade between China and Britain during the past periods, and that while articles of more development thus began to come more and more into prominence, the old historical products, such as tea and silks, had been, within a short space of time, thrown into insignificance by the importance of the newer staples.

a. Tea. In China's exports to Britain, first of all there has been the notable and continued decline of the once flourishing tea trade. Even in the previous period 1885-1899 tea which had shown a considerable decline, provided more than 48% of the total value of China's exports to Britain; but by the period under consideration this proportion had fallen below 17%. Throughout this period, Chinese tea exported to Britain steadily declined from 19% of the total value of China's exports to Britain during 1900-1906 to 14%, during 1907-13 even though its total value had increased from £4,325,076 (annual average being £617,868) during 1900-1906 to £5,107,427 (annual average being £729,632) during 1907-1913. So, among the exports from China to Britain, the relative importance of tea had thus declined greatly.

During this period the quantity of tea exported from China was almost equally steady, with a slight tendency to rise. Of the cheaper grades of black tea, the quantity exported from China showed a steady decline. The only reason for its decline in export is that Britain's demand for black tea decreased year by year though during this period she still continued to be a purchaser of this kind of tea from China. This condition is shown in the following table which is compiled from Chinese customs reports.

Year	Total export of tea from China lbs.	Export of black tea from China lbs.	Total export of tea from China to Britain lbs.	Export of Chinese black tea to Britain lbs.
1900-6				
Total	328,497,729	654,964,132	No statement is available	
Average	189,785,390	93,566,305		
1907	214,683,333	94,436,400	20,982,933	15,731,734
1908	210,151,466	91,387,733	15,762,933	12,708,266
1909	199,792,400	82,617,600	11,631,867	10,235,600
1910	208,106,666	84,470,000	17,235,867	14,967,467
1911	195,040,400	97,890,666	19,963,432	18,384,500
1912	197,560,000	86,472,533	13,054,000	11,977,600
1913	192,281,200	73,027,733	10,144,800	9,816,933
1907-13				
Total	1,417,615,465	610,302,665	108,505,832	93,822,100
Average	202,516,495	87,186,095	15,500,833	13,403,157

The general fact is therefore brought out that China's tea trade during this period has maintained its position with great difficulty even though it has thus shown little tendency to increase in the total export of general kinds of tea. The continued decline in the export of black tea showed the decline in the importance of Chinese tea, for it was regarded as a characteristic of the British market. Chinese tea later failed to hold its own in such a great tea-consuming country of the world as Great Britain for an increase in the British comsumption of tea was by no means accompanied by an increase in Chinese exports of tea. At the end of the last period, in 1899, about 10% of the total quantity of tea consumed in Great Britain came from China. This percentage had fallen to about 6.2% in 1900, about 6% in 1907 and only 4.4% in 1913.

As we have seen, in the tea-trade of the world, India and Ceylon had threatened the Chinese monopoly, and now during the new century, they and also Java were destined to displace China in the tea-market of Britain. To Britain, the exports of tea from India, from Ceylon and later from Java, which totalled about 269,392,000 lbs in 1900,

exhibited a quick tendency towards increase and reached more than 336,070,000 lbs on the eve of the world war. We find that in 1913 the export of Javanese tea to Britain amounted to 21,674,000 lbs, valued at £731,267, while the shipments of Chinese tea from China and Hongkong together totalled 16,272,000 lbs valued at £613,000. So, not only India and Ceylon, but even Java had captured the growing market of tea in Britain while China had failed to keep pace. That this apprehension was not easily realized would be evident from the following figures.

Import of tea into Great Britain during 1900-1913

	from India		from Ceylon		from China
	lbs.	£	lbs.	£	lbs.
1900	154,912,000	5,576,000	114,480,000	4,096,000	18,876,000
1901	160,123,000	5,284,000	104,602,000	3,250,000	17,861,000
1902	157,128,000	4,803,000	106,108,000	3,134,000	16,113,000
1903	165,138,000	5,357,000	94,456,000	2,955,000	19,898,000
1904	170,104,000	5,171,000	97,410,000	2,923,000	27,944,000
1905	165,027,000	5,147,000	112,194,000	3,226,000	15,172,000
1906	183,428,000	5,710,000	103,368,000	3,208,000	13,539,000
1907	171,616,000	5,754,000	107,410,000	3,609,000	19,114,000
1908	172,840,000	5,753,000	108,659,000	3,586,000	22,069,000
1909	183,391,000	6,311,000	117,284,000	3,952,000	17,287,000
1910	180,265,000	6,231,000	107,635,000	3,698,000	18,782,000
1911	186,013,000	7,097,000	109,501,000	4,096,000	24,289,000
1912	192,339,000	7,033,000	113,624,000	4,172,000	20,745,000
1913	203,459,000	7,839,000	110,937,000	4,180,000	16,163,000
1900-1906					
Total	1155,860,000	37,048,000	732,618,000	22,792,000	129,403,000
aver.	165,123,000	5,292,570	104,660,000	3,256,000	18,486,000
1907-1913					
Total	1289,923,000	46,018,000	775,050,000	27,293,000	138,449,000
Aver.	184,274,700	6,574,000	110,721,430	3,899,000	19,778,400
1900-1913					
Total	2445,783,000	83,066,000	1,507,668,000	50,085,000	267,852,000
Aver.	174,698,850	5,933,280	107,690,600	3,577,500	19,132,200
% of total imports	54.1	54.8	33.6	33.1	5.9

	from China		from Hongkong		from other countries	
	£		lbs.	£	lbs.	£
1900	615,000		2,344,000	70,000	9,619,000	330,000

1901	524,000	2,280,000	61,000	10,398,000	321,000
1902	457,000	1,243,000	32,000	12,225,000	361,000
1903	692,000	1,668,000	50,000	19,099,000	586,000
1904	833,000	751,000	22,000	15,888,000	460,000
1905	509,000	247,000	8,000	15,769,000	413,000
1906	505,000	341,000	13,000	17,514,000	468,000
1907	774,000	236,000	9,000	18,751,000	599,000
1908	776,000	203,000	8,000	19,698,000	611,000
1909	612,000	135,000	7,000	23,561,000	735,000
1910	646,000	133,000	5,000	25,032,000	801,000
1911	866,000	413,000	14,000	25,930,000	910,000
1912	792,000	202,000	7,000	34,145,000	1,119,000
1913	608,000	109,000	5,000	34,375,000	1,151,000
1900-1906					
Total	4135,000	8,874,000	256,000	100,512,000	2,939,000
Aver.	590,700	1,267,700	36,570	14,358,860	419,860
1907-1913					
Total	5074,000	1,431,000	55,000	181,492,000	5,926,000
Aver.	724,860	204,430	7,857	25,927,430	846,570
1900-1913					
Total	9209,000	10,305,000	311,000	282,004,000	8,865,000
Aver.	657,780	736,070	22,214	20,143,140	633,215
% of total imports	6.1	0.2	0.2	6.2	5.8

	Total	
	lbs	£
1900	300,231,000	10,687,000
1901	295,264,000	9,440,000
1902	292,817,000	8,787,000
1903	300,259,000	9,640,000
1904	312,097,000	9,409,000
1905	308,409,000	9,303,000
1906	321,190,000	9,904,000
1907	317,127,000	10,745,000
1908	323,469,000	10,734,000
1909	341,658,000	11,617,000
1910	331,847,000	11,381,000
1911	346,146,000	12,983,000
1912	361,055,000	13,123,000
1913	365,043,000	13,783,000
1900-6		
Total	2,130,267,000	67,170,000
Average	304,323,860	9,595,710
1907-13	2,386,345,000	84,366,000
Average	340,906,430	12,052,280
1900-13	4,516,612,000	151,536,000
Average	322,615,140	10,824,000
% of total imports	100	100

Generally speaking, little or no effort had been made by Chinese tea growers and merchants to maintain their position of virtual monopoly and they were more and more outsted by more aggressive rival producers as we shall see later.

b. Silk. During this period the export of silk from China to Britain increased in total value, and probably there was the same increase in the quantity exported to Britain. These increases, however, did not secure for China the large share in the growing demand of Britain. The following table shows Chinese silk of various kinds imported into Britain during 1900-1913.

	1900-1906	1907-1913	1900-1913
Silk waste:	£	£	£
Total value	2,182,286	2,936,636	5,118,922
Average	311,755	419,519	365,637
% of total exports from China	9.8	8.2	13.4
Silk raw:			
Total value	2,327,226	2,563,854	4,891,080
Average	332,461	366,265	349,363
% of total exports from China	10.4	7.1	8.4
Silk goods:			
Total value	482,040	1,273,686	1,755,726
Average	68,863	181,955	125,409
% of total exports from China	2.2	3.5	3.0

From the above, we can see that the total value of Chinese exports of silk of all kinds to Britain increased, but in the percentage of Chinese total exports it decreased throughout this period. The value of the raw silk and silk waste of all kinds exported from China to Britain did not increase, and the value of the exports of silk goods to Britain increased by more than 100% during this period. Throughout the period the percentage of Chinese total exports to Britain, which was formed by raw silk and silk waste fell, but at

the same time, manufactured silk sufficiently held its own. Of course, in Chinese export trade with Britain the actual value and volume of raw silk and silk waste was at all times much greater than that of silk goods.

Of the raw silk and silk waste, most of Chinese export went to the United States and France. Britain has been regarded by the Chinese as the least important country importing such goods. China's export of raw silk to India has been much more than that to Britain. But by the information from the British trade returns, China was still the main country exporting silk to Britain during this period. The following table is compiled from the Chinese customs reports and the British trade returns:-

	1907	1912
Raw silk:	lbs.	lbs.
China's total export	15,495,066	21,071,832
Export to Britain	115,066	290,932
% of British share	0.7	1.4
Silk waste:		
China's total export	19,230,133	21,701,066
Export to Britain	2,288,133	3,292,532
% of British share	11.9	15.3
Raw silk:		
British total import	1,195,366	1,199,448
Import from China	626,340	866,530
% of Chinese share	52.4	72.2
Silk waste:	cwts.	cwts.
British total import	66,299	76,116
Import from China	40,356	47,624
% of Chinese share	60.9	62.6

During this period there was an increase in the export of manufactured silk from China to Britain; this increase was due to an increase in a fabric called "pongee" which was made from a kind of raw silk, the produce of Manchuria. After the Russo-Japanese War, there came a great change in the trade of Chinese silk goods, as Japan had managed to displace China in this trade. The British demand for

silk goods went up but Chinese export did not. Japan easily captured the growing market, and so secured a large share in the growing British demand for manufactured silk as the following figures show.

British imports of silk manufactures:	1907 £	1912 £
Total value of imports	6,576,721	7,477,890
Total value of import from Japan	849,184	850,347
Total value of import from China	122,057	178,175
% of Japanese share	13.0	11.4
% of Chinese share	1.9	2.4
British imports of other manufactures of silk mixed with other materials:		
Total value of import	1,208,956	764,850
Total value of import from Japan	137,395	102,534
Total value of import from China	7,669	9,840
% of Japanese share	11.4	13.4
% of Chinese share	0.6	1.3

China's export of silk to Britain and to the other countries thus met with strong competition. The general decline in the importance of Chinese silk was, however, not a characteristic of the British market. But, as with tea, so with silk, a decrease in the importance was chiefly due to competition. In the case of Chinese tea it was the competition of India and Ceylon and later of Java, whereas in the case of silk it was chiefly Japanese competition.

Further, there was a decrease in Chinese exports of silk of all kinds to Britain; this decrease was naturally due to decrease in the British demand for them. During this period China never lost her position as chief exporter of raw silk and silk cocoons to Britain, and Chinese relations with the weaving industry of Britain were close. Since Japanese industry began to grow in importance, it is significant that the growth of the production of silk in Japan was connected with the increasing exports of her silk to Britain. We also find that the increasing exports of Japanese silk to Britain during this period

continued without reference to the changes in the decreasing demand for silk in Britain. In the following table are brought together British imports of silk of all kinds from China and Hongkong, from Japan and from all sources during some years of this period:

	1900	1901	1904	1908	1912	1913
	£	£	£	£	£	£
Silk, raw						
from China	329,259	393,348	386,437	298,884	438,407	287,851
from Hong-kong	49,286	4,074	-	-	-	-
from Japan	36,016	26,655	39,658	30,733	38,216	74,970
from all sources	916,421	768,390	884,769	667,267	689,353	619,427
Silk, waste of all kinds						
from China	198,823	113,938	192,520	226,230	335,779	315,798
from Hong-kong	161,620	156,190	119,848	132,277	123,548	75,975
from Japan	24,391	20,396	50,131	12,685	89,793	50,448
from all sources	546,476	403,549	571,392	574,765	731,531	639,806
Silk, manu-factures						
from China	39,031	29,201	87,656	124,352	184,697	219,494
from Hong-kong	7,943	8,198	850	913	3,318	2,174
from Japan	313,456	497,195	1,029,366	872,423	952,881	1,192,942
from all sources	11,425,984	10,389,009	9,531,987	7,744,624	8,235,332	8,386,271

The above figures present evidence that China was threatened by the growing exports of Japanese silk to Britain as well as to other countries. China tended to become, due to her great natural advantages, a secondary factor in the silk supply of the world. She was suffering from her slowness in the adoption of western methods of production and inability to grasp her true position in the foreign markets such as Britain, while the quality of silk could not be adopted to the British demand for silk. In the breeding the silk-worm, disease had been prevalent throughout the world, but China did nothing to prevent it and without energy and intelligence for proper

utilization, cheap labour and modern machinery were therefore of little avail.

Chinese raw silk, however, as it seems to have been for a long time, is excellent in quality. It is said that the best Chinese silk is always superior to the Japanese product. In China's export trade with Britain, therefore, silk ranked and still ranks as the largest and most important single item in Chinese exports to Britain, and, the future of the Chinese silk trade with Britain was and is brighter than that of tea.

c. Beans and Bean-oil. In the Chinese export trade with Britain during this period, the greatest vitality was shown in foodstuffs and raw materials, while tea and silk failed to hold their own. An increase in Chinese export trade with Britain during this period, as we have mentioned, was therefore an increase in her exports other than tea and silk.

Beans and bean products, with which we shall now deal, began to mark the development of Chinese trade into Britain. It is not only the Sino-British trade in beans and bean products that increased in importance after 1908, but also their trade in a number of other vegetable oil seeds as well.

It is significant that beans and the allied commodities such as bean oil together formed more than 17% of the Chinese total exports to Britain during 1908-1913. Before 1907 there had been little growth in the export of beans to Britain, because trade in them was chiefly domestic. Since 1908 when they began to be purchased by the West for some manufactured uses their export increased.

The growth in Chinese export of beans, which has been closely connected with the opening and development of the North-eastern

provinces, known to the world as Manchuria, is a matter of general knowledge. After the Russo-Japanese War, this opening of Manchuria to foreign trade brought about a trade in the development of beans, and this trade was about as important after the World War as it had been in the years 1908-1913. In 1908, the soap manufacturers of Great Britain accepted bean oil instead of cotton seed or linseed, and Manchuria has since developed very fast with a considerable export of beans or bean oil to Britain. Anglo-Chinese trade thus made progress.

Among the beans the so-called soya beans have been and are still unquestionably the most important article in Chinese exports to Britain as the soya bean and the products made from it have been without doubt the most complete and natural foods known to the human race. In Britain beans are wanted for the oil, but during the period the total export of the expressed oil from China to Britain was not as great as that of beans until post-war times. On arrival in Britain the beans are mostly taken in hand by oil refiners, and the chief use of the oil is in the manufacture of soap, though it has other uses as well.

Manchuria is the place in the Far East which has depended on the production of soya beans for its prosperity. Since 1894 Japan came upon the scene, and in 1907 she made a big and satisfactory shipment of Manchurian beans to Britain, "the first British steamer chartered for this purpose being the "Titan", a cargo vessel of Messrs.

Alfred Holt & Co.'s Blue Funnel Line." In the following year, when the value of the bean and its products had became known in Britain, 400,000 tons were exported from Manchuria to Britain. It is said that Messrs. Lever Brothers were the first British firm to appreciate

the saponifying qualities of the oil and to enter the market as purchasers of it for the manufacture of Sunlight Soap. The general progress of this trade now began to be placed on a firm basis.

In 1906 the total amount of Chinese beans and peas was 90 cwts valued together at £70 only, but in the years 1908 and 1909 this amount rose from 177,530 cwts to 1,475,470 cwts while the total value increased from £61,436 to £499,209. From 1908 to 1913 the total import of Chinese beans to Britain is valued at £1,553,626 (annual average being £258,938) and formed 4.9% of British total imports from China. Prior to 1910, British imports of soya beans from China was included in "seeds unnumerated in import list", for expressing oil thereform. From 1910 we have a special list to record British imports of soya beans from China. In these years, from 1910 to 1913, British import of soya beans from China totally valued at £2,810,248 (annual average being £702,562) constituting 12.3% of the total imports of Britain from China.

d. Oil of All Kinds. In the growing export of oil from China to Britain in 1908-1913, there were other sources of vegetable oil which became of importance during the years 1900-1913. Particularly, during the years 1908-1913 the export of all kinds of oil to Britain increased greatly as the following table shows:

	Chinese export of all kinds of oil to Britain		
	Total value	Annual average	% of China's total
Year	£	£	export to Britain
1900-6	242,445	34,635	1.1
1907-13	2,412,969	344,710	6.7
1900-13	2,655,414	189,672	4.5

Before 1908 there had been a small export of seed-oil to Britain from China each year; the total value of it was only £29,649 in 1900,

and about £44,335 in 1907. After and during 1908 there was a great increase in this export from China to Britain while we find that in 1908 it was valued at £103,365, and this amount increased to £1,250,536 in the following year, and during the remaining years of this period its total value always exceeded twenty thousands pounds sterling.

The reasons for this great increase after 1908 are various. In fact, a general increase in the export of vegetable oil seeds and of vegetable oils was a characteristic of the foreign trade of China during this period as the railway built in China brought the interior into touch with western manufactures. In Britain the increased demand for these articles came as a result of their growing use in manufactures; some seed oil is used in the manufacture of substitutes for those used before but at greater cost: vegetable oils can be used as substitutes for butter and lard.

China has been and is one of the chief countries supplying the British with bristles, skins, feathers, hides, straw braid, hemps, hairs of all kinds and mats or mattings, to most of which we have referred before. During the years 1900-1913 there was no increase but rather some decrease in the exports of these articles to Britain. The value of them is shown in the following figures.

Year	Bristles	Feathers	Hemps	Straw braid
1900-6	£	£	£	£
Total	1,305,761	289,539	944,312	1,515,475
Average	186,537	41,363	134,902	216,496
1907-13				
Total	1,827,107	579,483	143,434	1,177,234
Average	261,015	82,783	20,491	168,176
1900-13				
Total	3,132,868	869,022	1,087,746	2,692,709
Average	223,776	62,073	77,696	192,336
%(1900-6)	5.9	1.3	4.2	6.8
%(1907-13)	5.1	1.6	0.4	3.3
%(1900-13)	6.0	1.5	1.9	4.6

Year	Hairs	Mats & Matting	Skins	Hides
1900-6	£	£	£	£
Total	649,486	172,644	3,195,286	296,809
Average	92,784	24,663	456,469	42,401
1907-13				
Total	1,225,156	220,698	2,319,387	533,143
Average	175,022	31,528	331,341	76,167
1900-13				
Total	1,874,642	393,342	5,514,673	802,952
Average	133,903	28,096	393,905	57,354
%(1900-6)	2.9	0.8	14.3	1.3
%(1907-13)	3.4	0.6	6.4	1.5
%(1900-13)	3.2	0.7	9.4	1.4

e. Antimony. Among the metals exported from China to Britain, antimony became of some importance, as China after 1900, came to be known as the largest producer of this ore, and Britain the largest consumer. In peace time its chief use is in the production of its industrially important alloys. In pre-war days the world's consumption of antimony was comparatively small, and it was met by the production of a few countries, but, there was an increase in the Anglo-Chinese trade as a result of the world war because this metal is greatly used for ammunition, principally for the manufacture of shrapnel, shells and bullets.

Before 1904 Britain imported antimony mostly from Germany. In 1904 the British shipments amounted to 1,015 tons valued at £11,210, and 1,506 tons valued at £21,615 from all sources, but in 1913 Germany only exported £26 of antimony to Britain, and the value of Chinese antimony - - ore and regulus imported into Britain was £62,648, which constituted more than 34 per cent of British total imports of antimony.

The growing demand of Britain for the metal caused China to become one of the principal antimony-producing countries. The import of Chinese antimony - - ore and regulus - - into Britain during this period is shown as follows:

British import of antimony from China

Year	Total value £	Annual average £	% of China' total exports to Britain
1900-6	231,901	33,129	1.0
1900-13	383,878	54,840	1.1
1900-13	615,779	43,984	1.1

Other exports from China to Britain which assumed importance during this period were raw and waste cotton, sheep and camel wool and preserved ginger. Great fluctuations from year to year were a characteristic of the Anglo-Chinese trade in these articles, and the exports of them in this period and the periods following increased no more rapidly than did her exports to Britain in general. During this period, China's export of these articles was valued as follows:

Year	Raw cotton £	Waste £	Wools £	Preserved ginger £
1900-6 Total value	215,628	10,586	807,306	183,705 (1904-6)
Average value	30,804	5,293	115,329	61,235
1907-13 Total value	423,610	49,619	1,728,035	535,433
Aver. "	60,516	7,088	246,862	76,490
1900-13 Total value	639,238	60,205	2,535,341	719,138
Aver. "	45,660	6,689	109,667	71,914
% of total exports from China to Britain				
1900-6	0.9	-	3.6	1.8
1907-13	1.2	0.1	4.8	1.5
1900-13	1.1	-	4.3	1.6

4. British Export Trade with China.

As we have seen, the general course of British trade with China during the period under consideration was rapid in growth. British exports to China and Hongkong increased from £8,339,493 in 1900 to £16,859,216 in 1905. This increase was followed by a slight decline in the next years until 1913, during which there was an astonishing increase to a total of £19,219,279. During this period the total

value of British exports to China was doubled, and the years 1900-13 marked a period of steady progress of Anglo-Chinese trade characterized by a continuous increase of the exports from Britain to China .

The classification of Chinese imports from Britain reveals some different phenomena from those which have appeared in the periods we have previously dealt with. In the first place China was likely to attract the luxurious goods enjoyed by the westerns and we find that the import into China from Britain of soap, wine and tobacco continued to grow. Secondly, the miscellaneous goods which had been imported from Britain into China increased considerably in volume as well as in value, for the fall in exchange became less and less than in the previous period. Also, the great increase in the variety of British exports to China was doubtless due to the extent of British commercial influence in China. This increase might serve as an index of the progress which the Chinese had been making along Western lines.

Thirdly, among the British exports to China, such new items as machinery and machines, electrical equipment and vehicles showed the progress of change in China, which was hardly discernible before 1900. The increased percentage of these articles now imported from Britain to China was probably a sign of Chinese prosperity while it reflected mainly the growth of such domestic industries as the various textile manufactures.

Last but not least, among the manufactured goods imported from Britain into China, cotton manufactures of all kinds continued to hold first place, even though throughout this period there had been some decline. China has long been an importer of this commodity which was among the British manufactured products to find a wide market in China. She was now regarded as a market for British manufactures, and natural-

ly and more particularly for Lanchashire cottons, which comprised more than three fifth of the total imports of China from Britain. Among British exports to China, we shall mention only those which assumed some importance in the British export trade with China during the period now under our consideration.

5. British Exports to China.

a. Cottons of All Sorts. Cotton goods of all sorts during the years 1900-1913 usually took first place and kept this place throughout these fourteen years. There was a great fluctuation in the British cotton trade with China, which was responsible for the fluctuations of the general course of the British export trade with China. The Chinese import of cotton goods from Britan reached a total value of £5,150,818 in 1900, and it then increased from the total value of £9,415,859 in 1907 to that of £12,095,394 in 1913. The percentage which the British cotton goods exported to China formed of China's total imports from Britain was maintained at about 62% throughout this period even though there was a little drop in the latter part of the period. The following table shows British cottons imported into China during 1900-1913.

Year	Cotton yarn	Cotton goods	Total
1900-6	£	£	£
Total value	1,376,242	50,911,107	52,287,349
Aver. "	196,606	7,273,015	7,469,621
1907-13			
Total value	1,060,184	61.856,494	62,916,678
Aver. "	151,455	8,836,642	8,988,097
1900-13			
Total value	2,436,426	112,767,601	115,204,027
Aver. "	174,030	8,054,829	8,228,859
% of British total exports to China			
1900-6	1.7	62.3	64.0
1907-13	1.1	61.4	62.5
1900-13	1.3	61.8	63.1

The above table shows that there was a most remarkable increase in the export of British cotton manufactures and a decline of British cotton yarn to China, during this period. This shows that the success of British cotton goods in general to maintain their comparative importance among the exports to China was due to the fact that it was the exports of cotton manufactures which actually increased during this period.

A rapid increase in Chinese imports of cotton goods in general was a rapid increase in her import of cotton goods from Britain. With regard to cotton yarn, during this period there was a change in China's foreign trade and a tendency towards a decline in her import of cotton yarn while native cotton mills, we are told, have had much to do with the decreased imports of foreign yarn. This shows why China's import of British cotton yarn during this period did not increase but actually decreased as did her imports of yarn from other countries.

The reason for the increasing import of cotton piece-goods from Britain is clear. The growing importance in the import of cottons had long been a characteristic of China's foreign trade and it was brought about by the decreasing import of foreign opium to China. In the origin of the imports of cotton manufactures into China, Britain always held first place and she had done so since 1871. Before 1914 no country seriously threatened the supremacy of Britain in China's market for the finer grades of cotton piece goods, the goods that have been called "cotton piece goods De Luxe" in Chinese. In China's imports of plain fabrics, Britain was first in importance throughout this period. Japan was far from being ahead of her yet though her export of these goods showed some advance, and the advantage

which Japan had by reason of her nearness to China is obvious, and, that Japan sold cheaper grades of cotton cloth to China than those manufactured in Britain was and is not a negligible factor.

From the point of view of Lanchashire, therefore, British trade in cottons with China was still mainly the supply of luxuries, and, as such, would depend for its future on the growing prosperity and purchasing power of the Chinese. But, in certain lines the local knowledge of the Japanese had been operating to their advantage, and in fine and heavy cotton piece goods their cheap production enabled them to enter the Chinese market as successful competitors of Britain as well as of America and India, all of which Japan made great efforts to outdo.

b. Woollens. During this period, the Anglo-Chinese trade in woollens continued to decrease. During the last period 1885-1899, the importation of British woollens into China and Hongkong constituted about 10% of China's total imports from Britain. This percentage now dropped to 6.7% and we find that the annual average value of woollens of all kinds imported into China from Britain amounted to £870,977 during the period under consideration, and throughout it there was a fairly continuous decline in China's purchases of woollen goods from Britain as the following table shows:

Year	Woollen yarn	Woollen manufactures	Total
1900-6	£	£	£
Total value	128,373	5,933,467	6,061,840
Aver. "	18,339	847,638	865,977
1907-13			
Total value	240,882	5,890,961	6,131,843
Aver. "	34,412	841,566	875,978
1900-13			
Total value	369,255	11,824,428	12,022,804
Aver. "	26,375	844,602	870,977
	(% of British total export to China)		
1900-6	0.2	7.2	7.4
1907-13	0.2	5.8	6.0
1900-13	0.2	6.5	6.7

Britain had played the chief role in selling woollen goods to China. But trade in woollens in China became less popular and it had been on the decline, and naturally in this declining trade Britain took an increasing share as the above figures show. It seems to be true that those Chinese who can afford woollens prefer silks and furs, and the wearers of cottons cannot afford woollens. Therefore, the demand for woollen goods in China tended to decline.

c. Metal of All Kinds. In the British export trade with China during this period metals were next in importance and there was a considerable growth in her export of these to China. The metals took four forms: iron and steel manufactures and its ore, copper, lead and others unnumerated in the British trade returns. Of these, iron, steel and copper assumed some importance, particularly the iron and steel manufactures which have long taken the first place.

In the British export of copper to China there were great fluctuations year by year. The markable export of this metal to China was a result of the recently established mints of the various provincial governments, but during some years before 1913 the British export to China became smaller.

China's imports of iron and steel manufactures during this period continued to form a larger part of her total imports even from Britain, which increased at a fairly even rate and we find that the total value of them was £773,199 in 1900, £840,867 in 1908 and £1,055,784 in 1913. After 1908 the import of iron ore from Britain into China was recorded in trade returns and it amounted to more than thirty thousand tons, valued at £100,000. But this trade was to feel the effect of the development of the iron industry in China for the Han Yeh Ping Iron and Coal Company had been established at Hanyang. Of the metals imported into

China from Britain during 1900-13 the following table gives a detailed account:

Year	Iron & steel	Other metals	Total
1900-6	£	£	£
Total value	5,260,291	1,568,488	6,828,779
Aver. "	751,470	224,070	975,540
1907-13			
Total value	6,880,832	827,445	7,708,267
Aver. "	982,976	118,206	1,101,181
1900-13			
Total value	12,141,123	2,395,933	14,537,046
Aver. "	867,223	171,138	1,038,361
	(% of total exports from Britain to China)		
1900-6	6.4	1.9	8.3
1907-13	6.8	0.8	7.6
1900-13	6.6	1.3	7.9

d. Machinery and Electrical Materials. Machinery and machines had ~~not~~ been imported into China from Britain, and during this period the value of them was doubled and increased at a very rapid rate nearly year by year. British exports of electrical materials had been imported without development, but during this period they were imported to the annual average value of £26,772. There was an increase in them from £6,342 in 1900 to £46,083 in 1913. The actual figures are given below:

Year	Machinery	Electrical goods
1900-6	£	£
Total value	2,231,145	147,480
Aver. "	318,735	21,069
1907-13		
Total value	3,176,905	227,334
Aver. "	453,844	32,476
1900-13		
Total value	5,408,050	374,814
Aver. "	386,290	26,772
	(% of total imports)	
1900-6	2.7	0.2
1907-13	3.1	0.2
1900-13	3.0	0.2

e. Tobacco, Spirits, Paper, Soap, Tools and Scientific Instruments.

Among these goods imported from Britain into China, tobacco formed a comparatively large percentage and we find that Britain has been one of the main exporting countries of it to China. Formerly, the Chinese used only home-grown tobacco and cigarettes were not known, until the beginning of the new century. Tobacco in the form of cigarettes was imported into China from Britain to the total value of £6,230,028 during this fourteen years period, and its import from Britain increased at a very rapid rate. Scientific instruments were unknown in the Anglo-Chinese trade before 1908. From 1909 to 1913, however, they were imported from Britain into China to the total value of £178,697 (average value being £35,739), constituting 0.2% of all the British exports to China.

Of some growth during this period was the import of soap, paper, spirits and tools from Britain into China, which were imported in increasing value though they formed a small share in the total British export trade with China. The figures of the above-mentioned goods imported into China from Britain are shown in the following table.

Year	Tobacco	Soap	Spirits or wine	Tools	Paper
1900-6	£	£	£	£	£
Total value	847,001	864,264	353,947	149,021	314,904
Aver. "	121,000	97,752	50,564	21,289	44,986
1907-13					
Total value	5,383,027	1,174,882	368,272	172,895	559,427
Aver. "	769,004	167,840	52,610	24,699	79,918
1900-13					
Total value	6,230,028	2,039,146	722,219	321,916	874,331
Aver. "	445,002	145,653	51,587	22,994	62,452
	(% of total exports from Britain to China)				
1900-6	1.0	1.1	0.4	0.2	0.4
1907-13	5.3	1.1	0.4	0.2	0.6
1900-13	3.4	1.1	0.4	0.2	0.5

There is also to be noted some growth in the Anglo-Chinese trade

in a variety of articles, most of which were manufactured goods, such as apparel, glass, rubber, silk, leather, coal, arms, ships, candles, medicine and hard wares. The total value of British exports in a large number of these goods to China constituted about 5% of all her exports to China during this period. China's imports of these goods from Britain may be regarded as a result of the development of the trade between the two countries. The following figures give the value of these articles exported from Britain to China and show to what extent China has been thrown open as a market for these British manufactures.

Year	Apparel	Glass	Rubber	Silk	Leather	Coal
1900-6	£	£	£	£	£	£
Total value	310,078	164,730	-	417,790	272,185	1,512,191
Aver. "	44,297	23,533	-	59,684	38,884	216,027
1907-13						
Total value	515,025	191,487	-	251,206	231,276	477,141
Aver. "	73,575	27,355	-	35,887	33,039	68,163
1900-13						
Total value	825,103	356,212	-	668,996	503,461	1,989,332
Aver. "	58,936	25,444	-	47,785	35,961	142,095
	(% of total exports from Britain to China)					
1900-6	0.4	0.2	-	0.5	0.3	1.8
1907-13	0.5	0.2	-	0.3	0.2	0.5
1900-13	0.5	0.2	-	0.4	0.3	1.1

Year	Arms	Ships	Candle	Medicine	Hard wares
1900-6	£	£	£	£	£
Total value	381,506	186,367	569,712	466,264	311,197
Aver. "	54,501	26,624	81,387	66,609	44,457
1907-13					
Total value	228,826	626,052	273,935	610,363	292,933
Aver. "	32,689	89,436	39,134	87,195	41,848
1900-13					
Total value	610,332	812,420	843,647	1,076,627	604,130
Aver. "	43,595	58,030	60,261	76,902	43,152
	(% of total exports from Britain to China)				
1900-6	0.5	0.2	0.7	0.6	0.4
1907-13	0.2	0.6	0.3	0.6	0.3
1900-13	0.3	0.4	0.5	0.6	0.3

As we have stated previously, British exports to China during this period had more than doubled while her imports from China de-

creased considerably. There was a rapid increase in her exports to China for there was a rise in the currency price of Chinese imports in general as well as of Chinese exports to foreign countries. Because of the complicated condition of Chinese local currency, it is hardly true to say that China had reaped the full advantage from a favourable price situation since the falling price of silver took place in 1873. The fall in exchange in China had, since the previous period, became less and less until the pre-war years when a rise in the silver price of Chinese exports and imports became greater and greater. It is said that from 1885 to 1913 Chinese export prices had about doubled and her import prices had risen by about two thirds, but this upward movement in the price of commodities either imported or exported also took place in European countries such as Britain.

It is to be noted, however, that in China the prices of imports and exports started an upward trend some years earlier than in the West. During the period under consideration the gold price in Britain and the silver price in China, of commodities, moving between the two countries had shown some rise, and in particular there was a marked rise in China in both import and export prices in silver.

6. Movement of Treasure in Anglo-Chinese Trade.

In the Anglo-Chinese trade, the movement of treasure was a small item which we had accepted as part of the total trade between Britain and China. We must bear in mind that in China the native merchants saw the gold price of silver as the silver price of gold, and therefore, when the silver price was low gold tended to move out of China, just as it tended to move in when the silver price was high. As we have stated before, trade between China and Britain was trade between a gold-using and a silver-using country, and apparently China

was more able to attract silver bullion for commercial operations. British imports of gold from China amounted to a fairly considerable figure even though gold movement in the Anglo-Chinese trade have at no time played a part of major importance.

In the pre-war years the total amount of the movements of treasure fell slightly and the fluctuations of them were very large. Our attention is thus drawn to the net import into China from Britain of specie or treasure, largely silver - - an average of £825,979 for each year during this period, and to the net export from China to Britain of treasure, largely gold to the value of an average of £140,166 for each year. The accompaning table shows the treasure moved between China and Hongkong and Britain during 1900-1913.

British import of treasure from China and Hongkong

	Gold		Silver		
Year	China	Hongkong	China	Hongkong	Total
	£	£	£	£	£
1900	20,000	46,930	268	416	67,614
1901	42,114	223,948	20	480	266,562
1902	-	114,305	34,451	10,700	159,456
1903	-	64,315	33,891	40,250	138,456
1904	9,670	-	11,425	75,000	96,095
1905	-	-	-	-	-
1906	-	-	-	325,144	325,144
1907	50,000	-	299,064	78,333	427,397
1908	2,520	-	-	-	2,520
1909	33,048	54,518	-	-	87,566
1910	-	-	12,200	6,250	18,450
1911	-	380	30,000	9	30,389
1912	-	-	173,700	114,592	288,292
1913	-	-	54,391	-	54,391

British export of treasure to China and Hongkong

1900	-	8,500	1,808,300	861,584	2,678,384
1901	-	-	651,680	619,966	1,271,646
1902	-	-	274,200	216,135	490,335
1903	-	22,000	114,100	224,801	360,901
1904	-	-	84,000	486,957	570,957
1905	-	-	556,330	404,841	961,171
1906	-	-	150,000	283,957	433,957
1907	-	-	376,200	183,250	559,450

1908	-	-	727,300	95,000	822,300
1909	185	-	1,924,200	208,800	2,133,185
1910	-	1,000	1,271,900	77,500	1,350,400
1911	-	2,000	998,150	25,000	1,025,150
1912	-	4,000	1,879,550	30,400	1,193,950
1913	-	1,000	747,610	103,840	852,450

during this period, China's export of specie totalled £69,488,000 and her export of treasure to Britain constituted 2.9 per cent of her total export, while China's import of specie totalled £72,935,000 and her import of treasure from Britain formed 15.9 per cent of her total import. Owing to the large and increasing excess of China's imports from Britain over her exports to Britain in the merchandise trade between them, China had to export gold, and at the same time she had to import a large quantity of silver with a view to settling her commercial transactions with Britain. From 1894 the gold price of silver rose slightly, or, in other words, the value of gold in silver declined, and the effect upon the export of gold from China to Britain, which was the gold standard country par excellence, was immediate. As the gold price of silver rose, gold became cheaper to the Chinese holder of silver but the cheaper gold did not bring about increased import of gold from Britain into China. Conversely, China's import of silver from Britain rose and reached the amount of £11,563,000 during 1900-1913 while her export of gold amounted to £158,000.

7. Balance of Trade between Britain and China.

In dealing with the merchandise trade between Britain and China, during 1900-1913 we have seen that British exports to China continued to grow in value as well as in volume while there was a gradual but uninterrupted fall of China's exports to Britain. Thus, so far as the visible items of the Anglo-Chinese trade were concerned China as shown in the previous period, was characteristically an importing

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nation for with the greater opening of her country to British commerce her trade balance became adverse. There was then no favourable balance of the visible items of China's trade with Britain and during this period the condition became less unfavourable than before the year 1900. The net unfavourable balance of China's trade with Britain during 1900-1913 was about one million pounds sterling, and slightly larger than the total for the last period. The accompaning table shows a continued and increased unfavourable condition in visible accounts of China's trade with Britain for this period.

Visible exports from Britain to China and Hongkong:		
Merchandise trade	£182,440,314	
Treasure	11,563,705	
Total		£194,004,019
Visible imports into Britain from China & Hongkong:		
Merchandise trade	£58,287,443	
Treasure	1,962,332	
Total		£60,249,775
Balance of trade against China		£133,754,244

The above table presents the visible elements in China's trade with Britain during 1900-1913. It is apparent that an excess of China's imports from Britain over her exports to Britain was doubtless brought about by the falling off of her exports of merchandise and an increase in her imports of the same. In the fact of this continual adverse position an effort to pay for her excess imports from Britain had to be made. This is in accordance with a rule that nation's exports of all items of value should pay for its imports of value. The balance of trade between China and Britain had therefore to be made up from other sources. Our attention is then drawn to the British export of capital to China in the form of investments or loans and China's absorbtion of them made possible the invisible credit

balance. As far as the invisible trade movements between China and Britain were concerned China's side still should large unfavourable balance. In dealing with British investments in China during the pre-war period, we shall see that the total unfavourable balance was steadily increasing against China.

8. The Position of British Trade with China in China's Foreign Trade.

During the period under consideration, as we have stated, the growing up of British exports to China brought an increased unfavourable condition in the visible accounts of China's trade with Britain, but this did not mean that Great Britain could maintain her position as the chief importer of the West of foreign commodities to China.

It is to be noted that the per capita trade of China doubled between 1900-1913, and at the beginning of the century we find that in world trade the share which China took was about 1.5%, and this was to increase steadily immediately after the World War. But, in the growing foreign trade of China, Britain's share did not increase greatly as we have seen in the previous period. During the last quarter of the last century there was more trade between China and other countries and consequently the direct trade of China with Britain notably decreased.

The British have had a long record as the leading foreigners in trade with China, but this predominance became less striking and there was falling off during the pre-war period. Great Britain's share in the direct trade of China was about the same in the previous period as in the period under consideration for we find that her percentage was for 1899 11.8% and for 1913 11.4%. Her share fell off with great fluctuations and the percentage for 1900 was 14.4 and for 1913 11.4 even though the actual value of the direct trade between them

rose from £54,823,000 in 1900 to £113,257,000 in 1913.

From a comparison of trade figures of the Powers, moreover, the relative importance of Great Britain in the trade of China declined considerably and almost steadily. It has been noted that the direct trade of China with Britain was about equal to her direct trade with Japan in 1899, and by the end of the period under consideration the Japanese share of this trade was more than 19% while the British share was practically unchanged. Because of the continued rise in the importance of Japanese trade with China, British predominance in China's foreign trade lasted no longer.

Let us take for example the case of China's imports from Britain and from Japan. In 1900 China's imports from Japan totalled 25,752,694 H. taels, and from Britain, 45,467,409 H. taels. China's imports from Japan rapidly rose from 75,755,559 H. taels in 1900 to 119,346,662 H. taels in 1913 while her imports from Britain only increased from 70,949,137 H. taels in 1900 to 96,910,944 taels in 1913. Thus we see how throughout this period Japan was negligible factor at first but how she soon passed Britain and went ahead of her in the trade of China.

During the pre-war period Japan was the only country increasing her trade with China at a great pace, and Britain's commercial supremacy was thus seriously challenged. This fact is sufficient to explain why the British share of China's total trade steadily declined during this period. Doubtless in the trade of China there were other countries which made some advance during this period, but they were not important. The advantage which Japan had by reason of her nearness to China is obvious, and she also, sold cheaper manufactured goods than those ordinarily manufactured in Great Britain.

It will be seen that the changes shown in the position of Britain in the trade of China during 1900-1913 were such as foreshadowed the changes of a later time. However, at the beginning of the World War Great Britain was probably still as important in the trade of China as was Japan and the British Empire accounted for about half of the China's total trade. According to Chinese Maritime Customs reports, the following figures show the percentages of some countries of importance at all times during this period in the trade of China.

Year	Great Britain %	Hongkong %	India %	Other British Dominions %	British Empire %	Japan & Korea %
1900	14.1	41.4	5.2	2.0	63.0	11.7
1901	11.1	42.9	7.2	2.1	63.3	11.4
1902	12.6	40.0	6.6	2.1	61.3	12.3
1903	11.0	41.0	6.5	1.5	60.0	15.1
1904	12.1	38.1	5.8	2.0	58.0	15.1
1905	15.2	33.3	5.4	1.8	55.7	14.6
1906	13.8	34.2	5.1	2.2	55.3	14.5
1907	13.1	37.1	5.3	1.9	57.4	14.7
1908	12.7	36.1	5.1	1.9	55.8	13.9
1909	11.6	32.6	6.0	2.0	52.2	15.3
1910	10.6	33.2	5.8	2.1	51.7	16.9
1911	12.4	29.3	4.9	1.9	48.5	17.1
1912	10.6	29.3	6.3	2.1	48.3	18.0
1913	11.4	29.1	5.5	2.0	48.0	19.7

Year	U.S.A. %	Germany %	Russia %	Others %	Total %
1900	8.2	-	4.4	12.7	100
1901	9.0	-	2.8	13.5	100
1902	10.2	-	2.3	13.9	100
1903	8.2	-	2.7	14.0	100
1904	9.4	-	1.6	15.9	100
1905	15.1	2.9	1.6	10.1	100
1906	10.5	3.5	2.9	11.3	100
1907	9.7	3.2	2.5	12.5	100
1908	9.9	3.1	5.6	11.7	100
1909	8.8	3.0	7.3	13.4	100
1910	6.8	4.1	7.3	13.2	100
1911	8.7	4.2	7.9	13.6	100
1912	8.4	4.1	7.7	13.5	100
1913	7.6	4.5	6.7	13.5	100

C. British Investments in China on the Eve of the Great War

We have seen the state of the Anglo-Chinese trade during the pre-war period. We shall now deal with other indicators of the importance of British interests in China. They include British population and firms in China, British shipping engaged in China's trade, obligations of the Chinese Government to the British, and British business investments in China.

Before 1900 we have seen the importance of British investments in every field in China but on the eve of the World War there was, in certain fields, a decline in the relative importance of the British, which began with the penetration of Russia and Japan into the northern part of China. During the closing years of the nineteenth century as we have stated, spheres of influence in China were vigorously sought by Powers and the opening years of the present century witnessed an increase in competition which Britain had to face.

1. British Population and Firms in China.

According to the Chinese Customs reports, the number of British citizens at Shanghai increased from 2,691 in 1900 to 4,832 in 1915, and at the Chinese treaty ports the British population numbered 8,966 in 1913 and in the same year, at Hongkong it numbered about 5,000, making a total of about 14,000. In the percentage of the foreign population in China, the British constituted no more than 5.4 in 1913. In some treaty ports the British population still exceeded that of any other nationality but in general it showed a decline in relative importance.

So it was also with the British firms in China during the years before the World War. The number of these firms increased from 490 in 1907 to 590 in 1913 while in the percentage of all foreign firms

in China the British firms formed 15 in 1913.

2. British Shipping Engaged in China's Trade.

As regards British shipping engaged in China's trade it seems that no country could compete with her. British ship-building led the world, and she took the chief place in the development of it. The information concerning British shipping engaged in China's trade either comes from British or from Chinese sources. The following figures from British sources show the British total tonnage in the trade between Britain and China including Hongkong from 1900-1913.

Tonnage of British and foreign vessels entered and cleared from and to China and Hongkong at ports in Great Britain (1900-1913)

	ENTERED			CLEARED			TOTAL
Year	British Tons	Foreign Tons	Total Tons	British Tons	Foreign Tons	Total Tons	Ent. & Cleared Tons
1900-6							
Total	206,261	55,225	261,486	1,367,653	300,063	1,667,716	1,929,202
Average	29,466	7,889	37,355	195,379	42,866	238,245	275,600
1907-13							
Total	392,692	67,092	459,784	715,636	125,482	841,118	1,300,902
Average	56,099	9,585	65,683	102,234	17,926	120,160	185,843
1900-13							
Total	598,953	122,317	721,270	2,083,289	425,545	2,508,834	3,230,104
Average	42,782	8,737	51,519	148,806	30,396	179,203	230,722

From Chinese Customs Reports is derived the accompanying table which shows during 1900-1913 the continued development of Britain's total tonnage in her foreign trade with China and in the trade between the open ports of China. The figures of entrances and clearances for the ports in China show an increase in the British shipping to be proportional to the growth of the total tonnage in China.

	BRITISH		CHINESE		TOTAL TONNAGE IN CHINA	
Year	Vessels	Tonnage	Vessels	Tonnage	Vessels	Tonnage
1900	22,818	23,052,459	34,129	7,864,217	69,230	40,807,242
1901	25,012	26,151,332	26,615	6,434,824	64,844	48,416,668
1902	24,758	26,950,202	26,303	9,341,089	69,499	53,990,002
1903	25,297	28,122,987	30,708	9,911,209	77,012	57,290,389
1904	31,298	32,933,873	146,865	14,767,971	223,835	63,774,706

1905	30,442	35,095,658	148,755	16,407,352	223,959	72,755,547
1906	28,192	33,450,560	139,304	16,186,751	208,547	75,819,888
1907	27,495	33,316,618	147,193	16,686,305	217,932	80,109,424
1908	28,445	34,405,761	136,663	16,945,860	207,605	83,991,289
1909	27,699	34,026,704	135,053	17,860,810	208,516	86,771,809
1910	28,000	34,253,439	146,075	19,597,822	219,810	88,776,689
1911	28,885	34,712,440	130,828	17,881,542	194,252	85,929,511
1912	31,909	38,106,732	107,698	17,277,407	182,779	87,562,748
1913	32,186	38,120,300	121,768	19,903,944	190,738	93,334,830

The above figures show a great growth in shipping in China during the period from 1900 to 1913. The actual tonnage under the Chinese flag probably remained the same, while under the British flag it increased from 23 million to 38.1 million. In 1913, in the coastal trade of China we find that over 50% of the foreign shipping was British while in China's inland waters about 25% was British. The British share in the foreign and coast trade of China was 41 per cent. In other words two-fifths of all the modern shipping, both Chinese and foreign, in the whole of China's trade was under the British flag in 1913, and it may be said that British ships carried over 60% of the total value of the cargoes.

Furthermore, in the percentage of the total shipping under Chinese and foreign flags, British tonnage declined steadily throughout the period 1900-1913 when we find that it fell from 56 per cent of the total in 1900 to 41 per cent in 1913. During 1900-1913, an increase in the actual tonnage under the British flag and a decrease in the British share of the total tonnage in the foreign trade of China are outstanding facts which have been considered before.

In the following table we find that British vessels account for about 40 per cent of the foreign tonnage involved, and we also find that in the total shipping in China, the great gain of this period was in shipping under the Japanese flag: her tonnage increasing as

fast as did her trade with China.

Percentage of tonnage in China's shipping under the various flags (1900-1913)

Year	British	Chinese	Japanese	German	French	American	Others	Total
1900	56.27	22.33	9.29	9.68	1.43	1.00	-	100
1901	54.01	13.29	11.40	15.58	1.51	1.85	2.36	100
1902	49.91	17.30	13.61	13.37	1.54	0.91	3.36	100
1903	49.08	17.29	13.90	12.76	2.05	0.97	3.95	100
1904	51.64	23.16	6.73	11.20	1.98	1.45	3.84	100
1905	48.24	22.55	8.58	11.25	2.34	1.78	0.11	100
1906	44.12	21.35	15.01	9.86	4.12	1.78	0.38	100
1907	41.59	20.83	19.47	8.29	5.88	1.30	0.33	100
1908	40.96	20.18	21.50	7.84	6.04	1.19	0.31	100
1909	39.21	20.58	21.84	8.35	5.67	0.93	0.97	100
1910	38.58	22.08	21.29	7.95	5.55	0.82	1.62	100
1911	40.47	20.85	22.35	7.99	3.68	0.83	1.44	100
1912	44.20	20.04	23.10	7.16	1.90	0.83	0.54	100
1913	40.84	21.32	25.10	6.77	1.32	0.96	1.81	100

3. Obligations of the Chinese Government to the British .

The obligations of the Chinese Government to the British are clearly shown in the following list. This list is divided according to the classification adopted as before for the British loans to China outstanding at 1902. There is added the outstanding obligation to Great Britain on the Boxer Indemnity of which the British share of the amount outstanding in 1913 was £7,111,476.

In this list, for each loan a brief title is given and in every case the date of issue is also given. The calculation of the amount of the obligations of the Chinese Government to the British outstanding on 31st December, 1913 has been made by Professor Remer who worked it out from amortization tables to be found in the books of Baylin, Wright, MacMurray and Lieu, D.K.

The amounts of obligations of the Chinese Government to the British, outstanding on December 31st, 1913

Title	British share %	£
General purposes of the Chinese Government:		
1. 5% Gold Loan of 1896	50	5,843,784
2. 4½% " " of 1898	50	6,802,500
3. 6% " " --Arnold-Karberg (Nanking) loan--1895	100	200,000
4. 6% Gold Loan (Cassel loan), 1895	100	133,400
5. 5% " " of 1912 (Crisp loan)	100	5,000,000
6. 5% Reorganization Gold Loan of 1913	29.7	7,416,680
Subtotal		25,396,364
Railway Obligations:		
7. Chinese Imperial Ry. 5% Gold Loan (Imperial Rys. of N. China), 1899	100	1,782,500
8. Shanghai-Nanking Ry. Loan, 1903	100	2,900,000
9. 5% Honan Ry. Gold Loan of 1905	100	800,000
10. Canton-Hankow Ry. Loan of 1905	100	220,000
11. 5% Canton-Kowloon Ry. Loan of 1907	100	1,500,000
12. 5% Tientsin-Pukow Ry. Loan of 1908	37	1,850,000
13. 5% Shanghai-Hanchow-Ningpo Ry. Loan of 1908	100	1,500,000
14. 7% Peking-Hankow Redemption Loan of 1908	100	450,000
15. City Safe Deposit Co. Loan on Peking-Hankow Redemption Bonds of 1908	100	150,000
16. 5% Tientsin-Pukow Ry. Supplementary Loan of 1910	37	1,110,000
17. Tientsin-Pukow Advance, 1912	100	300,000
18. Shanghai-Nanking Ry. 6% Land Bonds of 1913	100	150,000
19. Pukow-Sinyang Ry. Advance of 1913	100	207,256
20. 5% Gold Loan of 1908 (Anglo-French)	50	2,500,000
21. 5% Hukuang Rys. Sinking Fund Gold Loan of 1911	25	1,500,000
Subtotal		16,919,756
Communications other than railways:		
22. Shanghai-Taku New Cable Loan, 1900	50	76,195
23. Duplicate Taku-Chefoo Cable Loan, 1900	50	17,912
24. Telegraph Charges Advance, 1911	50	238,819
Subtotal		332,926
Total		42,649,223
British share of the amount outstanding on the Boxer indemnity		7,111,476

By the end of 1913 the obligations of the Chinese Government to the British stood at about a total of £42,650,000, which formed 34.2% of the total foreign obligations of China's Government. There is little reason to doubt this total as most of the British loans to China have been well known. On the eve of the war, China had fallen deeply into indebtedness to Britain while she paid out to her more than she received from her.

Again, in the increasing indebtedness of China to foreigners, the British had the largest part and we find that Britain, in 1913, was the chief country holding the obligations of the Chinese Government. The amounts actually in the possession of British nationals were, no doubt, somewhat greater than those which appears in the figures of the above table but no satisfactory estimate of these sums can be now made.

4. British Business Investments in China, on the Eve of the World War.

Of British investments in China, the year 1914 may be selected as representative in showing the situation before the World War and before the general effects of the Chinese revolution had made themselves apparent. British investments in China came to a total of £124,843,800 in 1914 in which the total of British business investments in China for 1914 was about £82 million. This is of course a guess but it has been based upon wide information and upon the estimate made by Professor Remer. British business investments in China, doubtless, had never been estimated carefully in the past, and we must take this fact into accounts.

There is no doubt that the increase in British business investments in China was very rapid between 1903 and 1914 while the total amount of them more than doubled throughout the period 1902-1914. British investors have shown the way in business investments to the

Chinese and no other country seriously threatened Britain's leading position until 1914. During the pre-war period 1902-1914 in every field of foreign investments in China Britain was of importance. The various fields of British investments in China, during 1902-1914 are listed in the following table showing the extent to which they have brought modern industrial equipment into China. They have been important in transportation, public utilities, mining, manufacturing, real estate holdings and banking.

British business investments in various fields in China, 1914

Terms	Amount in £	% of the total
Transportation	1,376,780	1.7
Shipping	8,219,459	10.0
Public Utilities	4,109,730	5.0
Mining	3,082,297	3.8
Manufacturing	20,548,641	25.0
Real Estate Holdings	17,877,324	21.7
Trading	20,548,641	25.0
Banking & Finance	6,431,727	7.8
Total	82,194,588	100.0

From the above figures we find the possible total of £82,194,588 for British business investments in China during the pre-war year, and of the total British investments in China this amount formed about 65.8 per cent. Thus in foreign business investments in China we find the British to be of predominant importance and to have been so since they first made a place for themselves in China.

The total of British investments in China arrived at in the preceding estimates is shown in the accompanying table.

British investments in China, 1914

	Per Cent	£	
Business investments	65.8	82,194,588	
Loans to China	34.2	42,649,223	
			£124,843,811
Boxer indemnity			7,111,476
Total	100.0		£131,955,287

In the percentage of total foreign investments in China the total fromed by the British constituted about 37.7 which was comparatively greater in 1914 than it had been in 1902, when it was 33.0. It may be worth while, however, to note that though Britain thus showed the most rapid growth in her export of capital to China during 1902-1914, after 1902 she was ready to swing into a position of leadership which she maintained until the time of the World War. Japan's rapid rise has been striking, but it brought her, by 1914, no further than among the countries of secondary importance, but in foreign investments in China, Japan was to share the first place with Britain soon after the Great War.

But, considering that the value of British investments in China during 1914 was almost two and a half times that of 1902, she was holding a solid position and the British percentage in total foreign investments in China grew at a more rapid rate than did that of any other country of importance in China.

Chapter VI

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Chapter VII

Anglo-Chinese Trade during and after the Great War

1914-1920

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CHAPTER VII

Anglo-Chinese Trade during and after the Great War 1914-1920

A. Historical View

1. The Effects of the Great War on China and Britain.

The swelling tide of progress in world trade as well as in British trade with China since the beginning of the present century was, as we remarked in the previous period 1900-1913, suddenly stemmed by the cataclysm of the Great War. It was a World War and may be regarded in history as a result of the Powers' economic imperialism. Take foreign investments in China as an example - - a British capitalist naturally prefers to establish a factory in China, with the prospect of earning 25% profit, to improving one in Lancashire which earns only 10% during pre-war days. Economic imperialism thus sufficiently threatened grave danger to the Powers: for in the struggle to acquire colonies or 'spheres of influence' such as those in China, the Powers were drawn into quarrels which were factors leading to the War.

So Europe drifted on to the catastrophe of 1914, this time with Great Britain in tow. During the years of war, the entire working of the British economic system was radically altered: her export trade was hampered for there was a shortage of shipping to bring in raw materials or to carry manufactured goods overseas. At the same time British trade values fell off sharply as they did all over the world except in many neutral countries, and her productive system was thrown out of gear, and she was driven off the gold standard. To these complications were added, at the end of the War, new causes of friction due to political and economical disturbances and thus the old economic units of British production and trade were broken up. But, a great impetus was given to the forces of her economic construction and

readjustment. Up to 1920, the world lived under an illusion created by the post-war boom in prices and British overseas trade rose in value and decreased in quantity remaining far below the pre-war level.

The outbreak of the Great War did not immediately affect China in general and did not shake her old economic kaleidoscope. The life of the Chinese people was less disturbed by the World War than it had been by her civil wars. In the case of her foreign trade the movement was in a forward direction: the aids to her progress being fortunately more effective than the deterrents.

2. Political Regime of China.

Unfortunately, China was far from putting her house in order and was gradually driven into chaos while the Powers were engaged in war. The changes in Government had resulted in the overthrow of the Manchu Dynasty. In these changes the struggle for power between various political factions was the main factor in the Chinese Republic in creating obstacles which retarded her development.

The Republic had been in existence for some years and the Government was personal and under the dictatorship of S.K. Yuan, a powerful ruler who was the first president of the Chinese Republic. The situation doubtless contained the seeds of disruption, but this was not realized at the time. In 1916 an end was put to the personal government by the death of Yuan who planned a constitutional monarchy with himself as emperor but had failed.

Then, there grew up a group of military officials who, several times, quarrelled with Parliament. Finally Parliament proceeded to Canton and there set up a government under the leadership of Dr. Sun Yat-Sen. From 1916 to 1926 there was increasing disintegration in the political life of China for since 1917, it may be said, there had

been no central government in the country. The so-called Canton government had been independent of Peking and certain provinces under military leaders were also independent of either of these governments. China was thus in a state of chaos. This situation was of course heaven-made for the ambitions of Japan. She had already struck - - with what results we shall see as we proceed.

3. Anglo-Chinese Relations during the Great War.

During the years of the Great War Japan was afforded an opportunity to carry out her policy in China. Under cover of the War she openly exploited the preoccupation of the Powers in Europe to increase her political and economic hold on China. Also, under cover of the Anglo-Japanese Alliance she took military possession of the German leased territory of Chiaochou in Shantung. Under the duress of the time during which the Allied Powers' commerce and shipping suffered serious losses, due to the activities of German submarines, Japan secured the right from the Allies to be the heir of Germany in Shantung, on condition that she would supply ships to them.

The Chinese Republic, in view of Japanese pressure, and following her peace-loving tradition, had to decide on the advice of the United States to join the Allies by declaring war upon Germany in 1917. She did not take part in the actual fighting but the Allies were furnished by her with auxiliary war-aid such as man-power and raw materials, chiefly basic metals for the making of munitions.

It has been said that for the first time in the history of the world the Anglo-Saxon and the Chinese nations were leagued together for a common ideal and for purposes of war. The British encourage the Allied governments to consider China's claims, and suspended the Boxer Indemnity payments for a term of years, and agreed to a revision

of the Customs Tariff up to an effective 5%.

Other than the entry of China into the ranks of the Allies against the Teutonic Powers, there was another most encouraging event affecting the relations between China and Britain during the years of the World War. This was the opium question which had simmered from the days of the Opium War.

The British Parliament had several times placed itself on record as conscientiously opposed to the Indo-Chinese opium traffic, but the Indian Government, as we have said before, did not see its way to dispense with the opium revenue. Since poppy growing in China had become quite general the Indian opium trade with China fell considerably. Apparently, a new tide of conscience against the drug was again aroused at the beginning of the new century not only in the Chinese but also in the British and American millionaries. The British Government in 1911 began to cause an annual decrease in the import of Indian opium through the British-controlled "monopoly" - - consisting mostly of wealthy Jewish and Parsee firms under British registry in Shanghai - - with a view to the extinction of the trade in ten years and on the condition that China would cut down home production proportionately. The Chinese Government soon took up this suppression programme with a drastic hand, and in 1917 made up for lost time, and in this year, as a result, it was agreed by Great Britain that the traffic must be altogether brought to an end. So ended, at least outwardly, the Indian Opium Monopoly. But it cannot by any means be said, of course, that opium has been abolished in China, but certainly China's resolution has since remained firm.

When the British Anti-opium Society secured the passing of a war act preventing its export Japan permitted poppy planting in Korea with

a view to acquiring the British monopoly in the sale of the drug. After she entered Shantung hundreds of drug stores were opened there by the Japanese. Japanese military protection of this trade was evidence that agitation arose among the people of Shantung and rapidly spread over China. In order to quell this agitation, Japan then forced the Peking Government to meet her demands in all things. This position added material for the awakening of the Chinese and thus appeared the rise of the Nationalist Movement in China.

There was no doubt that China's active entry into the World War would give her a claim on the Allies which would assist her against Japan's encroachments for Japan not only attacked China's independence but also managed to undermine the moral regime of the sovereignty of China.

Great Britain had no idea that Japan would extend her influence in China as she had always led the way both in the foreign trade of China and also in the Powers' investments in China. Originally British engineers and shipbuilders were almost the only people interested in railways, shipping, machinery and metals used in China for communications and other purposes, but Japan then appeared as a scientific and well-equipped competitor and soon proved successful in taking the economic place of Britain in China throughout the years of the World War. Thus Britain was to find a keen rival in the Far East during the great transformation of China, even though she immediately after the War did her best to recover her economic and political position in China, which she had had to yield to Japan.

From the political point of view, Britain during the years of the War, bought Japan's assistance at the price of her interests in China, for in 1917 Japan agreed to give Britain naval assistance

against German submarines in the Indian Ocean, in return for her sanction in the coming peace conference of Japan's seizure in Shantung.

4. Anglo-Chinese Relations at the End of the World War.

After China joined the Allies, America soon broke with Germany. Japan viewing Anglo-American pressure in that direction with unconcealed disfavour tried to smooth her way with the Powers interested in China. But the principles professed by the Allied Powers in Europe seemed to foreshadow a new era in the Far East. As Sir F. Whyte says:-

"Mr. Lloyd George used language, not once, but many times, which aroused the liveliest hopes in the Chinese breast that the Allied Powers would be ready to relinquish all unequal treaties in China." (41)

When the World War was brought to an end by the Peace Conference at Paris in 1919, "China, in fact, believed that this Conference offered her a unique opportunity for placing her case before the world and that the so-called 'unequal treaties' would be abrogated. 'Spheres of influence', 'leased territories', the demands of Japan - - all would go by the board; and China would stand once more on her own feet." (42)

Inevitably these hopes foundered. Great Britain failed to give her actual support in the Paris Conference as her hands were bound by the secret treaties she had made with Japan during the War. These secret treaties which Japan had exacted as the price of naval assistance to the Allies became known at Paris. The claims of China to recover control of Shantung were supported by President Wilson till Japan threatened to retire from the Conference. It was then decided that under the Treaty Versailles Japan should retain the German rights in Shantung.

When this news reached China in May 1919 the whole country was profoundly moved. Having refused to sign the Treaty of Peace at

Paris, she only secured admission to the League of Nations by signing a treaty with Austria. With Germany she made a separate treaty in 1920.

At the beginning of 1920 the Far East had already undergone vast changes, even from the British point of view. The originating motive of the Anglo-Japanese Alliance had disappeared; the expulsion of Germany from China had radically changed the STATUS QUO: the Russian Revolution introduced a new and incalculable factor in the Far East and China was going to terms with Russia, while nationalism in China was already on the way.

In this departure, Great Britain should, therefore, have taken the lead on matters regarding the future status of China, but on this as on other matters in Europe, the World War had profoundly modified British opinion. The statements of Lloyd George during the War as to the British goal in China are cases in point. British statemen indeed knew that after the War a more encouraging policy could have put Anglo-Chinese relations on a friendly and constructive basis. If they had done so, or even if Shantung had been restored to China in the Paris Conference, the course of events since 1918 might have been very different.

But, Britain continued to think as she had thought before the War when she sought only the right for her merchants to trade, but thought too little as to how the means through which she had chosen to assert this right would affect China herself. The interests of Great Britain, if opposed to those of China, were frankly accepted as the basis of her policy.

At Paris China naturally relied on American friendship for the British statemen who went to Paris had their hands tied by pledges

given in the exigencies of the war.

Meanwhile the British Government did try to help China to stand entirely on her own feet, and to establish, at one and the same time, her good faith and stability in China. With a view to preventing internal strife from becoming endemic in China, twelve nations, of whom Great Britain was the chief, had made a solemn agreement in 1919 to restrain their subjects from trafficking in arms in China. During 1918-1920 a new Consortium was in formation in China. Britain had shared equally with France, the United States, and Japan in loans to China. We shall now examine what was the British policy in the New Consortium and what was the attitude of the Chinese towards it.

Railway loans of the Manchu Dynasty, the "Reorganization Loan" offered by what is called the Old Consortium, and lastly the loans made to the Peking Government in China, had cumulatively aroused Chinese sentiment against foreign money. In loan negotiations the people in China would not trust their officials, nor did they wish to see ruling cliques made strong by such money. At the same time the new four Powers' consortium by its virtual exclusion of the Powers' lenders proved a formidable check on loans. By the end of the period under consideration no loan negotiations of importance had therefore been undertaken by the new association of 1920 known as the second banking consortium.

As to the policy adopted by the British Government the British group prepared to dissociate itself from the industrial side and to make possible the creation of interests not only of China but also of foreign trade and finance in China. These matters having been settled, the agreement among the Powers was finally signed in New York in October 1920.

B. Course of Trade between China and Britain during 1914-1920

1. General Characteristics of Anglo-Chinese Trade from 1914 to 1920.

It will be convenient for the purpose of stating the direct effects of the World War upon Anglo-Chinese trade and of distinguishing the war period from the years which followed, that the period now under consideration be divided into two phases - - 1914-1918; 1919-1920 respectively.

During the year of the outbreak of the World War, the full extent of its effects on Anglo-Chinese trade was scarcely revealed by the 1914 figure as a whole, while we find that the total trade between Britain and China marked a very welcome improvement along the course of progress of the previous period 1900-1913.

After the first shock of the War had passed off, Anglo-Chinese trade gradually settled itself down to the old level and then reached a new equilibrium brought about by the special circumstances existing during the War. During the remaining years (1918-1920) of the period under consideration, there was begun with the Armistice a phase of unprecedented development in the trade between Britain and China.

Generally speaking, in the Anglo-Chinese trade for this period, according to the figures from British sources or from Chinese sources, the total value shows that throughout this whole period there was an increase followed by a decline and then during 1918-1920 there was a great increase. The average value of the trade between Britain and China was considerably greater during this period than during the previous one. According to British trade returns, the annual average value of the total trade for the previous period 1900-1913 was about £8,868,062 and for 1914-1920 it was about £36,029,848.

If the statistics in Chinese Haikwan taels from Chinese Customs

reports are in general corroborated by the statistics from the British trade reports, we shall find that the statistics in taels cannot present the true course of the Chinese trade with Britain. Allowance must therefore be made for the remarkable and rapid changes in the gold price of silver as the falling silver exchange resulted in a sharp rise in the price of goods imported from a foreign country into China. But the statistics in haikwan taels reveal the same facts as those published by the British Board of Trade, so the annual average value of the total trade between Britain and China had been much greater during 1914-1920 than it had during the previous period 1900-1913.

The figures in the following table are taken from the British trade reports and indicate that in the course of the British trade with China during the period under consideration there was no decrease in British imports from China while her exports to China show a decrease. As is well known, China has had a characteristic excess of merchandise imports from Britain as well as from other countries, and there is therefore reason to believe that Great Britain even during the War still sold more to China than she bought from China.

	British imports from China	from Hongkong	from Macao	Total
1914-1920	£	£	£	£
Total value	88,210,545	10,488,232	22	98,698,799
Annual aver.	12,601,506	1,498,319	3	14,099,828

	British exports to China	to Hongkong	to Macao	Total
1914-1920	£	£	£	£
Total value	119,316,774	34,143,077	15,338	153,475,189
Annual aver.	17,045,253	4,877,582	2,191	21,925,027

	British re-exports to China	to Hongkong	to Macao	Total
1914-1920	£	£	£	£
Total value	1,037,447	1,058,277	271	2,095,995
Annual aver.	148,207	151,182	39	299,428

1914-1920	British exports & re-exports to China £	to Hongkong £	to Macao £	Total £
Total value	120,354,221	35,201,354	15,609	155,571,184
Annual aver.	17,193,460	5,028,765	2,230	22,224,455

As we have pointed out, the British export trade to China was mostly hampered by the shortage of ships to carry goods overseas; and this shortage became worse during the continuance of the War and as submarine warfare developed. Consequently, China who had relied largely on Britain for sixty years for her supplies of manufactured goods, found these supplies cut off or seriously reduced, and was compelled either to import goods from nearer countries or to develop manufactures of her own. The consequences were a great reduction of the normal operations of the trade between Britain and China.

But in China the direct effects of the European War were inconsiderable. As regards British trade with her, such loss and inconvenience as occurred by the loss of some markets to other Powers were easily compensated for by a greatly increased business immediately after the War. Also, after the War the British demand for foodstuffs and raw materials furnished a ready market at high prices for some kinds of Chinese produce. The statistics illustrating British trade with China and Hongkong during 1914-1920 are as follows:

	British imports from			British exports to		
Year	China £000's	Hongkong £000's	Total £000's	China £000's	Hongkong £000's	Total £000's
1914	4,719	599	5,318	13,019	3,630	16,649
1915	7,035	922	7,957	8,547	2,094	10,641
1916	8,335	1,038	9,373	10,709	3,984	14,693
1917	8,497	1,457	9,954	10,627	3,099	13,726
1918	9,672	1,450	11,122	11,856	3,746	15,602
1919	23,053	2,526	25,579	20,976	4,495	25,471
1920	26,898	2,496	29,394	43,583	13,110	56,693

The above statistics from British sources are, as we have said, in general corroborated by the statistics from Chinese sources, and the total trade between Britain and China, measured in Chinese Haikwan taels, was about the same as measured in British pounds sterling. Firstly, China's imported goods from Britain were more then her goods exported to Britain; secondly, throughout this period as a whole there was an increase in the value of China's imports from Britain and a great growth in her exports to Britain; and thirdly, their total trade increased considerably and remarkably with the signing of the Armistice in 1918.

According to the statistics in Haikwan taels from the Chinese Customs reports, during 1914-1920 the total value of British exports to China stood at 545,010,963 taels - - the annual average of which was about 77,858,709 taels, while British imports from China were valued at 243,775,074 taels the annual average of which was about 34,825,010 taels. During the seven years period, the total trade between China and Britain including imports and exports, was annually averaged at about 112,683,719 taels while the total value of the trade between them stood about 788,786,037 taels. The following table shows the values of China's imports and exports, from and to Britain, during 1914-1920, bearing in mind that the following statistics are measured in taels from Chinese Customs reports and that allowance must be made for the transhipment trade at Hongkong if the trade between Hongkong and Britain is consulted.

Year	China's imports from Great Britain H. taels	China's exports to Great Britain H. taels	Total trade H. taels
1914	105,207,580	22,576,781	127,784,361
1915	71,558,735	31,934,621	103,493,356
1916	70,353,029	34,918,546	105,271,575
1917	51,989,135	26,089,759	78,078,894

1918	49,890,293	25,264,589	75,154,882
1919	64,292,239	57,186,242	121,478,481
1920	131,719,952	45,804,536	177,524,488

There is ground to believe that the above figures would show some difference if the value of trade between Hongkong and Britain were added. Unfortunately, trade at Hongkong was unrecorded, but the problem of this unrecorded trade was of minor importance as the importance of Hongkong as a distributing centre for Anglo-Chinese trade continued to decrease throughout this period. The change in the importance of Hongkong as a junk trade-port was doubtless due to the change in the relative importance of Britain trading with China. In the case of trade at Shanghai, its increasing importance as the centre of China's foreign trade meant a further increase in the comparative importance of China's trade with foreign countries other than Britain, as we have said.

2. General Conditions Affecting the Trade between Britain and China.

The conditions under which Anglo-Chinese trade was carried on during 1914-1920 were brought about by the outbreak, the continuance, and the results, of the World War; these will now be briefly considered.

(a) A great rise in the prices of goods. On the sudden outbreak of the War, markets in China as well as in Britain became demoralized, although the immediate effect on the Chinese market was not so deep as on the British market. Firstly there appeared the rapid rise in the prices of certain manufactures for the supply of which China had lomg come to depend upon Britain, and seconly prices of certain goods exported from China to Britain rose sharply, and at very different rates in the different markets of China and for different classes of goods.

For a time war seemed to have bred the prosperity of trade between Britain and China, because small quantities of goods were

being exchanged at very high prices. China's imports from Britain therefore rose in their annual average value from £13,031,451 during 1900-1913 to £21,925,027 during 1914-1920 while her exports to Britain rose from £4,163,389 to £14,099,828. But the quantity of goods exported or imported remained far below the pre-war level. Thus in the trade between Britain and China, the boom of 1918 to 1920 was undoubtedly a boom of prices or of the valuation of the trade and not of the actual volume. Great Britain, at any rate, was poorer in productivity as result of the War, and China was still poorer in purchasing power or in consumption as an effect of the War on her.

(b) Fluctuations in the gold price of silver. During the years of the World War, the gold price of silver rose sharply, or, in other words, the value of the gold in silver money declined. The effects were not only upon the export and import of treasure from and into China but also upon the trade of China. During this period in China there was as yet no uniform currency but she was actually on a silver basis. Also there is no coin called the tael; it is merely a Chinese ounce of silver which varies in weight and purity according to the custom of each particular district. For though all business in China had been done on a silver basis, with its fluctuating exchange values, yet the business between China and Britain, and, indeed, the outside world, had to be done in gold. But all domestic commercial transactions had to be conducted in terms of silver.

The result was therefore that China's demand for silver exercised a considerable influence upon the world price for silver, causing it to fluctuate, sometimes violently, in sympathy with her demand for it. A rising silver market during the years of the War tended to stimulate the forward import business of the silver-using country but the fluc-

tuations in the price of silver introduced an element of uncertainty into the business transactions between the gold-using and the silver-using country such as Great Britain and China.

During the years of the War the Chinese were anxious to buy gold and hold it for a rise, that is, for a fall in the gold price of silver. The fluctuating exchange rates between gold and silver were widly extended, and thus added to the other complications of China's trade with Britain and also with the outside world.

The gold price of silver, as is generally known, rose rapidly during the years 1916-1919 as indicated in the following table, which shows the equivalent of the Chinese Haikwan tael in English money, and the relation between the exchange value of silver and the index nos. of China's exports and imports to and from Britain.

Year	Average rate of exchange	China's exports to Britain	China's import from Britain
1913	3s.0.25d (100)	100	100
1914	2s.8.75d (90)	99	87
1915	2s.7.125d(86)	149	55
1916	3s.3.813d(107)	175	76
1917	4s.3.813d(143)	182	71
1918	5s.3.438d(175)	208	81
1919	6s.4d (210)	478	133
1920	6s.9.5d (225)	550	295

Let us examine the above figures and then consider some points from them. In the first place, all exchanges of China with Britain were naturally against China, because China was receiving more goods from Britain than she could export to her during this period. The rate of exchange between China and Britain was, on the other hand, in favour of China who was receiving more British money than she could pay them silver in taels.

In the second place, the rate of exchange between silver and gold

had been gradually rising. As the War continued the gold price of silver rose. During the War gold in almost every country was driven from circulation, and even Britain was driven off the gold standard. From 1914, silver fluctuated from about 2s.8d. to 6s.9d. per tael in China, carrying the exchange rate up and down with it. After 1920 the market value of silver soon drove the tael down to its old value of about 3s.

During the War the disappearance of gold from circulation naturally produced an increased demand for silver. The gold price of silver easily rose. Also, the rise of prices affected the world supply of silver more quickly than that of gold. Under the joint influence of restricted output on account of the politically disturbed state of Mexico, of the enormous stocks of silver, and of a very keen world demand for this coinage, the price of silver showed a tendency to rise even higher.

Under these conditions, the Chinese of course preferred hoarding gold, and of sending their silver where it could command the best price, and therefore speculation in the Chinese market was thus made possible by the fluctuation in the gold price of silver. This was a more important factor in the Anglo-Chinese trade during the period under consideration and this produced additional trouble in China's trade with Britain.

Last, but not least, so far as the rise in the gold value of silver exercised a great steadying effect on the foreign exchange it, according to the Chinese point of view, constituted an aid rather than a hindrance to Chinese commerce with Britain. There cannot be any denying the fact that, as we have repeatedly pointed out before, every rise in the gold price of silver should stimulate exports of the

silver-using country and might thus encourage all domestic industries of that country.

But, this, eventually, was not true of China's trade with Britain as China was in an unfavourable position in many ways. The rise in exchange did not seem to have had an effect on the external trade of China with Britain and the industrial interests of China. As it is plain that there were many factors which impeded the development of Chinese trade with Britain during this period, it can hardly be affirmed that change in currency played the greatest part in the development of her trade. Accordingly, from the above index numbers, British trade with China apparently failed to reap the fruit of the advantages from the rise in the gold value of silver.

(c) Restrictions upon the development of trade. During the War, restrictions upon the development of trade between China and Britain increased. As the War progressed, the British Government exercised strict control over all movements of goods. Tea came to be purchased by the Government itself. A great impetus was thus given to the forces of Economic Nationalism, primarily in Britain, and also by reaction in other parts of the world.

At the same time, there were natural restrictions upon the movement of goods; for there was the decrease in available shipping and the consequent rise in freight rates. This rise began in the summer of 1915. In 1913 the freight rate on general cargo from Shanghai to London was about £2 per ton, and during the summer and autumn of 1918 rates to London were about £50 per ton. Except for the rising freight rates, movement of goods during the War was largely restricted by the German submarine policy. Britain had the largest share in the carrying trade to China, and restrictions upon the

movement of goods was therefore, not a negligible factor in British trade with China.

(d) Subsidiary conditions. Over and above the chief deterrent factors enumerated above, there are other subsidiary factors which to a greater or less extent hindered the development of China's trade with Britain during the period under consideration.

During the years of the War, extreme difficulties of finance naturally rendered it imperative to cut down all trade nearer and nearer to the bare bones of naked necessity for national economy. But, in Britain certain Chinese raw materials and food products were increasingly demanded during the years of the War, and the demand for these commodities increased remarkably with the signing of the Armistice in 1918. In China the increasing importation of British goods, especially of machinery, brought about the larger totals for her total trade with China throughout this period. On the other hand, during this period China's continued internal troubles added to the difficulties of her trade with the outside world. Also, we find that with the World War the gradual awakening of the Chinese people to a realization of their own backwardness was greatly hastened for she was passing through a period of transition following her revolution of 1911, which resulted in the establishment of the Chinese Republic.

Then, in Great Britain, it was no wonder that the old economic units of production and trade were broken up as a result of the War. Up to 1920, as we have seen, Britain shared with the other commercial states in the world, the illusion created by the post-war boom in prices. She then felt how greatly her economic structure had changed, and began to attempt a rebuilding of her industries and trade in terms of post-war realities. But, because of her great dependence on

external trade and her position and as she was now challenged by New York as the world financial centre, she had an especially difficult task to face.

So far as British trade with China during this period was concerned, her imports and exports, from and to, China and Hongkong suffered more than that of other countries except Japan and the U.S.A., which had a spell of abounding prosperity particularly during the War. Britain is at a considerable distance from China even though her commerce with China has not only been considerable, but of importance. Unquestionably, a big drop in production for export must have occurred in Britain during the War while conditions of unrest in China almost equally forbade her to export on any large scale for the ordinary trade and consumption of a very distant country.

It is true that countries in more favourable position, such as the U.S.A. and Japan, tried their best to fill in the void created by the above circumstances. They supplied as never before, the needs of China's market and simultaneously absorbed increased shares of what the British had to spare. The Sino-Japanese trade especially soared during this period and the Japanese succeeded as far as success was possible. The British economic position in China was thus challenged by those countries whose proximity to China stood them in good stead during the War. The nearer a country like Japan for example, is to China, the less is its shipping difficulty and the more easily can she make profits in trading with China. The plight of the Japanese trade with China therefore has been largely accounted for by her geographical factor. In the British trade with China the unfavourable geographical situation of Britain has thus been a severe handicap, for during the War, it certainly gave the other country a chance to encourage its

commerce with China as China remained an agricultural state, and was the last and the least to be affected by the World War.

We have dealt with the conditions under which the Anglo-Chinese trade has been carried on and we have considered how vital was the fortune of British trade with China during and after the War when it was touched by the circumstances or conditions described above. In recognising China's dependence upon Great Britain as the main manufacturing country for the supply of many of her essential needs for more than sixty years, it is a notorious fact that China and Britain after the War were so conscious and steady in planning forward their commercial development as well as their economic cooperation that, when the opportunity came, they were not found wanting.

3. Trade between China and Britain by Import and Export in General.

We shall now deal with British imports from China and her exports to China during 1914-1920, and we have pointed out that a division at the year 1918 will be of some importance even from the commercial point of view. The growth of the trade between China and Britain began with the year 1918 and the rate of its growth was fast in China's export and import trade with Britain. During the three years 1918, 1919, and 1920 Anglo-Chinese trade roughly increased to nearly treble its value. This increase in terms of valuation is in accordance with the British trade reports issued by the British Board of Trade.

But, according to Chinese Customs Reports, China's trade with Britain shows no considerable fluctuations throughout the period under consideration with the exception of a decrease in the total value during the years of the War and an increase after the War. This increase or decrease does not mean that a severe change in the valuation of Anglo-Chinese trade was brought out and that China's

trade remained undeveloped and the same in spite of the occurrence of the world-catastrophe in this period. The following index numbers show China's trade with Britain during 1914-1920 in Chinese Haikwan taels and in pounds sterling separately:

Index no. of value of China's imports and exports from and to Britain

Year	Imports (Chinese statistics)	Exports (Chinese statistics)	Imports (British statistics)	Exports (British statistics)
		1912=100		
1914	140.6	142.0	116	92
1915	95.6	200.9	74	138
1916	94.0	219,6	103	162
1917	69.6	164.1	96	172
1918	66.7	158.9	109	193
1919	85.9	359.8	177	443
1920	175.9	288.1	396	509

No doubt, the character of China's exports and imports with Britain categorically remained during 1914-1920, much the same as during the previous period, 1900-1913, and consequently the changes during this period were of degree only.

In the case of China's exports to Britain the following table shows that the majority of exports fell into four classes:

	% of China's total exports to Britain (1900-13)	(1914-20)
1. Food-stuffs	39.0	41.4
2. Raw materials	54.0	30.5
3. Manufactures	3.7	3.7
4. Miscellaneous	3.3	24.4

The percentages in the above table for 1900-1913 and for 1914-1920 offer a comparative study. Among the exports from China to Britain, food-stuffs increased in importance, raw materials encountered a drastic setback in importance, and manufactures, even stimulated by the demand in the period of the European War, remained stationary in the post-war period at 3.7%.

Doubtless, during the War food-stuffs were in great demand, and consequently China's trade with Britain tended to limit itself more and more to commodities of this kind. Britain's great dependence on an overseas supply of foodstuffs and China's position as a supplier of these led to the fact that China's export trade with Britain was scarcely hit by the limitations imposed by war conditions.

A western manufacturing country like Britain depended almost wholly upon foreign supply, not merely for foodstuffs, but for raw materials, the imports of which were required for day to day consumption even during a peaceful period. That is why raw materials for industrial products had, during the previous period 1900-1913, constituted the chief demands on the British import trade with China.

During the period under consideration, the demands of war caused in Britain a disproportionate development of those industries which meet the needs of war and this made Britain develop other branches of production. Thus, when the War passed off Britain, as the belligerent country, was unavoidably plunged into a state of widespread inefficiency in the processes of production and of manufacturing. It is, therefore, not surprising that she did not continue to take a large percentage of China's exports in raw materials and we find that China's exports of these materials to Britain during this period decreased by about 24%. As we have seen in the above table, raw materials during 1900-1913 provided the great bulk - - approximately more than 50% - - of China's total exports to Britain and during 1914-1920 they constituted only about 30% of the total.

In the case of China's imports from Britain, the relative importance among the aforementioned groups will be seen in the following table, and here we find that the majority of items of China's

imports from Britain still fell into the four classes:

	% of China's total imports from Britain (1900-13)	(1914-20)
Spirits & tabacco	3.8	5.2
Raw materials	11.1	9.6
Manufactures	77.8	77.4
Miscellaneous	7.3	7.8

In China's imports from Britain, the increased percentage of spirits and tobacco, over 5% during 1914-1920 as against almost 3.8% during 1900-1913, was probably not a sign of prosperity while the falling off of the percentage of raw materials imported from Britain has led to a conclusion that the growth of Chinese domestic industries was handicapped by several unfavourable conditions mentioned above.

Among the imports into China from Britain, there were two items - - tobacco and spirits - - which are worthy of our attention. The increase in the relative importance of these goods regardless of the question of degree, would indicate that the characteristics of China's import trade with Britain as with the rest of the world underwent a great change. During this period, the Chinese were becoming interested in foreign luxury goods; not only was British-made cigarettes penetrating inland but British spirits were also in great demand. An Anglo-Saxon tobacco company had penetrated into the remote villages with their cigarettes. Thus we find sound enough foundations upon which Anglo-Chinese trade was built, in spite of the cannonade in Europe, which upset the conditions of British trade with China, and we also find that there was no passive resistance to the spread of foreign trade in such agricultural communities as those in which probably three fourths of the Chinese people lived.

In China's imports of raw materials from Britain, the decrease during this period in their degree and also in their importance, would

indicate on the one hand the relative stagnation in China's manufacture of cottons compared with her other industries, and on the other hand, the growth of mining industries in China. But, it can not be said that the growth of the Chinese mining industry such as coal mining has been at the expense of British economic benefits in China. Taking the Kailan Mining Company as an example, this very remarkable pioneer industrial organisation markets other commodities besides coal. When the British interests became amalgamated with this company the Kailan Mining Administration then proved the value of co-operation between the Chinese and British. As the company developed, so did the profits for both increase.

In the percentage of the total value of China's imports from Britain, the share of goods in terms of manufactures and of miscellaneous articles seemed to be stationary during this period as it was also during the previous period. Of manufactures and of miscellaneous goods, imported from Britain to China during 1914-1920, their total values probably remained at fairly the same level as appeared during 1900-1913.

But, in view of the changes in prices and the fluctuations in the gold price of silver during this period, values of China's imports of a particular commodity expressed as percentages of the total, failed to keep pace with their quantities imported. It has been said that the gold price of silver rose rapidly from 1916 to 1919 and then fell from 1920. It has also been pointed out that during 1916-1919, prices rose rapidly in Britain and then fell from 1920. In China's imports of manufactures and miscellaneous goods as well as of other articles from Britain, the general change which caused the course indicated above was decline in the quantity of goods imported into China though

their total values remained about the same. We are obliged, therefore, to take into account these changes in the values of certain commodities which bulk large in China's imports and exports with Britain.

4. China's Exports of Commodities to Britain.

When examining the rise and fall in China's exports of various commodities to Britain, we shall find that some commodities that once were on the list of principal export articles during the period before the War have dwindled to a mere trifle, while others have risen in the space of many years and now rank among China's most important exports to Britain.

In the following list of articles which have formed the main Chinese exports to Britain during the last period, are included about eighteen kinds of goods. The total value of these eighteen articles during this period shows a great increase compared with the last period, while we find that it amounted to £78,722,819.

China's export of principal commodities to Britain (1914-20)

Articles	Total value £	Annual average £	% of China's total exports to Britain
Tea	7,069,085	1,009,869	7.2
Silk:			
Waste	4,328,541	618,363	4.4
Raw	4,186,059	598,008	4.2
Manufactures	3,191,128	455,875	3.2
Total	11,705,728	1,672,247	11.9
Cotton:			
Raw	1,667,957	238,280	1.7
Waste	282,224	40,318	0.3
Peas	537,946	76,849	0.5
Beans	2,866,692	409,527	2.9
Soya beans	2,327,625	332,518	2.4
All kinds of oil	6,373,484	910,498	6.5
Eggs	19,168,000	2,738,286	19.4
Ginger	841,292	121,185	0.9
Poultry	1,604,098	229,157	1.6
Antimony	676,706	96,672	0.7
Hemps	668,676	95,525	0.7
Straw platting	1,464,946	209,278	1.5
Hides	2,230,661	318,666	2.2

Skins	4,862,955	694,708	4.9
Feathers	1,163,693	166,242	1.2
Hairs	1,507,605	215,372	1.5
Wools	2,730,593	390,085	2.8
Bristle	4,336,210	619,458	4.4
Total	78,722,819	11,246,117	79.8

The total value of China's exports of principal commodities to Britain during 1914-1920 referred to above counted for about 80% of the total value of all exports from China to Britain. In the development of the Chinese export trade with Britain during this period, there were at least six articles which held the central place though some of them show a sharp decline in value and in volume. In the discussion of China's exports to Britain no attempt is made to give a complete account of the trade in each of the commodities which are regarded as the principle ones but it would be well to bring out significant changes in some of them.

a. Tea. The export of tea to Britain during this period continued to decline. In the previous period it constituted about 16% of the value of the Chinese total exports to Britain but during this period this percentage fell to 7.2 though its annual average value shows an increase compared with the last period. The following are some facts which lead to a decline in the importance of the Chinese tea trade with Britain and with the rest of the world.

In the first place, in China's export trade tea had not maintained an important position for nearly thirty years. During the period under consideration, except for 1915 which was a peak year for the tea trade, the export of tea from China as shown in the following table gradually declined in value up to 1920 when it amounted to only eight million taels in the Chinese Customs Report.

China's export of tea

Year	H. Taels	Index	Piculs	Index
1912	33,777,517	100.00	1,481,699	100.00
1913	33,936,769	100.47	1,442,109	97.33
1914	36,457,062	107.93	1,495,798	100,95
1915	55,562,519	164.50	1,782,353	120.29
1916	43,560,417	128.96	1,542,633	104.11
1917	29,107,687	86.18	1,125,535	75.96
1918	14,066,872	41.65	404,217	27.28
1919	22,398,436	66.31	690,155	46.58
1920	8,873,135	26.27	305,906	20.65

In the second place China's share in the world tea export declined considerably in importance after the War while tea exported from some other principle tea-producing countries showed as a whole an upward movement and this is brought out in the following table in which are indicated by percentage the shares of the tea exports of some principle tea-producing countries.

Percentages of five countries in the world's tea export

Year	China	India	Ceylon	Dutch Indies	Japan
1914	28.47	37.92	24.04	8.94	4.23
1915	25.43	36.46	23.02	10.88	4.21
1916	24.30	34.60	24.61	11.59	4.90
1917	18.11	43.53	23.57	9.68	5.11
1918	8.10	49.15	27.21	9.31	6.23
1919	11.20	46.52	25.40	13.49	3.39
1920	6.47	45.68	29.35	14.88	3.62

In the third place, as an explanation of the decrease of China's export trade in tea, the losses of the period due to the Great War made even greater by the fact that during this period, a steady decline in the importance of Chinese tea was a characteristic of the British market. This decline of Chinese tea exported to Britain is still responsible for the decline of the total export of tea from China.

The 1915 tea season in China was the most profitable. In that year there was a revival of the tea-trade in China and at the same time there was an unusual demand in Britain for tea imported from

China. On the other hand, the season of 1918 was said to be the most calamitous on record for the Chinese tea trade when the shipments of tea from China to Britain fell from 8,397,403 lbs. in 1917 to 1,587,053 lbs. in 1918.

When the War ended the export of tea from China to Britain quickly increased; its total value during 1919 and 1920 rising from £262,820 in 1918 to £1,939,474 in 1919 and to 1,106,298 in 1920. Since 1900 China's export of tea to Britain had never shown such a rapid advance as during 1919 and 1920. Obviously, she could not maintain the 1919 level and within the period under consideration she did not succeed in recovering even an inch of the ground which she had previously yielded to India, Ceylon and others, for her export of tea to Britain, except for much vacillation in some years and the temporary growing in its value during 1919 and 1920, as a whole, encounted a drastic setback in importance. During this period, as well as a reduction in quantity there was a great decline in the value of the Chinese tea exported to Britain and specially in the percentage of China's total exports to Britain, in spite of the gold price of silver which was favourable to China and of the rising prices of goods imported into Britain. The British tea market was gradually lost to China and also during this period the quantities and the values of Chinese tea showed a downward tendency as indicated by the figures of the following table, which is compiled not only from British information but also from Chinese Customs Reports.

year	China's export of tea to Britain (1912 as base)		British import of tea from China and Hongkong (1912 as base)			
	Piculs	Index	lbs.	Index	£	Index
1914	140,795	143.8	21,771,714	104.0	833,188	104.3
1915	169,999	173.4	36,776,821	175.6	1,546,320	193.6
1916	120,190	122.8	19,877,195	94.9	930,180	116.4
1917	34,954	35.7	8,397,403	40.1	450,805	56.4

1918	37,333	38.1	1,587,053	7.6	262,820	32.9
1919	213,388	218.0	26,755,017	127.7	1,939,474	255.3
1920	36,287	37.1	15,928,282	76.0	1,106,298	138.5

In the Chinese export trade with Britain tea was steadily losing ground and thus in the British market the back of China's tea trade had already been broken. On the contrary, in the British market imports of tea from other sources before the War had succeeded to hold their own and Indian tea throughout this period steadily increased its lead. The British imports of tea from China, India, Ceylon and Java in the years 1914 and 1920 respectively were as follows:

Tea-import into Britain

	1914		1920	
	lbs.	£	lbs.	£
China	21,573,197	823,987	15,818,065	1,099,916
Hongkong	198,517	9,201	110,217	6,382
India	203,243,201	7,861,425	250,346,238	15,576,840
Ceylon	109,897,589	4,200,103	123,348,642	7,923,617
Java	24,248,071	877,451	27,571,355	1,539,385

The above figures require no comment for the course of British imports of tea from China and Hongkong and from India and Ceylon obviously shows a trend in proportionally opposite directions and stands out in stricking contrast. The British import of tea from Java exhibited a slow tendency towards increase and by 1920 reached the peak which the export of tea directly from China to Britain never overtopped throughout this period or the period following.

As to further reasons for the decline of the Chinese tea trade with Britain nothing has been said in previous chapters, but we shall deal with them now. Since the end of the World War in the Chinese export trade with Britain tea by no means required its ascendancy which had been wrested from China by the Indian tea trade with Britain and no stress can be laid on this trade again while dealing with the

Anglo-Chinese trade in the period following.

In pointing out the reasons by which China's tea trade had been driven from an important position in her economic relations with Britain, some facts may be summarized as follows:-

(1) Chinese tea gives no strong infusion like Indian and Ceylon teas, which were distinctly preferred by the British, even though Chinese tea is more delicate in flavour.

(2) In India tea is and has been subject to a very light tax. But in China tea has been liable to an export duty and to a heavy likin tax, and after 1919, a preferential duty against tea grown outside the British Empire came into force in the United Kingdom. The effect upon the import into Britain of the cheaper grades of Chinese tea was immediate.

(3) Lower freights in the export of tea from India to London and the Indian financial relationship with the British market were both in favour of tea imported from India, but China possessed neither of these advantages. China might derive some advantages from falling exchange but these were likely to be detracted by frequent fluctuations of exchange with a gold-using country such as Britain.

(4) Tea was produced in India by the larger plantation system with the application of scientific methods. On the other hand, tea was grown in China by small individual cultivators and all work was done by hand.

These were the reasons for the success of China's competitors in the tea trade with Britain and why China's tea trade with Britain was handicapped.

Being thus handicapped, Chinese black tea was therefore less and less in demand while Indian tea was more cheaply produced and gained

in favour with the British people.

b. Silks. The period under consideration was a period of comparative decline in China's export of silk to Britain. But this decline was a decline in importance in the silk export trade of China to Britain, for the annual average value of the total export of silk of all kinds from China to Britain during this period actually increased if compared with that during the previous period, this increase being by about twice its annual average value.

Silk of all kinds therefore continued, during 1914-1920, to be one of the chief exports from China to Britain, and in this export trade silk took second place, that is to say it was next to eggs in importance during this period, while its value represented more than 11% of China's total exports to Britain during 1914-1920.

There was a great increase in China's export of manufactured silk but in the share of her total export trade with Britain, manufactured silk remained about the same during this period as during the previous period and we find that its value represented 3% of China's total exports to Britain during 1900-1913, and 3.2% during 1914-1920.

During this period the percentage of Chinese total exports to Britain formed by raw silk and silk waste of all kinds fell considerably while we find that their total values represented 21.8% of China's total exports to Britain during 1900-1913, and 8.6% during 1914-1920. But as already stated the total value of the raw silk and silk waste of all kinds exported from China to Britain increased during this period much more than during the last period.

Throughout this period the actual value of silk of all kinds exported from China to Britain did increase but its percentage of the total exports of China to Britain declined. As to the actual quantity

of raw silk and of silk waste exported to Britain this remained about the same during this period as during last period. China therefore continued to decline in comparative importance as a source of supply for raw silk for the looms of Great Britain, though in the raw silk trade in Britain China still held first place. The Japanese export of raw silk to Britain increased from the total value of £85,385 in 1914 to £210,334 in 1920 while the value of the Chinese silk exported to Britain rose from £313,050 in 1914 to £1,081,139 in 1920. During this period Chinese shipments of raw silk to Britain did not decrease with the increased Japanese shipments. So, it would indicate that the Chinese silk producers during the War had adopted better methods of silk culture. This is the only change brought about by the War in China's silk trade with Britain and the rest of the world.

c. Food Stuffs. In Anglo-Chinese trade tea and silk have been the old staple exports from China and both have declined in importance. In the great increase in China's exports to Britain during 1914-1920 a principle factor was the increase in the quantity of food stuffs.

During this period of the Chinese exports to Britain, the percentage formed by food stuffs increased only slightly but there was a great increase in their quantity and value.

Firstly, in China's export trade with Britain during 1914-1920 there was a great increase in the quantity of beans, bean oil and other vegetable oil seeds exported and also in the prices of these commodities sold in the British market. Their quantity exported from China to Britain increased by over 50% during 1914-1920 and their value by more than 100%. Thus, China's exports of beans, bean products and all kinds of seed-oil to Britain were greater in value during this period than her exports of these goods during the previous period.

It has been said that the World War brought about a great increase in the use of vegetable oil and seed-oil in Britain instead of other kinds of oils for oil-espressing industries. This growing export of seed-oil, bean and vegetable oil and seeds for expressing oils, was the example of the results of the development of Anglo-Chinese trade in food stuffs during this period.

The development in the last period of the Chinese export of soya beans and soya bean products was greater than in any of her exports to Britain. During the last period soya beans formed 12.3% of the total Anglo-Chinese export trade but during the period under consideration they only formed 2.4%. Their export had thus declined during the War; and the decline was in part due to changes in the re-export regulations enforced by the British Government, and in part to the fact that soya beans being bulky could not be given freight space for freights rose enormously in price during the War. However, the Anglo-Chinese trade in soya beans became steady in growth when war conditions passed, and thus during the period following they were again an important export from China to Britain.

It is worthy of note that when England received in 1908 the first big consignment of soya beans that had ever been sent abroad, the foreign trade in soya beans was at her feet, but that position has not been maintained. It was a short-lived monopoly and soon vanished. Even Holland every year since 1919 has imported larger quantities of the bean than the United Kingdom.

Manchuria is undoubtedly the chief source of the world soya bean trade and foreign demands have largely contributed to her economic development. Since Japan extended her influence there and has displaced Russia, she has become the leading controller of the trade in

soya beans. America thus received an impetus in the production of these beans, and we find that the Anglo-Chinese trade in soya beans then showed a decrease during this period.

Secondly, during the years of the War and during the years which followed, the increased export of food stuffs accounts for much of the increase in the exports from China to Britain, and the great growth in the exports of eggs and poultry or game also accounts for much of the growth of this export trade in food stuffs.

In 1913 very few Chinese eggs were sent to Britain and we find that the value of them only amounted to £600. During this period eggs and egg products were exported to Britain in increasing amounts and the value of eggs in shell and not in shell rose from £3,519 in 1914 to £6,660,480 in 1920. Eggs thus now assumed the most important item among China's exports to Britain. The increase in this trade was so remarkable that the development of Anglo-Chinese trade would seem to be in making China an important source for the supply of eggs and egg products. In China's foreign trade, prior to the War, most of the egg albumen and yolk exported was taken by Germany; since then, Britain shared with the U.S.A. as the principle importers of Chinese egg products.

Frozen meats, poultry and game came to be of greater importance in the Chinese trade with Britain during this period. The growth of this trade could not compare with the growth in the trade in eggs. During the years from 1909 to 1913 in the last period, China sent out much greater quantities of poultry and game to Britain and thus prior to the War the Anglo-Chinese trade in these goods had been quite active. During this period the total value of China's export in poultry and game was greatly increased while it jumped from £82,078

in 1914 to £457,067 in 1920. It seemed certain however that the Anglo-Chinese trade in these commodities would show no increase as meat and poultry obtainable from America or from the British colonies were easily imported into Britain.

d. Raw materials. In the Chinese exports to Britain, no manufactured goods have received our attention except mats and matting, and silk manufactures, and even these two articles showed no remarkable increase during this period and actually declined in the percentage of the total exports of China to Britain.

Also, during 1914-1920 there was a considerable decrease in China's exports of raw materials to Britain owing to the Great War. In the Chinese raw material export to Britain, all the principal articles which have been mentioned above, declined in their share of the total export trade of China with Britain, except for hides which increased in value and more than doubled.

During this period China continued to be the principal exporter to Britain of bristles, canes, feathers for bed, galls, goat and horse hair, hides, (dry and wet,) and camel's hair, some of which increased in their annual values, and some of which decreased.

Most of Britain's raw cotton import came from Egypt and the U.S.A. and during 1914-1920 we find that shipments of Chinese raw cotton were less than those of Indian cotton to Britain, and throughout this period she remained at the bottom of the list of some main exporting countries of raw cotton to Britain as shown in the following table:

British import of raw cotton from

	Egypt	China	India	America	All sources
	£	£	£	£	£
1914	13,682,095	83,594	2,405,708	34,958,341	55,350,626
1920	50,840,518	310,344	4,018,495	125,483,730	190,771,416

The War brought about another change in China's export to Britain of straw platting and antimony, crude and regulus. Straw platting was China's oldest industry but after the War her leading position in the export of it to Britain was displaced by Japan. During the War China's export of antimony to Britain increased remarkably as she was one of the sources in the world for this metal. In 1914 Chinese antimony, regulus, crude and refined, was exported to Britain to the extent of 5,686 tons, with a value of £56,368 but in 1920 the shipment of regulus and crude alone from China to Britain reached a total value of £92,391. But Anglo-Chinese trade in this article during the period under review could not develop as it was expected, because of the scarcity of tonnage and the competition of Mexico and other countries in supplying the British market.

5. China's Imports of Commodities from Britain.

In China's import trade with Britain, there were few important changes during the period, 1914-1920, and most commodities show such tendencies as were pointed out in the discussion of her imports from Britain during 1900-1913. As we have stated before, the principal commodities constituted over 90% of China's total imports from Britain, and among them, manufactures provided the greatest bulk (about 77.4%), and raw materials constituted about 9.6 per cent of the total, spirits and tobacco about 5.2, and the rest about 7.8.

Of China's total imports from Britain, the share of manufactures slightly decreased from 77.8 during 1900-1913 to 77.4 during 1914-1920 while the share in raw materials fell from 11.1 during 1900-1913 to 9.6 during 1914-1920. It is noteworthy that the shares of spirits and tobacco advanced from 3.8 during 1900-1913 to 5.2 during 1914-20.

As regards the annual average value of the imports into China

from Britain a great increase was witnessed during this period when their total value was far above the figures for the previous period. This increase in the total value and in the annual average value was brought about by an expansion of some principal goods which constituted the chief items in the imports of China from Britain.

China's imports of principal commodities during this period are now presented in the following lists and we find that the total amount of these principal imports into China from Britain has considerably grown during this period.

China's imports of principal commodities from Britain
1914-1920

Articles	Total value £	Annual average £	% of China's total imports from Britain
Cottons	93,556,529	13,365,218	61.0
Woollens	9,868,931	1,409,847	6.4
Instruments	437,190	62,456	0.3
Hard ware	178,933	25,562	0.1
Tools	298,346	42,621	0.2
Machinery	5,275,388	753,627	3.4
Electrical goods	1,274,844	182,120	0.8
Arms	153,898	21,985	0.1
Chemical goods	1,904,624	272,089	1.2
Medical goods	783,655	111,951	0.5
Soap	1,830,578	261,511	1.2
Apparel	996,228	142,318	0.7
Papers	1,283,146	183,306	0.8
Glass	484,302	69,186	0.3
Rubber	372,755	53,251	0.2
Silk	405,972	57,996	0.3
Leather	425,886	60,841	0.3
Cotton yarn	1,027,187	146,741	0.7
Woollen yarn	480,156	68,594	0.3
Iron & Steel	11,758,745	1,679,821	7.7
Other Metals	1,251,276	178,754	0.8
Coal	91,430	13,061	0.1
Paints	1,201,978	171,711	0.8
Spirits	628,557	89,794	0.4
Tobacco	7,324,464	1,046,352	4.8

Among the twenty-five commodities mentioned above, the imports of some principal goods from Britain into China still continued to increase somewhat in importance while some showed a decrease in value

as well as in importance. As shown in the above figures which need no comment, the growth of the Chinese import trade with Britain was, in view of the rising price of goods in the West and of the rise in the gold price of silver in China, not a growth in the quantity of goods imported into China from Britain, and, the general changes were therefore a decline in the volume of imports; and an increase in the values of some principal commodities such as cotton and woollens, machinery, iron and steel, spirits and tobacco. In attempting to show these general changes in the import trade of China with Britain reliance will therefore be placed chiefly upon the values of her imports from Britain of these particular commodities which have continued a larger percentage of the total trade between them.

a. Spirits and Tobacco. As we have mentioned several times before, China's import of British spirits and tobacco continued to increase greatly in value and tobacco and cigarettes in particular increased in importance during this period. These commodities and some sundry articles of all sorts are in China called "Western luxuries". Throughout this period there were great fluctuations in the import of spirits and tobacco into China from Britain, but as a whole they not only continued to hold the place which they held during the last period, but greatly increased in their annual average values. A reason for the growth in imports of Western luxuries in China, is to be found in the great increase in the number of Chinese who travelled abroad and of those who sought "Western learning" and who encouraged the British trade in these luxuries to an extent that the stressing of British trade alone could not have done.

Again, in the British cigarette-making industries in China, she was not likely during this period to meet with competition from

Chinese and other foreign industries, and therefore the cigarette trade remained in the hands of a well-known British-American organization, the so-called British American Tobacco Company which had its own factories in China at Shanghai, Hankow, Newchwang, Mukden. There were also a great variety of small factories in other parts of China which have since played a great part in the field of British manufacturing in China.

b. Cotton Goods.

Cotton goods formed the backbone of the British trade with China. The comparative importance of China's import trade in British cotton goods of all kinds continued the growth which had been a characteristic of China's import trade with Britain during the previous period. The growth of this trade was a growth in value but not in importance. The total value of the cotton goods imported into China from Britain during this period rose to an annual average of well over £13,000,000, but there is good reason to believe that the quantities imported were below the average of the years before the War.

China's import of cotton goods of all kinds may be divided into two classes: cotton yarn and cotton piece goods, entered into China either by piece or by value. The decline in the quantity of cotton yarn was at a fairly even rate as was also the case with imported cotton piece goods. But there was a decline in the value of the British import of cotton yarn into China during this period and at the same time the import of British piece goods continued to show the great increase in value and in annual average which has been pointed out as a characteristic of this trade between Britain and China. The following figures show the import of British cottons to China during the seven years period.

Year	Cotton yarn lbs 000's	£	Cotton piece goods (Entered by yards) yds000's	£	(Entered by value) £	£
1914	1,648	87,352	577,948	9,855,634	189,494	10,045,128
1915	679	31,438	375,088	5,468,516	181,055	5,649,571
1916	314	30,797	377,428	7,182,221	270,747	7,452,968
1917	189	30,994	309,589	8,840,912	337,935	9,178,847
1918	68	11,968	216,370	10,153,557	396,055	10,549,612
1919	351	84,637	304,437	15,145,973	605,525	15,751,498
1920	2,661	750,001	452,657	34,130,389	798,516	34,928,905

The decreased import of British cotton yarn into China was undoubtedly due to the growth of cotton milling in China since her revolution, and the great increase in China's import of British cotton piece goods may be explained as a result of the changes in the gold price of silver. During this period the Chinese importer might find it easy to manage his profits at a time during which the price of silver went up further. Of course the sudden drop in the gold price of silver which began in 1920 produced calamitous results for many of these importers.

It must, again, be remembered that it was the industrial disorganisation, due to war conditions in Europe as in Britain, which created in China the lack of certain manufactured articles normally in great demand, and which was responsible for the feverish haste with which a large number of industrial concerns were established locally to provide them.

In the textile trade Britain was likely to meet with competition from Chinese industries during this period. In the case of the textile industry in China, the standard of goods produced there was and still is, far below the level of British products, for which the demand was more likely to increase, rather than decrease, with the industrialisation of China, which must bring with it an increased purchasing power for its people.

The British export trade with China in cotton piece goods during this period had already begun to feel competition from Japan's textile industry as Japanese goods in China's cotton goods trade were growing in importance. In 1914 the number of pieces of plain fabrics imported into China from Britain was well above the number imported into China from Japan. In 1917, however, Japan was well ahead of Britain and the Japanese lead was maintained throughout the remaining years of the period under consideration.

So far as the finer grades of cotton goods in China are concerned, it has been said that before the War no country seriously threatened the supremacy of Great Britain, and probably that throughout this period Britain still held first place as the source of cotton manufactures for the Chinese market. But, in the period following, we shall see that Japan was easily to become a more important source of supplying the Chinese market with a fine grade of cotton piece goods.

c. Machinery, Tools and Electrical Goods.

During this period the imports of machinery, tools and electrical goods into China from Britain considerably increased, and reached an importance which had not been attained since the years before the establishment of the Chinese Republic. During this period these three items accounted for about 4.4% of China's total imports from Britain; but the value of the machinery imported into China from Britain rose from the annual average of £386,290 during 1900-1913 to that of £753,627 during 1914-1920; tools rose from £22,994 to £42,621; and electrical goods from £26,772 to £182,120.

A change was brought about in China by the World War as it cut off the supply of a great number of articles whose manufacture required simple machinery or tools. The result was that industrial factories

in China were established and mills for cotton and flour flourished. The more active were the industrial enterprises and the best factories used power-driven machinery, tools and electrical equipments. The growth of China's import of these goods was therefore to be regarded as the result of the Chinese desire to make real use of the industrial equipment of the West.

It was Britain who had invented and perfected the steam engine and who had built railways all over the world. She had applied the science of engineering to Hongkong and Shanghai, and there a good water supply, drains, tramways, and electrical power had been financed and built.

Also, it was the building of the railways in China, which led British engineering firms to take an interest in the trade with China in locmotives, electrical plant and railway equipment. When China began to rebuild her navy and to reorganise her army the British practically obtained a monopoly to supply her with battleships and military equipment. In the meantime also, modern industrial China had awakened and the mills were absorbing machinery and electric light had been demanded all over China. The Chinese during this period extended enormously the postal and telegraph systems and also demanded machinery for mining and for harbours. The above examples serve to prove that China was keen on industrial works. So, despite the War, the British held their own in China with machinery and electrical goods, and until to-day Britain still ranks first as a source of machinery to the Chinese Republic. The figures in the following table show the import of machinery, tools and electrical goods into China and Hongkong from Britain during 1914-1920.

Year	Machinery Tons	£	Tools £	Electrical goods £
1914	13,234	622,520	26,674	12,052
1915	7,667	353,332	19,588	92,540
1916	8,501	453,286	20,402	155,245
1917	5,859	348,450	15,262	67,266
1918	5,667	630,846	21,239	47,252
1919	8,005	785,737	64,206	337,172
1920	17,277	2,081,217	130,975	563,317

d. Woollen Goods. Woollens in China's import trade with Britain during this period took the third place while we find that China's import of woollen and worsted yarn from Britain increased sharply, particularly woollen piece goods which were imported from Britain into China on an expanding scale. But this increase was without parallel in the history of the British export trade with China.

In 1914 the value of the British export of woollens of all kinds to China stood at £694,474. In 1918 in China as in Britain, the level of prices for goods had risen by 100% at least, and thus her export of woollens to China was valued at £1,117,994. Of course these figures under-estimate the decline in quantities. In the years 1916 and 1917 Britain exported to China over 5,000,000 yards of woollen piece goods; in the years 1918 and 1919 only 3,000,000 yards, but the value of the above quantities increased at a even rate as we can find in the following table which shows China's import of British woollen goods during 1914-1920.

	Woollen and worsted yarn		Woollen piece goods by yards		by value	Total
	lbs.	£	yards	£	£	£
1914	251,500	26,606	9,187,900	590,259	104,215	694,474
1915	188,900	22,616	2,405,300	188,922	27,832	216,754
1916	273,100	48,336	5,725,400	635,269	83,218	718,487
1917	229,300	51,882	5,642,800	948,196	111,556	1,059,752
1918	82,200	22,723	3,747,000	1,005,355	112,639	1,117,994
1919	121,600	38,831	3,933,000	1,715,380	230,592	1,945,972
1920	682,300	269,162	11,305,600	3,756,288	359,210	4,115,498

The growth of Britain's export of woollen goods to China may also be explained as the result of the rising price of goods exported and the total value of the woollens imported into China from Britain thus increased during this period, though the volume of them remained about the same as during the previous period. Probably the total quantities of the British woollens imported into China decreased when allowance is made for the higher prices.

So, British trade in woollens with China still showed no increasing tendency while the percentage formed by the woollens in the total imports of China from Britain remained about the same as it had during the last period. The fact is that China used to be the smallest customer for British woollen goods as these could only be bought by her wealthier subjects.

e. Metals. The greatest part of British metals of all kinds imported into China consists of iron and steel, and their manufactures. It has been noteworthy that these imports not only improved their position in China's total imports from Britain, but showed a steady increase in value during the periods with which we have dealt.

During this period the import of metals and their products took the second place in the Chinese import trade with Britain, and her import trade with Britain in iron and steel advanced to an annual average of £1,679,821, and in the other kinds of metals to that of £178,754, during this seven years period. Thus, during 1914-1920 both the value and the variety of British metals imported into China thus increased. During the War these imports suddenly decreased but after the War they rose again so quickly that they still continued to be an important item in the British export trade with China.

Among the metals imported into China from Britain, iron and steel

with their products provided the largest bulk of the total metals and during this period China's import trade with Britain in these goods grew at about the same rate as did her total trade with Britain. The reason for their increased import is very clear. In all countries the condition necessary for import of iron and steel is the favourable condition of industrial progress, and this was so with China in this period. But, on the other hand, owing to the development of the iron industry in China of which the British export of metals to China had to feel the effect, great fluctuations took place in this trade, as we can see from the figures in the following table. During this period, in China there had been only one well-known corporation engaged in the mining of iron ore and in the production of pig iron, and small quantities of steel were being produced as well. There was therefore a steadily growing import of British iron and steel with their products during 1914-1920 and probably, the total amount shown above has never been greatly exceeded before.

China's import of metals from Britain

Year	Iron and steel manufactures		Iron ore & steel		Copper	
	Tons	£	Tons	£	Tons	£
1914	74,090	891,123	31,726	108,335	789	57,199
1915	59,690	736,532	22,094	87,826	262	24,853
1916	69,644	1,365,134	10,144	60,488	213	31,749
1917	18,857	416,019	7,355	62,086	77	13,749
1918	32,797	698,635	4,655	47,184	54	9,722
1919	69,038	1,922,720	20,873	238,464	705	91,331
1920	114,033	4,649,834	35,519	474,365	1,263	196,434

	Lead		Other metals		Total
	Tons	£	Tons	£	£
1914	1,333	26,285	202	19,795	1,102,737
1915	312	7,380	253	35,089	891,680
1916	1,454	50,876	270	47,846	1,556,093
1917	192	11,017	88	19,166	522,037
1918	38	1,880	55	14,698	772,119
1919	2,260	62,746	527	104,037	2,419,298
1920	779	29,598	2,463	395,826	5,746,057

6. Movement of Treasure between Britain and China.

British information showing the import and export of gold and silver in Anglo-Chinese trade is not available for the years 1916-1919, and so no attempt can be made to arrive at an estimate of the movement of treasure between the two countries for these years. Statistics from Chinese sources were printed by the Chinese Customs and these statistics show in detail the movement of treasure in China's foreign trade. But the Chinese Customs Reports for the period now under consideration had little to say about the movement of treasure between China and Britain, and nothing at all about it during the years of war. An attempt to make a separate estimate of the British export and import of treasure to and from China for the years 1916-1919, met without success owing to lack of information. The following table shows the net import and export of British gold and silver into and from China for some years during which information from Britain was available.

	Import into Britain from				Export from Britain to			
Year	China	Hongkong	China	Hongkong	China	Hongkong	China	Hongkong
	£	£	£	£	£	£	£	£
1914	7,236	...	132,851	318,345	...	...	69,650	...
1915	23,920	275	...	421,500	...	10,000	...	5,000
1916								
1917								
1918			N O T A V A I L A B L E					
1919								
1920	...	...	10	...	...	...	4,768,295	312,800

The above figures are not complete but the general movement of treasure in Anglo-Chinese trade is apparent for they show a very small export of gold from China to Britain, but a greater import of silver into China from Britain as compared with gold.

It may therefore be concluded that in the Chinese trade with Britain the movement of silver was still toward China and the movement

of gold toward Britain during the period under consideration.

Also, upon the movement of treasure between China and Britain the influence of disturbances within China is not so clearly seen as upon changes in the ratio between gold and silver. During the years 1914 and 1915, that is to say, before the great rise in the gold price of silver during the later years of the War, there was a net export of gold from China to Britain to a total value of £31,156. The decline in the gold price of silver in 1920 brought about no export of gold from China to Britain, but a considerable import of silver into China from Britain was brought about during 1920 and the years after 1920. This was due to the fact that China used silver to settle her trade account, and she therefore had to import silver when there was an increasing excess of imports in her merchandise trade with Britain.

7. Balance of Merchandise Trade between China and Britain.

The movement of treasure may be a small item in the merchandise trade between China and Britain, but the movement of goods between them had resulted in China paying no less than one hundred million pounds sterling during 1900-1913.

During the years 1914-1920, the excess of merchandise imports of China from Britain was £31,106,229, and of China and Hongkong £54,776,390, according to the information from Britain, and according to the foreign trade reports of Maritime Customs in China, it was 301,245,889 Haikwan taels. The excess of imports in China's merchandise trade with Britain during the period under consideration, had considerably decreased when compared with £124,152,871 during the previous period.

This decreased excess of merchandise imports of China in her trade with Britain is partly due to possibilities of error in the valuations

of imports and exports which might be overvalued if the comparison of Chinese and foreign valuations was made together, and partly to the fact that as an effect of the War upon British export trade, British exports to China did not show much more increase than did her imports from China, while the value of British exports to China during 1914-20 totalled £153,475,189, compared with £100,702,759 during the seven years 1907-1913. It is plain that the overvaluation of Chinese imports or exports from or to Britain was connected with the rise in the gold price of silver, and the falling off in British exports was an inevitable issue among the belligerent countries during the War.

During this period the excess of China's imports from Britain over her exports to Britain, though not growing, was still great, while we find in the figures from Chinese Customs Reports that the value of the direct trade of China with Britain during 1914-1920 amounted to the total of 788,786,037 H. taels of which China's exports to Britain was 243,775,074 and for imports 545,010,963 H. taels, leaving an adverse balance of 301,245,889 H. taels. If the movement of treasure is taken into account the excess of imports over exports in China's trade with Britain would be greater than stated above.

The general facts concerning the merchandise trade balance between China and Britain in the figures from Chinese sources and from British sources are presented in the two accomparing tables. No doubt a comparison of these two tables shows that no connection can be established between them but probably the sets of figures by which the adverse conditions of China's trade with Britain are remarkably shown, clearly indicate that China for a long period incurred such indebtedness.

Balance of merchandise payments of China with Britain

Year	from Chinese Customs Report H. taels	from British Trade Report £
1914	- 82,630,799	- 11,330,983
1915	- 39,624,114	- 2,684,600
1916	- 35,434,483	- 5,320,499
1917	- 25,899,376	- 3,772,126
1918	- 24,625,704	- 4,479,147
1919	- 7,105,997	+ 108,679
1920	- 85,915,416	- 27,298,314

8. British Shipping Engaged in China's Trade.

We have considered British shipping engaged in the trade between Great Britain and China from the year 1834 during which she opened direct trade with Canton, until the eve of the World War, and we have pointed out that during that period British shipping had played the major part in the carrying trade between China and Britain or the Western countries, and had constituted the largest percentage of any other nation. Even in China's foreign trade and in her coastal trade, British shipping also took the lead. The predominance of British shipping in China and in the British trade with China had never been threatened by any other country trading with China.

During the period under consideration information concerning British tonnage engaged in the carrying trade between China and Britain was provided until 1919, but after that year no separate account of British shipping in the carrying trade between the Far East and Britain was given. Thus our study of British shipping in China's foreign trade after 1919 must rely upon information provided by the Chinese Customs Reports.

The tonnage of British shipping in the carrying trade between Britain and China during the years 1914-1919 is given below, and this tonnage entered into and cleared from British ports generally shows

the same facts as have already been pointed out in the previous chapter.

ENTERED

Year	British China Tonnage	British Hongkong Tonnage	Foreign China Tonnage	Foreign Hongkong Tonnage	Total China Tonnage	Total Hongkong Tonnage
1914	67,009	7,672	9,441	-	76,450	7,672
1915	91,140	19,403	-	-	91,140	19,403
1916	85,071	3,368	5,821	-	90,892	3,368
1917	94,096	18,785	6,097	-	100,193	18,785
1918	69,113	33,323	-	-	69,113	33,323
1919	133,030	20,693	9,387	-	142,417	20,693
1920	N O T A V A I L A B L E					
Total	539,459	103,244	30,746	-	570,205	103,244
Average	89,910	17,207	5,124	-	95,034	17,207

CLEARED

Year	British China Tonnage	British Hongkong Tonnage	Foreign China Tonnage	Foreign Hongkong Tonnage	Total China Tonnage	Total Hongkong Tonnage
1914	68,403	15,247	32,147	8,271	100,500	23,518
1915	48,201	3,005	5,464	-	53,665	3,005
1916	40,902	5,916	-	-	40,902	5,916
1917	30,168	3,664	-	-	30,168	3,664
1918	43,199	3,368	-	-	43,199	3,368
1919	78,111	7,192	4,584	8,056	82,695	15,248
1920	N O T A V A I L A B L E					
Total	308,984	38,392	42,195	16,327	351,129	54,719
Average	51,497	6,397	7,032	2,721	58,521	9,120

The above figures, showing the total tonnage, both British and foreign, in the carrying trade between China and Hongkong and the ports in Great Britain, for the years 1914-1919 give the British flag over 90% of the total tonnage. From them it may be estimated as follows:

British and foreign tonnage engaged in the trade between China and Hongkong and the ports in Britain 1914-1919

ENTERED AND CLEARED

	British China	British Hongkong	Foreign China	Foreign Hongkong	Total China	Total Hongkong
Total	848,443	141,636	72,941	16,327	921,334	157,963
Average	141,407	23,606	12,157	2,721	153,556	26,327

If we turn to what is called the coast trade in China, that is, the trade between China's open ports, and to what is called the river

shipping, that is, the tonnage engaged in trade between the open ports and inland places which are not open, we find, leaving the Chinese tonnage in, that the British flag accounted for about 38 per cent of the total tonnage engaged in the foreign and domestic trade of China, and carried about 40 per cent of the value of the total cargoes in China.

The tonnage of British shipping in the carrying trade in China and the total tonnage of all shipping in the foreign and domestic trade of China are presented in the following table:

Year	ENTERED AND CLEARED			
	BRITISH		TOTAL	
	Vessels	Tonnage	Vessels	Tonnage
1914	32,705	38,795,409	219,649	96,326,267
1915	33,339	37,675,657	206,887	90,663,005
1916	34,132	35,840,573	202,016	88,020,101
1917	34,902	33,576,217	213,473	86,907,049
1918	31,034	29,911,369	193,567	80,247,706
1919	36,074	36,284,312	209,754	95,725,935
1920	39,543	40,315,707	210,609	104,266,695
Total	241,729	252,399,244	1,455,955	642,156,758
Average	34,533	36,057,035	207,994	91,736,680
% of the total	16.60	39.30	100	100

From the above figures, two points are drawn to our notice: firstly, in the total tonnage in China there was a great decline from 1914 to 1918 and a great increase from 1919 to 1920, and in this increase and decrease, the British tonnage in China's trade shared with the other countries. Britain was one of the worst sufferers from the War, so far as her shipping engaged in the carrying trade of China was concerned. Owing to the special circumstances existing during the World War, British shipping in China's foreign and domestic trade was hard hit by the limitations imposed by war conditions. Also, throughout this period, the rise in freights produced a pernicious effect upon the development of British shipping in the total of China's

trade, as well as upon that of the British sea-borne trade with China.

Secondly, during this period, even though Britain held a larger percentage of the total tonnage in the whole of China's trade than did any other country, her share decreased so greatly that she began gradually, and with no hesitation, to recognise how much the predominance of her shipping engaged in the whole of China's trade had been challenged by Japan in the Far East. There can be no doubt therefore that in view of the much higher point reached from such humble beginnings by Japanese shipping in China's trade - - the Japanese percentage in the total tonnage in China's trade being 9.49 in 1900, and 25.10 in 1913 - - British shipping was disappointing.

Bearing in mind that Great Britain had been one of the most important merchandise maritime countries in the world and that the development of her shipping in China's trade had been very rapid, more rapid than the growth of her merchandise trade with China, the decrease in importance of her shipping in China during the post-war period was due to the extraordinary dearrangement to shipping throughout the world caused by the Great War.

Of the total shipping in the foreign and domestic trade of China in 1914, 40.28 per cent was under the British flag, and in 1920 this fell to 38.66 per cent. Throughout this period, the tonnage of the foreign and domestic trade under the various flags shows a decline in the importance of Britain, and an increase in the case of Japan and the United States, and no great increase in the case of China. The percentage of the tonnage under the various flags in the whole of China's trade, and the British share of the total tonnage of shipping entering and clearing Chinese ports is clearly indicated in the following table.

Year	British	Chinese	Japanese	American	German	French	Others	Total
1914	40.28	25.88	24.59	1.06	3.46	0.92	3.81	100
1915	41.55	26.65	26.33	0.89	0.06	0.62	3.90	100
1916	40.72	26.58	27.53	0.91	0.08	0.68	3.50	100
1917	38.64	27.64	28.28	1.30	0.02	0.67	3.45	100
1918	37.27	27.14	31.50	1.50	...	0.28	2.31	100
1919	37.90	28.30	28.76	2.68	...	0.43	1.93	100
1920	38.66	26.52	27.04	4.52	...	0.81	2.45	100

9. The Changing Position of British Trade with China.

The years 1914-1920 marked not only a continued decline in the relative importance of British shipping engaged in China's trade but a continued decreasing importance of British trade with China. The decline was especially noticeable during the War. Doubtless, after the War, there was a movement in the opposite direction.

China's direct trade with Britain was no less than 13.0 per cent of her total trade in 1914 and 1920, but, during the years of the War, the percentages was no more than 8. Upon the basis of the following figures from Chinese Customs Reports, we are able to calculate the percentage of the total British trade with China in China's foreign trade, not including Hongkong, during 1914-1920

The share of British trade with China in China's total trade (including imports and exports) during 1914-1920

1914	13.6%
1915	11.6%
1916	10.3%
1917	7.5%
1918	7.0%
1919	9.3%
1920	13.2%

Of course, if we calculated the British total trade with China we should find that it would make the British percentage considerably higher. From separate consideration of the Chinese import and export trade with Britain during this period, we find that the decline in the

importance of Britain in China's import and export trade was also marked.

Let us now enter a little more into detail regarding China's import and export trade with Britain as it offers a contrast. We have observed that the percentage of China's exports to Britain nearly doubled while that of her imports from Britain remained about the same. For example, of China's exports the percentage entering Britain was 6.34% in 1914 and 8.46% in 1920, while in 1914 and in 1920, about 13% of China's imports came from Britain. Naturally, it is not surprising that this occurred during and immediately after the War.

There is a general statement that the change in the British trade with China during 1914-1920 was brought about by the decline which was very large in her export to China, and which was comparatively smaller in her import from China. The War thus upset the relative importance of British trade with China. Throughout this period Britain's leading position in China's external trade fell off, and she would find it very hard to recover her former commercial predominance. The following table shows China's percentage of imports and exports from and to Britain during 1914-1920.

Chinese trade with Britain

Year	Imports from Britain, as a per cent of the total imports	Exports to Britain, as a per cent of the total exports
1914	13.59	6.34
1915	11.55	7.62
1916	10.35	7.25
1917	7.51	5.64
1918	7.07	5.20
1919	9.27	9.07
1920	13.23	8.46

The period under consideration however was a period under abnormal conditions, and of course with the return of things to a peace basis,

the British commercial position in China's foreign trade was bound to alter. As we have seen in the above table, the British recovered a considerable part of their trade which was lost during the War.

But, in view of the steadily growing competition of the countries trading with China during this period and during the periods we have dealt with, taking British trade with China as a whole, it was by no means an easy task for the British to regain the growing predominant position in the trade of China, which was already lost to other countries trading with China.

While the British lead in China's trade had dropped, the American share went up suddenly and the Japanese share jumped by leaps and bounds. Since 1914 Chinese trade with the other countries of Europe had been greatly reduced as in the case of Britain, but in the case of Germany and Belgium, it dwindled to nothing during the War.

It was the Japanese trade with China which during the pre-war years expanded at a wonderful rate. During the War Japan, making adequate preparations to challenge British predominance in China's trade, was, moreover, employing dubious methods in her effort both to capture new markets in China and, after the War in maintaining the advance which she had made in China's trade during the years of the European War. Therefore, it was the Japanese who were to prove successful in meeting the British in the competition of the trade with China. Taking 1912 as base, in the following table is presented the index numbers of the value of China's imports and exports from and to the leading countries trading with China from 1914 to 1920.

Index nos. of value of China's imports and exports from and to certain countries
(According to Chinese Trade Statistics)
1912=100

Year	Britain		Hongkong		India		U.S.A.
	Import	Export	Import	Export	Import	Export	Import
1914	140.55	142.00	113.66	91.34	83.93	89.49	113.91
1915	95.59	200.85	100.43	100.76	87.37	104.89	102.34
1916	93.98	219.62	103.75	115.57	70.22	87.02	148.69
1917	69.45	164.09	107.31	112.05	57.86	91.78	168.74
1918	66.65	158.90	109.74	113.16	17.13	79.73	162.13
1919	85.89	359.67	103.94	127.19	57.84	126.76	304.54
1920	175.96	288.09	107.79	132.00	69.66	115.66	395.60

	U.S.A.	Japan		Germany		France	
	Export	Import	Export	Import	Export	Import	Export
1914	114.73	139.66	116.93	79.02	84.13	168.86	65.94
1915	172.84	132.12	140.56	0.76	-	82.89	78.51
1916	205.65	176.33	204.34	0.12	-	96.78	70,25
1917	270.43	243.55	191.40	-	-	78.75	65.80
1918	220.07	262.43	295.67	-	-	53.50	78.51
1919	288.50	271.31	352.88	-	1.15	115.12	88.35
1920	191.47	251.75	256.83	25.64	12.28	166.37	54.15

	U.S.S.R.		Total	
	Import	Export	Import	Export
1914	104.91	95.89	120.28	196.14
1915	80.20	131.42	98.22	113.05
1916	121.02	144.95	110.20	130.03
1917	52.83	110.08	118.87	124.94
1918	30.09	32.31	118.92	131.14
1919	66.23	47.17	139.90	170.25
1920	45.33	32.04	164.69	146.18

Chapter VII

Historical View

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CHAPTER VIII

Modern Commercial Relations between China and Britain

1921-1934

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CHAPTER VIII

Modern Commercial Relations between China and Great Britain

A. Historical View

1. Brief Survey of Conditions in the Modern Period.

At the end of the Great War there took place between China and Great Britain a great change, which transformed every aspect of their economic relations and created the period now under our consideration. As we have seen before, the Conference of Paris which brought the Great War to an end, inaugurated the modern period in which all issues are of comparatively recent origin. We shall now take a brief survey of conditions in the relations between China and Britain.

The foregoing chapters have dealt with the economic relations between China and Britain down to about the end of the Peace Conference at Paris in 1919. The period now under our consideration covers about fourteen years, and ends with the year during which the unification of China took place and when all the dissentient provinces came into line with the Central Government. In China, since the time of the removal of the personal government of Peking, there followed with the growth of the Civil War a period of disintegration of the country, and then the gradual decay of the Peking Government. In 1928 when the National Revolutionists reached Peking, and most warriors joined the Nationalist Party, the reunification of China was temporarily declared, but the actual unification of the country appeared only three years ago.

The period now under consideration covers the gradual disintegration of China, and also the gradual establishment of the Central Government. The last seven years 1928-1934 were, from the point of view of the future, a highly constructive period, but, from the point of view of the past, the foregoing seven years of this period, 1921-27,

were destructive rather than constructive, as the latter may be regarded as an era of military adventuring and the former as an era of re-establishment of the Central Government of China and of the re-construction of the country.

Turning to the economic conditions of Great Britain, she was, as a consequence of the War, eventually involved in a common economic ruin, from which the conqueror and the conquered equally suffered. It is said that the Treaty of Versailles not only made no provisions for the economic rehabilitation of Europe but on the contrary it was instrumental in swinging back the forces of the economic organization of Europe yet farther from equilibrium. There followed an utter dislocation of the world's exchanges, and in world economic conditions there took place changes in many respects which have confronted British industrial production and overseas trade with many difficult problems. For example, the tendency towards economic nationalism has caused the cry for the raising of tariffs in China, and the rapid industrialisation of Japan in the Far East has reacted especially upon the British cotton trade in China, so that changes in the character of China's foreign trade have shifted some of the emphasis from industries in which Britain has chiefly specialised in the past.

The main changes in the character of British overseas trade may partly or as a whole be taken as the important changes in the character and volume of British trade with China since the War. Among these changes, the following stand out as particularly important. There was a decline in the real volume of exports of British goods but at the same time a rise in the real volume of her imports. Obviously, the former is not unconnected with the rise in the relative prices but the rise of industrial production in the Far East should not be neglected,

and the latter is easily explained by the fact that as average prices of imports had risen less than those of exports in Britain, the British were able to buy these increased imports at less than the real cost before the War.

This decrease in British exports was mainly responsible for the heavy unemployment which existed even before the world slump and which has been, ever since the collapse of 1921, a serious and persistent problem in Britain. Owing to the growing of imports in Britain the traditional arguments in favour of the British free trade policy have lost a good deal of their force, and the policy of protective tariff has since been advocated by the British Government in order not only to protect home producers, but also to grant Empire preferences and exemptions.

Within this period the world's monetary disturbances are to be attributed solely to the causes of monetary deflation which involved in Britain the return to the gold standard in 1926. British manufacturers were then offered a breathing-space of relative price-stability, in which they could adjusts themselves to the new conditions. But the adjustment was certainly nothing like complete when the world slump began; and Britain went off the gold standard in order to allow the external value of the pound to fall, and to raise the external price of goods exported. Even to-day Britain still remains off the gold standard although the way is prepared for the restoration of pre-war parity between the British pound and the American dollar.

Although the gold situation which was serious enough in itself, must be attuibuted as the main responsibility for the world slump of 1929-1930, the downward movement of prices of different goods is truly arraigned as the other main cause of the world depression. In

Britain, 1920-1922 stood out as a period of catastrophic decline of prices, followed by a period of relative stability, and then by another sharp decline in 1925-1927, a second period of relative stability, and yet another catastrophic fall in 1930-1931. In other words, the British economic system has several times been called upon to readjust itself to the great downward trend in the price-level. Obviously, the fall of prices since the War was part of a world movement but in the endeavour to remedy this fall Britain took the initiative. So, during 1925-1927, the second period of falling prices was definitely connected with British determination to get back at once to the gold standard on a basis of pre-war parity, but during 1930-1931, the third period of falling prices, circumstances beyond her control forced Britain off gold in September, 1931. One country after another has since followed in her wake, and by 1933 there were thirty-four out of forty-five countries in the world which came off the gold basis. The world's monetary situation has thus undergone a complete change which has caused an extreme stringency in the silver-money market of China, always restricting the movement of trade there.

So far we have been speaking of the general conditions of China's politics and of British economic issues during the period under consideration as these were far more clearly responsible to a great extent for the development and special difficulty of the economic relations between them. We shall not dwell upon these here but return to the main line of our narrative namely the general course of affairs which we have pointed in the foregoing chapter.

2. Results of the Washington Conference of 1921-1922.

The Peace Conference at Paris brought no peace upon future Europe and it was not a conference which included many urgent international

problems, of which China was not the least. A balance of Powers' influence in China would no longer be held after the post-war years as Japan attempted successfully to carry out her policies in China during the War. However it came about that a conference at Washington in which an opportunity was provided by the U.S.A. to the Powers to readjust their relations with China on a better footing, could be regarded as the first success of a new British policy won by Anglo-American diplomacy. At the same time, Japan having already tasted the fruits of a Chinese boycott, could not afford to be placed in isolation and was forced, while Britain agreed to restore Weihaiwei to China, to restore the German leased territory in Shantung which she had occupied in the War. An end was put to the Anglo-Japanese Alliance which was in fact displaced by the Four-Power-Treaty with a view to respecting each other's right regarding insular possessions and insular dominions in the Paciffic.

Generally speaking, the Washington Conference resulted in the Nine Power Treaty in which there was a reaffirmation of the policy of respect for the territorial integrity and the independence of China and of the "open door" policy. The problem of extraterritority was dealt with as in the Mackay Treaty of 1902, but it produced no substantial result until to-day.

The most important question considered at the Conference dealt with the revision of the Chinese customs tariff as this question had a large bearing on the economic situation of modern China. In this Conference China failed to make a request for the restoration of her tariff autonomy, or freedom to fix her own customs duties, taken from her by the treaty of 1842, but an attempt was made to make the existing rates an effective 5%, in order to pave the way for the abolition of

likin, and to arrange an ultimate increase in the Chinese Government's revenue from the tariff by allowing surtaxes of 2½% on ordinary duties and of 5% on duties on luxury commodities.

Since 1917, China had, as a condition of entry into the World War against Germany, secured the consent of the Treaty Powers to the revision of the duties upon imports into China, and a revised tariff was put into effect in 1919. We find that the import tariff of 1919 was an application of the general principles regarding the tariff revision in the Anglo-Chinese commercial treaty of 1902. The consent of the Powers to further revision of the Chinese tariff in 1922 took the principles of the tariff revision of 1902 and of 1919 as the basis of the discussion of the Chinese tariff at the Washington Conference, when no complete tariff was restored to China but the proposal that China be given the right to levy an import duty at the rate of 7½% was approved by all the Powers except one.

In the agreements of the Washington Conference with regard to the Chinese tariff, the Powers thus gave general consent to the provisions of the Mackay Treaty, and after the abolition of likin, the Chinese Government was to have the right to increase the duties upon imports to a total of 12½% ad valorem. The Nine Power Treaty then provided for immediate revision to a 5% effectual tariff to be followed by a special tariff conference which was to meet at the call of the Chinese Government. But the Conference did not meet until 1925 in which year the Chinese customs tariff treaty was ratified by the last one of the signatory powers. Subsequent progress of the conference meeting at Peking was delayed partly by the increasing political and military disturbance in China, and the conference ended late in 1926 without having reached any definite agreement, but it adopted a resolution

for the recognition of the Chinese tariff autonomy initiated by the United States Government, and for the going into effect of the Chinese National Tariff Law on January 1, 1929.

Such are the results of the Washington Conference, of which the conclusions took the form of a Nine Power Treaty while the Nine Powers represented at the Conference were parties to this treaty. It is not to be doubted that these results represent a real achievement and as an expression of good-will, the Washington Conference and the Nine Power Treaty were admirable in every way, and the effect in China was correspondingly to the good. Obviously, China was the chief beneficiary; but her gain was, in fact, nobody's loss. Unfortunately however, without a stable government in Power in China of that time, the hopes of Washington were brought to naught, their fulfilment has been delayed for many years, and even to-day it is still clouded.

3. China's Nationalist Revolution in Progress: 1920-1927.

In order to follow the foregoing historical review, we must now bear in mind the most important fact namely that the Chinese Nationalists' Revolution had begun during the post-war period and was still in progress.

The Washington Conference had scarcely completed its work in 1922 and two Chinese Governments, one in Peking and the other in Canton, had for some years been established. In north China, owing to the battalions of the military leaders, Peking was open to anyone who could establish authority, and the foreign powers would agree to recognise this authority as the Government of China. But no more could Peking hope to control the provinces south of the Yangtze, and that nursery of revolutions, Canton, for from the nature of the issue, the north was the natural stronghold of the old militarists, and the south was

the centre of the Nationalist Movement.

Though in south China the confusion seemed equally great on the surface at any rate, a new spirit was already at work. As we have seen, the government at Canton was under Dr. Sun Yat-Sen who led the Nationalist Party to start a revolutionary movement in China but it had on various occasions proved unsuccessful. The Nationslist Party under Dr. Sun Yat-Sen was in desperate need of help. They appealed to Britain, but the British diplomate still considered themselves bound to the shadow Government in Peking. Dr. Sun then turned to Russia, Soviet Russia as it now was, and there found a friend.

In 1923 Russian influence entered Canton to sow its seeds of hate of Western imperialism in China, and an impetus was given to Chinese nationalism against the unequal-treaties imposed upon China by the Powers for nearly one hundred years. Chinese opinion became appreciable of Russian help and began to speak of Marxism and Leninism, and in 1924 Dr. Sun issued his famous "The People's Three Principles", that is to say, government should be a thing of the people - "Nationalism", by the people - "Democrany", and for the people - "livelihood".

Meanwhile the technique of the Bolshevik Revolution began to lay hold of the Nationalist Party, and violent emphasis was laid on the injustices and oppressions to which China had been subjected by the imperialistic and capitalist West. The Chinese people, not only the Government, were bidden to arise and break their chains.

In 1925 Dr. Sun died in Peking having gone north with a view to bringing all parties together. But, devotion to the dead leader proved far more powerful in arousing the country than his living influence had been. The task of completing Dr. Sun's work fell to his intimate disciple, General Chiang Kai-Shek, who, on the crest of the

nationalistic wave, marched out from Canton with his army and with the allied forces, and in 1928 put an end to the Peking Government which had inherited the authority of the Manchu dynasty since 1912. Owing to the northward advance of the triumphal Nationalists' forces, the National Government since its establishment in 1927-8 had on the whole been strengthened, and in 1929 it made Nanking the capital and settled down to put Dr. Sun's Principles into practice. The present situation in China will be dealt with later, after considering briefly the tense feeling of the awakened Chinese against the activities of world Powers in China, and the British policy towards her during 1920-1927.

4. The Chinese Awakening.

After the revolution broke out in China in 1911, a wave of good-will towards foreigners swept over China. In spite of the disturbed state of the country, this did much to make the West realise that there would be a new China to be taken into account. Unfortunately, however, the Western statesmen, without viewing changing China, took no immediate steps to implement the various schemes of readjustment after the Peace Conference at Paris and the Conference at Washington. For the time being therefore, most Chinese believed that the source of all their troubles was foreign aggression, political and economic, and identified with western imperialism, and the Chinese became cynical of western help. Meanwhile the hold of Chinese nationalism, especially over the student movement, was increasing. It served the purpose of Russians in China to stir up this movement against foreign imperialism. Then came many incidents among which the most important is the incident of May 30, 1925 in Shanghai.

5. The Shanghai Incident.

Originally, Chinese sentimental feeling against the Japanese

found outlet through the grievances of operatives in Japanese mills in Shanghai. The Japanese deliberately turned student indignation against the British, the dominant power in the Yangtze valley, and the students in Shanghai joined in the movement. On the 30th May, 1925, an incident took place when the police of the International Settlement fired upon a demonstration of students and killed some twenty of them. In a week a nation-wide campaign of anti-imperialism was in full swing; this was sufficient to lead to an outbreak of resentment against the British. A boycott of British trade immediately followed. The trade of Hongkong was brought to an absolute standstill by an anti-British strike, which spread to other cities in the south of China.

6. British Policy Towards China during 1923-1927.

In the Washington Conference and in the Tariff Conference which met in 1925 at Peking, Great Britain obviously failed to lead the Powers to readjust their relations with China. It was perhaps inevitable that Britain, having no positive and aggressive purpose, should exercise no decisive influence on China's foreign affairs. When events happened after the Shanghai Incident the weight of the anti-foreign movement fell most heavily upon Great Britain. British business in China suffered heavily; for months British shipping, transoceanic, coastal and river, continued to demoralize. Then came an anti-religous movement, missionary work being identified with western imperialism.

Statements were made by British officials which gave reason to think that the hold of communism, especially over the Chinese student movement, was increasing and that this movement against the British was directed by Russians who were deliberately encouraging the students to concentrate their movement against the British.

Great Britain then came to the conclusion that in the interests of China herself and of the world at large the Powers should take a new course and carry through a constructive policy for the benefit of China. Fortunately the situation during 1925-1928 was simplified by the fact that the British and the other Powers' interests have already come under Chinese protection and that as the military ascendancy was with General Chiang Kai-shek and the Right Wing after the Chinese Nationalist Party had entered Peking, the Communist wing of the Nationalist Party at Hankow was eliminated in 1927 and at the same time the Soviet Russians turned out of China's Government.

Fortunately also, on the British side, there were statesmanlike minds in the British Cabinet. Though the British were naturally more under suspicion of imperialism and though they for the time being were regarded as the worst enemy, Mr. Austen Chamberlain's Note (43) in 1925 revealed an intention to deal fairly and equally with the new China and her new needs. During the full tide of the Nationalist success, the British Government, in view of China's demand that the 'Unequal treaties' would not be renewed when they expired, therefore invited the Powers to affirm their readiness to negotiate treaty revisions as soon as the Chinese Nationalists themselves had constituted a Central Government. The crisis then, soon passed over while the accession to power at Nanking of General Chiang Kai-shek synchronised with a marked improvement of relations between China and Britain and the other powers. Shortly after the return to power of General Chiang at Nanking, the Anglo-Chinese disputes were peacefully settled and the anti-British boycott was then brought to an end.

7. Nationalist China Since 1928.

At the turn of the years 1927-1928 the Nationalist Government

was established at Nanking under control of the right wing of the Nationalist Party with General Chiang at its head. From 1928 to 1934, China was changing, i.e. she was on the way to a national construction, a national re-unification, and a readjustment of foreign relations.

In these seven years 1928-1934 there were a number of major events, such as the Japanese invasion and occupation of Manchuria Jehol, followed by the extension of Japanese influence in inner Mongolia and North China.

In 1931 there were devastating floods in the Yangtze basin, and again in 1932 and 1933, and the year following, 1934, on the Yangtze and Yellow Rivers, whilst a severe drought in 1934 brought calamity to other parts in North China.

Since 1927 the Communist wing has been kept out of the Nationalist Party but one section of the army succeeded in establishing a Communist regime in Kiangsi. This has been a challenge to the Central Government's authority until 1933 when the Kiangsi regime was broken up and the Red Army emerged in the north-west. At the end of 1934, the Communist army and the dissentient provinces in the south were not standing on the same line with the Central Government as they are to-day.

The outstanding general changes of the period now under our consideration are the world slump and the decline in silver, both of which will better be discussed separately later, and it is not therefore necessary to go into these matters in detail here. Suffice it to say that since the end of the World War China's economic and commercial relations with Britain are being slowly drawn into the current of the world economy and trade and the fact that China had to bear a share in the world slump appeared in 1929-1930, and in 1933 there had been an acute economic depression which swept the country,

but the inauguration of a radically new silver policy at the time when Sir Frederick Leith-Ross of the British treasury was studying the situation on the spot, brought about a remarkable recovery.

The last seven years under our consideration present also, from an another point of view, a record of accomplishment in many directions in China. Most striking, perhaps, is the improvement in communications. Road systems have been built in the maritime provinces, causing greatly increased use of public and private motor-cars; regular air services now operate between Peiping and Canton, Shanghai, Nanking and Szechwan, and extend far into the north-west; the beginning of a national telephone service; the completion of the long-planned Canton-Hankow railway, and the Shanghai-London Radio Station. It is noteworthy that in all these developments the greater part of the work has been done by Chinese technicians.

At the same time cooperation with the League of Nations has shown the Nationalist Government's willingness to receive help from the West in all kinds of ways. Distinguished experts from many of the western nations have visited China in the last few years and rendered valuable services. Most of these experts have worked in connection with the National Economic Council which was set up in 1931 to undertake the execution of various schemes of national reconstruction.

China's economic problems would, therefore, seem to be well on the road to a solution while some progress is being made. There are many remarkable reforms which throw a good deal of light upon her financial and economic difficulties. For example, the creation of a new tariff was necessary for solid financial reasons. During 1925-1926 the Special Tariff Conference between China and the Powers reached no conclusion but certain discussions were since given such

widespread publicity as to lead to the conclusion that tariff autonomy should be given to China by 1929 and that she should abolish "likin" by that date.

The year 1928 saw a number of treaties regulating tariff relations between China and foreign countries and it was in accordance with the general provisions of these treaties that a new tariff scheduale was put into force in 1931, during which year "likin" and all other taxes on goods in transit were completely abolished.

China has, since 1930, exercised tariff autonomy and one of the natural results is the gradual introduction of a protective policy, in this case through export duties. The new tariff contains 647 terms, for about one-third of which specific duties are provided, the remaining duties being levied on an AD VALOREM basis at rates varying from 5% to 50%. Briefly speaking, there are two points to be noted. (1) There is an increase of customs on luxury articles imported and on other imports, particularly cottons and manufactures. (2) Most of the rates on export tariff are based on 7½% AD VALOREM. Except tea which is now free of duty, most of the staple articles of China's export trade, namely, silk, skins and hides, eggs and live stock are now subject to a higher duty.

The need for additional revenue was the greatest incentive in China's struggle for tariff autonomy. But moderate protection was an important object and a scrutiny of the new tariff rates discloses some important first steps toward the encouragement of local industry. The increased tariff on imports fell mainly, as it happens, on the articles in which Britain was particularly interested but it was by no means discriminatory against any powers interested in China's trade. On the other hand, the new tariff may be said to be rather favourable

to British interest while it afforded convincing evidence of China's governmental intention to foster industrial development in those industries for which China has natural advantages.

Though the new tariff would yield a higher revenue, as a whole it remained moderate and gives evidence of a statesmanlike compromise between the desires of the producers and the needs of the consumers.

Probably in the meantime, the National Government, in consequence of the heavy depreciation of the value of silver, decided to enforce the connection of customs duties with a new gold unit. It meant that customs duties would be collected on a gold basis. So the Haikwan Tael was discontinued as the unit of calculation of duties. Instead a new gold unit was used. This unit was equal to 60.1866 centigrammes of pure gold and was, therefore, equivalent to gold pence-sterling 19.7265. The issue of N. G. Units was confined to the Central Bank of China whose bank-notes were to be accepted in unlimited amounts payable in N. G. Units. Other currencies, dollars, taels were to be received in payment of duties but the rates of them expressed in the New Unit would be officially announced from time to time.

There are other points to the recently economic reforms which show more than readiness to use western appliances. They show a determination to achieve western standards of economic structure and prosperity, and a readiness, in the course of achieving this, to see the old organisation of the Chinese economy changed in quite a radical fashion. The first and most important is the change that has taken place in China's economic field while the banking and currency reform is one of the most significant developments of the last few years.

The whole world has its monetary problems. China, however, had not been able to concern herself greatly with such problems which

confronted western states, for she had much more urgent ones to face. As we have seen before, she had been handicapped by a chaotic and unregulated monetary system or rather lack of system. All the various circulating media were based on silver as a standard of value. The real monetary unit was not a coin but the tael, which was historically a unit of weight. According to local usage there were many taels which differed very videly.

Besides the confusing taels, there were many foreign as well as Chinese silver dollers in circulation. Copper, paper, dollar, fractional silver and tael varied all the time. So, in addition to the fluctuations of silver in terms of gold there was the extraordinary fluctuation of the various kinds of circulating currencies in terms of each other and in terms of silver. Foreign exchange in China was thus confused and complicated by the intricacies of her domestic exchange. She has been placed in a worse bargaining position as foreign exchanges have recently gone almost continuously against her.

In the late nineties and in the first decade of the twenteith century, at a time when the price of silver had fallen heavily, attempts to place China's currency upon a gold standard, and to regulate the currency within the country itself were made largely upon the initiative of foreigners in China. But no government in China has ever been able successfully to standardize its currency. Until 1930 the initiative of currency reform lay with the Nationalist Government.

The necessity for China's economic reconstruction constitutes the most outstanding reason for recent currency reform. This difficulty has been increased by the fact that the price of silver in terms of gold has fallen heavily. Chinese outpayments must be met in terms of gold. Thus as the exchanges went against China the Government's

purchases of raw materials became more expensive; and the same factor also checked imports and then tended to reduce customs receipts. The currency was then met with public support.

China's recent currency reform is based mostly upon the scheme put forward by the Kemmerer Commission which, at the invitation of the National Government, visited China in 1929-1930. In essence the new currency proposed is the gradual realization of the gold exchange standard and it is consequently to be kept at a constant ratio with the gold standard in other countries by operation on the foreign exchanges.

In the carrying out of the new currency reform, firstly, the year 1933 saw the final realization of the tael's abolition, secondly, the year 1934 saw the complete abandonment of the silver standard, and lastly with the year 1933 began the circulation of the new uniform standard-coin, the national silver dollar, which is 880/1000 fine, with a gross weight of 26.6971 grammes, containing 23.493448 grammes of pure silver.

The significance of the new monetary system may be pointed out; (1) the stabilization of exchange, (2) the unification of the standard currency unit, (3) the centralization and control of reserves, (4) the management of the currency, and (5) the internationalization of prices.

The new monetary system is therefore a managed foreign exchange standard designed, in the first instance, to maintain the stability of exchange and, ultimately, to promote a revival of trade and a recovery of prices. Under the new monetary arrangements, China is free from the operations of the American Silver Purchase Policy, and the level of the exchange value of the pound-sterling with the Chinese new standard dollar is deliberately maintained.

Whether right or wrong, the new monetary system is ostensibly in accord with modern monetary tendencies. In structure and functioning it approaches closely, even if it is not legally fixed to be, a managed foreign exchange standard, which would make for success in the present economic relations between China and Britain, and a normal and strong basis for the conduct of China's trade with Britain is thus unprecedently provided. It is now a well-known fact that the exchange value of the Chinese standard dollar simultaneously in terms of pound-sterling has to be fixed, while the rate has to be altered in accordance with its change on the London market.

The ultimate step of the completion of China's new monetary system must be conditioned on a reform of modern Chinese banking institutions which should show signs of increasing efficiency and stabilization. The Shanghai Chinese Bankers' Association now numbers about 25 member banks, including the two semigovernmental institutions, the Bank of China and the Bank of Communications. In 1928 a new Central Bank of China was created with a view to being the pivot of the mechanism for the reform of Chinese currency and banking.

The National Government of China recently decided to expand the capitalization of the two semigovernmental banks, and thus bring the two leading banks which have long commended unquestioned public confidence, into a community of interest and into a position of unparalleled responsibility with the Central Bank, the government-owned bank, which is to be recognized as the Central Reserve Bank of China. This measure must, therefore, be regarded as paving the way towards building up a banking up a banking machinery, which will later prove so valuable not only for the proper management of the new currency reform, but also for the further improvement of China's foreign trade.

In view of all the above-stated points operated by the Chinese Government which was reconstituted at Nanking in 1928, we may conclude that China has not only gone through a period of change in many directions, but that she continues to do so. In China's domestic politics, the seven years from 1928 to 1934 have been stormy, but, on the whole, have led towards a more stable regime, and the years from 1928 on, judging from Chinese economic constructions, have witnessed marked progress in many respects.

8. British Policy Towards China Since 1928.

The beneficial influences of the many improvements in China upon the British economic relations with her do not require detailed comments here. As a whole, the effect on Great Britain's commerce and on her economic influence must be very great. Consequently, Britain was the first country to be influenced by the fact that the reconstruction of China would be necessary as China had realised since 1928. Also from the British side was produced a general feeling of optimism that China could take her stand before the world as a modern and advanced country.

The nations chiefly concerned with China are Great Britain, Soviet Russia, France, America, Italy and last but not least, Japan. Britain was naturally the first to recognise the recent progress which China had made since 1928 in the arts of administration and in the reform and development of her economic system, and this led her to take a new view of China. The other western nations followed Britain's lead and have been waiting for the Chinese to be master in their own house.

The willingness of Great Britain to deal with the Nationalist Government of China in the most helpful spirit will be borne out by a brief outline of the events since the establishment of the new regime

in 1928.

British trade had suffered severely under the Cantonese boycott, followed by the Shanghai and Shamen "Incidents" of 1925, and was threatened with ruin by the Nationalist occupation of the Yangtze Valley. The Hankow and Kinkiang "Incidents" in 1927 and especially the Nanking "Incident" caused the British to waver in their determination to alter the old policy towards China and therefore, to join in the coercion of Nationalist China.

Prior to 1928, the British Government had been ready to continue negotiations with China on the entire subject of tariff and extraterritoriality while China seemed to be making progress towards emancipation from the 'unequal treaties'. With the Nationalist awakening of the country, Britain assented formally to the abolition of extraterritorial right in China; but this has been postponed by the Manchurian crisis. Also, in 1929 the Chinese Government was given assent from Britain to put into effect a schedule of customs duties determined by herself. Moreover, Chinese control over customs administration increased in its effective.

Since 1928, the British continued to return to Chinese administration their concession in Hankow, Kiukiang, and Amoy, and had consented to the cancellation of the leased territory of Weihaiwei.

In 1930, Britain followed America's example in remitting to China all payments of the British share of the Boxer Indemnity as an endowment to be subsequently devoted to Chinese industrial enterprises and educational or cultural purposes. In London, a Chinese Purchasing Commission has been established for the purpose of making contracts for the supply and delivery in China of any British-made machinery or materials purchased out of the remitted funds or out of the loans

secured on such remitted indemnity.

In 1930, a British Economic Mission was sent to the Far East with a view to enquiring into the present condition of British trade with China and Japan and to find what action should be taken by the British Government to develop and increase this trade. They reached the conclusion that the main lines of the British trade with China were not generally threatened by the newly increased rates of China's customs imposed on them but severly threatened by a keen Japanese competition in China. In order to secure British interests in China, a steady back should be given to China while working for a national construction and reconstruction. The reconstruction of China is of course at the expense of Japanese aggression upon her, and it is also a hard and vast task which will take years to accomplish. There is therefore an opportunity for the British to assist China in this task. Now, the Chinese Government has, despite conditions of peculiar difficulty resulting from the Japanese invasion, made remarkable progress in the restoration of law and order, in the development of communication and in the construction of her economy while a recent currency reform was planned on sound lines.

Under these circumstances Britain finds it easy to give China assistance in respect of her economic construction. The recent despatch by the British Government to China of its chief economic advisor, Sir Frederick Leith-Ross and the circumstances surrounding his visit, have naturally aroused strong suspicion of a possible financial understanding between Britain and China. The visit was of course greeted by the Chinese with great expectations of British financial assistance in certain quarters. But, as a matter of fact, no special assistance was produced from the visit as during the past

few years the close trading and financial relations between Britain and China have been built, we find, on China's desirability of basing her dollar on the British currency.

The only result of Sir Leith-Ross's mission to China was, as he himself pointed out, that "the consultation of British manufacturers and exporters with the Banks operating in China as to the possibilities of arranging middle term credits should deserve exploration. The development of China will require the importation of much capital and goods and this is probably the most promising field for British exports. Such exports would be greatly facilitated by a flow of credit to China, where capital is scarce and the field under proper management should be fully remunerative." (44) This the British have been doing in modern China. In the world, contemporary events in China are now filling the public mind no less than the economic depression. However, no attempt to deal more fully with very recent events would serve the purposes for which this paper has been written.

B. Modern Period of the Anglo-Chinese Trade, 1921-1934

1. Characteristics of World's Economics during the Period under Review.

In this chapter, an attempt will be made to estimate Anglo-Chinese trade during the modern period and the position of Great Britain as a country engaged in China's foreign trade. In the preceding chapters we have discussed the main changes in the character and volume of the trade between China and Britain before, during, and since the Great War. Those changes have been surveyed solely or mainly by the movement of Chinese foreign trade and not by the system of the world's trade as a whole. During the period under review, the changes in

world economic conditions have confronted Anglo-Chinese trade with many difficult problems. Among these stand out as peculiarly important, first, the world depression and secondly, the changing position of silver in the trade between gold-using and silver-using countries.

As we shall then see, the trade between Britain and China during the seventeen years commencing from 1921 had gone through a period of deflationary crisis brought about partly by the impact of the forces of world economic depression and partly by the inherent difficulties of China as a silver-using country.

a. World Economic Depression.

As we have seen before, the world economic situation during the years immediately after the termination of the Great War seemed to be on the way to recovery and world trade boomed. Anglo-Chinese trade had shared this boom and had thus set up record-years in 1919 and 1920.

But in view of the unhealthy character of the rise in prices brought about by inflation, and the speculative nature of the flourishing trade which accompanied it all the world over, the post-war boom was bound to end. The inevitable reaction soon came. Reacting first upon some countries which had the greatest interest in China's trade, it quickly spread from one country to another. The depression was intensely accentuated from 1921 and reached its maximum at the end of 1922.

In China, during the beginning of the period under review external and internal conditions were so complicated by world depression. But the general course of China's foreign trade reveals a steady and considerable increase, due to some reasons which we shall not discuss here. In view of the Anglo-Chinese trade measured by gold valuations, a slump can be regarded as an inevitable reaction from the boom in

which Anglo-Chinese trade had shared during the aftermath of the War.

It was about 1923-1924 that world economy entered into a period of fairly steady recovery while there was achieved a steady progress in the solution of the knotty issues of European politics which, after the War, were entangling the footsteps of trade. British overseas trade recovered its prosperity and her trade with China had made some progress. When the world as a whole recovered, there was no reason to suppose that China would not enjoy her proper share in the growing world trade.

At the same time the year 1924 and the subsequent years, saw a stabilization of the world's currency and exchange. In fact, most European currencies were stabilized in relation to gold. Britain had adopted the gold standard as early as 1816. The World War caused her to go off this standard until 1925 when the situation permitted her to return to her pre-war standard.

From 1924 onwards, world economic under the surface have been more stable than during the years before 1923, but there are indications that restoration of world economy, destoyed by the War, was far from the goal at which most industrial countries aimed. The over-valuation of sterling in Britain revealed the fact that the gold standard could not be permanently maintained. From 1924-1930, wholesale prices in Britain as in other leading countries fell steadily. It then became impossible to adjust the economic structure in any one country to world needs. A considerable fall in the money value of British imports and exports, the rise of the visible adverse balance of British foreign trade, the General Strike in Britain and conditions in the world in general found her in a period of world depression.

In September, 1929, a financial crisis in New York heralded the

world depression in trade. It was not unexpected as it was well-known that there were trade cycles before the War.

As we have stated, the post-war boom was followed by a depression which, in turn, was followed by a period of recovery ending in 1929, when another depression set in. As we have also stated, the conditions in Britain and in the world in general, which prevailed in the years before 1929 were precisely those which might be expected to precede a world financial collapse and commercial depression. It was expected that the period of this cyclical depression would continue longer and that the recovery would be more difficult than before.

During the world slump, and on the top of troubles, came a sharp fall in commodity prices. Naturally, this was a blow felt most heavily by countries such as China and India who are mainly dependent on the sale of staple foodstuffs or raw materials for her purchasing power in the world market. Next, came an alarming growth of unemployment with a sharp fall in the movement of new capital investments, all the results of which were observable during the four years before 1934.

Consequently, the position of Britain's international balance of payments was admittedly serious and the gold standard was suspended. When in 1931 Britain led the way by devaluing its currency in terms of gold and other countries promptly followed her example.

Next, there was a large increase in the restrictions imposed upon international trade with great interests in custom duties. British overseas trade has without doubt been materially hindered. When the whole world began to reel under the strain of an unparalleled depression, it is not to be wondered that China's trade with Britain as with the rest of the world, suffered a setback.

The year 1934, the last year of the period under consideration,

seemed to be a year, like 1924, of comparative currency stability and of part recovery in the world's trade. It has been suggested that the years 1933 and 1934 resemble in many respects the years 1923 and 1924, and, therefore, it is not unlikely that future economists may see in 1934 or in the year following it, the first year in the post-war history of economics, of a modern period in which we are not concerned at present.

b. The Changing Position of Silver.

During the period now under our consideration, the position of silver underwent a fundamental change in China's foreign trade and in world economics. The silver situation has raised many complicated issues, which we must discuss in this treatise on the development of China's trade with Britain. As referred to before, the trade between Britain and China is the trade between a gold-using and a silver-using country. In a comparison of the trade figures on the gold standard and the silver standard respectively, or on that of the valuations measured by gold-currency and by silver-currency respectively, it will be found that the latter has obtained a large share of the world trade. Doubtless, no trade-figures can give us a true picture of the changes in the actual volume of goods entering into China's trade with Britain or with the rest of the world, for both gold and silver prices have fluctuated widely.

The difference between the gold and silver value is, of cours, due to the post-war increase and the present fall and growth in the gold value of silver. The serious slump and a temporary boom in the prices of silver during the period under consideration have forced a renewal of the discussion of the old silver question with its different aspects while the fall and growth in the gold price of silver did

affect China's position as a trader on the British market and in the world market in general.

Since the world bowed down to the golden calf, silver lost prestige and has become like any other commodity fluctuating in price according to supply and demand. It is well-known that silver has long been China's standard of value as well as its currency. But strictly speaking, in China before 1930, there has been no standard currency as silver and gold have both been commodities.

Since China carried on commercial transactions with a gold standard country such as Britain a shift in the ratio of gold and silver was a shift of the gold price of silver, which has been constantly reacting on China's external trade. From 1834 when China was thrown open to trade with Britain, the average price of bar silver in London showed little change until 1873, as it was never much higher or lower than 60 pence per standard ounce. Since 1873 silver became the undervalued metal and gold the overvalued one, and until after the beginning of the Great War, there was a fairly steady downward tendency of silver prices. It was only at the close of the War that the white metal made an attempt to regain its old glory when its prices rose sharply from 1917 to 1920 ascending to unprecedented height. Towards the close of 1929 fate once more attacked silver.

During the period under consideration, silver decidedly fluctuated in price as on the London market, fluctuating from 36¾ pence per ounce in 1921 to 28¾ pence per ounce in 1926. During 1927 and 1928 the silver market was fairly quiet, fluctuating within narrow limits about 26 pence per ounce. The year 1930 has become notorious as the year of a world-wide economic crisis, and as one of the consequences thereof, silver prices showed an alarming collapse as had happened

before in 1873 and 1893. From 1924 to 1930 the price of silver fell approximately 50%, falling again to $14\frac{1}{16}$ pence per ounce in 1931, and then came a steady and sudden advance until 1934.

Generally speaking, the price of silver rose to an abnormal height in 1919 and 1920 because of the inflationary policy of western treasures, and other effects of the Great War. Since 1920 its price has fallen considerably and almost continually. Until 1932 it was in a upward direction, because of the American policy by which silver has been inordinately governed.

In the United States silver is not an economic but a political issue. For China, the silver problem is the currency problem, and for the foreign countries trading with China, the price of silver is in terms of gold.

In China silver has been the basis of all transactions with foreign countries. The gold price of silver has then been of paramount importance not only to China out to those who had dealings with her. As long as she was on the silver currency the fluctuations in the price of silver have always proved very disturbing to the normal functioning not only of her domestic economic system but also of her external transactions.

The fluctuations in the price of silver easily bring as element of uncertainty into the trade with China and then make speculation unavoidable. With the foreign trader there has always been the necessity of considering the gold price of silver in the market as it ranks as a commodity in gold-currency countries. In China's trade the most difficult problem for the foreign business man has thus been the handling of her foreign exchange.

When silver prices rise sharply as they did after the Great War,

it becomes profitable for China to import foreign goods because she has then to pay much less in gold for them. But in fact China did not benefit from this fact.

On the other hand, since 1921 the price of silver has steadily declined and it continued to decline after 1930. In theory, export merchants engaged in China's trade should have as a class benefited considerably, but it has been indicated that exports from China have not increased so much as was expected. Doubtless, this is due to causes unconnected with the price of silver, such as other hindrances to movements of goods either imported or exported, into or from China during the period under review.

Consequently, China would not find a rise in the gold value of silver to her advantage, because it would compel her to give more goods in exchange for a given amount of silver. She has been known to buy more silver than any other country. As as importer she did not buy with silver and normally, as an exporter, she had to buy silver with the gold with which she was paid.

Also, trade interest in China would best be served, not by a rise in the price of silver but by a rise in the general level of commodity prices. A sharp rise in the gold price of silver without a similar rise in the other gold prices would merely spell depression and further complicate the problem of silver stabilisation by encouraging large exports of the metal from China.

In fact, since 1920, the general level of prices of all commodities has been steadily falling in the West in general as well as in Britain, but they have been rising just as steadily in China. No doubt, this rise is partly an outcome of the fall in the value of silver. Thus while silver price fell, all imported goods to China cost considerably

Great Britain went off the gold standard, silver at once began to rise in terms of sterling, while in terms of gold it continued to decline during the remaining years of the period under consideration, during which the exchange value of the Chinese dollars increased steadily in terms of sterling.

It is a well-known fact that the movement of silver, unlike that of gold, was toward China throughout the years from 1871 to 1921 as she was in a position to buy greatly increased quantities of silver bullion. We are told that China and India between them have absorbed about 80% of the world's annual output of silver. Of the world's supply of white metal, the United States produced nearly 25% and she therefore had little to gain from low silver prices but much to gain from high ones.

Since silver has been deliberately governed by the American policy and at the same time since considerable purchases were made in London the price of silver went up steadily and continualy from 1930 to 1934. All world economic activities have then necessitated an outflow of silver, together with gold from China.

Following the downward movement of prices of imports and exports, wholesale prices in China have experienced a serious decline since the end of 1931. In the summer of 1934 it became more than evident that the forces making for falling prices and an adverse balance of international payments were gaining in intensity, and the outflow of silver continued on an alarming scale.

Fortunately, the Nationalist Government of China before 1934 provided a necessary plan to put a new currency reform into effect, and therefore to give a final blow to silver as the standard currency in China. The old taels ceased to exist in all public and private

economic transactions which had to be made in terms of the new national standard money. The Haikwan taels were then replaced as customs currency by the standard currency at the ratio of 1 H.T. = Stand. $1.558.

Consequently, an impetus has thus been given to China's complete abandonment of the silver standard, by the American agitation of the governmental purchase of silver, which sufficiently drove China's currency to the British pound-sterling side while in China's foreign exchange the level chosen as indicated in the selling rates of the Central Bank of China, was mostly in respect of sterling in particular.

By going off the silver standard, China passed from an unmanageable silver-currency to a unique, simple and effective currency-standard, as we have stated before.

The period under consideration ranges from 1920 to 1934, thus covering some of the most spectacular and cyclical movements in the history of economic crisis, and the fated vicissitudes of silver in the modern trade between East and West. In view of the oft-alleged drastic change in the characteristics of world economic activity, partly as a result of monetary factors and partly as one of the varied products of the world depression, the aggregate movement of Anglo-Chinese trade can hardly be said to look upward as we had expected. Our attention will be focussed on the main changes in the trade relations between China and Britain during 1921-1934.

2. General Course of Trade between China and Great Britain.

With the appearance of commercial development internally and externally, China, during the period now under consideration, like every other country was drawn into a world economy, in which her commercial relations with Great Britain have played and are to play a part. Her economic prosperity affects and is affected by the prosper-

ity of Great Britain who has led the leading commercial countries of the world to open trade with her and who has taken a predominant position in her foreign trade for such a long period as we have seen already.

It has been said that the history of British commerce is really the story of the commerce of China. Naturally it is by no means held that as Chinese commerce does or does not develop, then the British proportion of her foreign trade is bound to expand or shrink. But, on one hand, British trade with China has been and is responsible to no small degree for the development of China's foreign trade, and on the other hand, factors producing some influence on China's trade have to react especially upon her trade with Britain as trade relations between them still show rapid natural development to-day, even though Britain holds no premier position in China's foreign trade.

Let us turn first to the trade figures in the following tables which show the importance of Britain in China's foreign trade and the importance of China in the foreign trade of Great Britain. The general changes of the trade between them are shown in the tables which bring together statistics from Chinese and from British sources.

Table I

The importance of Great Britain in China's foreign trade, 1921-34. Compared with 1899, 1900, 1913, 1914, 1919 & 1920 (Chinese Statistics)

Year	Imports from Britain H.T.000's	% of China's imports	Exports to Britain H.T.000's	% of China's exports	Total trade H.T.000's	% of China's foreign trade
1899	40,161	14.7	13,963	7.1	54,124	11.5
1900	45,467	21.5	9,356	5.9	54,823	14.8
1913	96,911	17.0	16,346	4.1	113,257	11.8
1914	105,208	18.5	22,577	6.3	127,784	13.8
1919	64,292	9.9	57,186	9.1	121,478	9.5
1920	131,720	17.3	45,805	8.4	177,524	13.6

1921	149,936	16.5	30,914	5.1	180,849	12.0
1922	145,293	15.4	38,508	5.9	183,800	11.5
1923	120,397	13.0	43,207	5.7	163,664	9.8
1924	126,011	12.4	50,251	6.5	176,262	9.8
1925	93,138	9.8	47,643	6.1	140,780	8.1
1926	116,269	10.3	55,836	6.4	172,105	8.6
1927	75,072	7.4	57,991	6.3	133,063	6.9
1928	113,757	9.5	61,064	6.1	174,820	8.0
1929	119,149	9.4	74,334	7.3	193,483	8.5
1930	108,258	8.3	62,669	7.0	170,927	7.7
1931	119,986	8.6	64,526	7.1	184,511	7.8
1932	119,192	11.2	37,584	7.6	156,776	10.2
1933	102,694	11.3	32,510	8.0	135,204	10.4
1934	83,098	12.0	33,204	9.3	116,302	11.1

Table II

The importance of China in the foreign trade of Great Britain, 1921-1934. Compared with 1899, 1900, 1913, 1914, 1919 and 1920

(British Statistics)

Year	Exports to China £000's	% of British exports to foreign countries	Imports from China £000's	% of Britain's imp. from foreign countries	Total trade £000's	% of British trade with foreign countries
1899	7,040	2.7	3,069	0.6	10,109	1.3
1900	5,574	1.9	2,360	0.5	7,934	1.1
1913	14,864	2.8	4,672	0.6	19,536	1.5
1914	13,015	3.0	4,719	0.7	17,734	1.6
1919	20,976	2.6	23,053	1.4	44,029	1.8
1920	43,583	3.3	26,898	1.4	70,481	2.2
1921	26,233	3.7	11,270	1.0	37,503	2.1
1922	22,982	3.2	9,715	1.0	32,697	1.9
1923	18,646	2.4	12,162	1.1	30,808	1.7
1924	20,361	2.5	13,916	1.1	34,277	1.6
1925	14,656	1.9	13,449	1.0	28,105	1.3
1926	16,416	2.5	11,544	0.9	27,960	1.5
1927	9,703	1.4	12,124	1.0	21,827	1.1
1928	15,758	2.2	11,983	1.0	27,741	1.4
1929	14,055	1.9	12,162	1.0	26,217	1.3
1930	8,593	1.5	9,891	1.0	18,484	1.1
1931	7,859	2.0	7,773	0.9	15,632	1.3
1932	7,838	2.1	6,163	0.9	14,001	1.3
1933	6,300	1.7	5,095	0.8	11,395	1.1
1934	6,513	1.7	6,142	0.8	12,655	1.1

The figures given above are for the direct movements of goods between China and Britain, but the whole of British trade with China

must include Hongkong. In the Chinese statistics, trade at Hongkong is dealt with as a foreign country. As referred to in all the preceding chapters, from a commercial point of view, Hongkong has to be taken into account as part of the Chinese trade with Britain as with the rest of the world.

At Hongkong, commercial expansion has then kept pace with the development of trade between China and Britain as it served as the distributing centre for China's trade with Britain and is therefore the natural distributing centre for British exports to China and also for China's exports to Britain.

Hongkong, though a free port like Macao, has no branch of the China Maritime Customs Station, and its own statistics are so unsatisfactory that its great entrepot trade constitutes a source of endless confusion in all questions of China's trade. Since Shanghai grew as the Chinese commercial capital, Hongkong continued to remain as a distributing port of no importance and trade at Macao is still not worthy of special mention.

As long as Hongkong like Macao, has been and is viewed as a Chinese port, a large proportion of British exports and imports to and from China including Hongkong and Macao, continued to be credited in the trade statistics from the British side. For the Anglo-Chinese trade through Hongkong an allowance must be made if the following trade statistics from the British side are consulted.

Year	British imports from China	British imports from Hongkong & Macao	Total	British exports to China	British exports to Hongkong & Macao	Total	Total trade
	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1921	11.3	1.0	12.3	26.2	6.7	32.9	45.2
1922	9.7	0.7	10.4	23.0	6.2	29.2	39.6
1923	12.2	0.9	13.1	18.6	6.7	25.3	38.4
1924	13.9	0.8	14.7	20.4	8.5	28.9	43.6

1925	13.4	0.7	14.1	14.7	5.1	19.8	33.9
1926	11.5	0.7	12.2	16.4	3.2	19.6	31.8
1927	12.1	0.5	12.6	9.7	4.9	14.6	27.2
1928	12.0	0.5	12.5	15.8	5.4	21.2	33.7
1929	12.2	0.5	12.7	14.0	6.2	20.2	32.9
1930	9.9	0.4	10.3	8.6	4.3	12.9	23.2
1931	7.8	0.4	8.2	7.9	4.4	12.3	20.5
1932	6.2	0.2	6.4	7.8	4.8	12.6	19.0
1933	5.1	0.3	5.4	6.3	3.2	9.5	14.9
1934	6.2	0.4	6.6	6.6	2.5	9.1	15.7

From the following figures in re-exports from Britain to China an estimate of the whole of the British trade with China including Hongkong and Macao during 1921-1934 can be made.

	British Imports			
	from China	from Hongkong	from Macao	Total
1921-1927	£	£	£	£
Total value	84,179,951	5,185,657	983	89,366,591
Annual aver.	12,025,707	740,808	140	12,766,656
1928-1934				
Total value	59,209,351	2,746,348	3,402	62,032,840
Annual aver.	8,458,479	392,335	486	8,861,834
1921-1934				
Total value	143,389,302	7,932,005	4,385	151,399,431
Annual aver.	10,242,093	566,571	313	10,814,245

	British Exports			
	to China	to Hongkong	to Macao	Total
1921-1927	£	£	£	£
Total value	128,998,093	41,313,475	42,604	170,354,172
Annual aver.	18,428,299	5,901,925	6,086	24,336,310
1928-1934				
Total value	66,921,491	28,407,507	21,144	95,350,142
Annual aver.	9,560,213	4,067,215	3,021	13,621,449
1921-1934				
Total value	195,919,584	69,720,982	63,748	265,704,314
Annual aver.	27,988,512	4,980,070	4,573	18,978,879

	British Re-exports			
	to China	to Hongkong	to Macao	Total
1921-1927	£	£	£	£
Total value	1,245,954	767,800	561	2,014,315
Annual aver.	177,993	109,686	80	287,759
1928-1934				
Total value	733,874	517,717	390	1,253,496
Annual aver.	104,839	73,960	56	179,071
1921-1934				
Total value	1,979,828	1,285,517	951	3,267,811
Annual aver.	141,416	91,823	68	233,415

	British Exports and Re-exports			
	to China	to Hongkong	to Macao	Total
1921-1927	£	£	£	£
Total value	130,244,047	42,081,275	43,165	172,368,487
Annual aver.	18,606,292	6,011,611	6,166	24,624,070
1928-1934				
Total value	67,655,365	67,499,208	21,534	135,176,107
Annual aver.	9,665,052	9,642,744	3,076	19,310,872
1921-1934				
Total value	197,899,412	109,580,483	64,699	307,544,594
Annual aver.	15,135,672	7,827,177	4,621	21,967,471

The above statistics for the total value of the British trade with China including Hongkong and Macao, for the years from 1921 to 1934 show that during the years 1921-1927 there was a decline followed by a moderate increase in the total trade between them and that during the years 1928-1934 there was an increase followed by a great decrease in their total trade. The value of the total trade between them is shown to be considerably greater during 1921-1927 than during 1928-34.

As compared with the amount of the Anglo-Chinese trade in the same years during the foregoing period, 1914-1920, the total value of the trade between them increased somewhat during 1921-27 but was heavily reduced during 1928-34, and the annual average value of the total trade between them showed a greater reduction during 1921-1934 than during 1914-1920. In comparison with the preceding period or in comparison of the early part with the latter part of the period under consideration, the whole course of the trade between China and Britain was thus characterized by a decline.

We next turn to the Chinese figures in which we find that the total trade between China and Britain during 1921-1934 was almost constantly on the down grade as shown in the British figures. The figures in H. taels show that there was a marked indication towards decline in the total trade of China with Britain during 1921-1934.

Within the seventeen-year period, the years 1921-1931 marked a definite stage of expansion of the trade between them. From 1932 onward when the world economic situation was already taking serious shape the figures of Anglo-Chinese trade in H. taels dropped tremendously. But the record of expansion of the trade between them was entirely unbroken, as in comparison of the total trade of China with Britain in the same years of the preceding period with that of the period under consideration, we find that the value of their total trade more than tripled during this period. This is an important difference between the two periods and this is the different indication of the figures from the Chinese side and those from the British side.

To take Chinese figures as compared with British figures, the period under review as a whole, reveals a downward trend in the trade between the two countries. The Chinese figures shown below in the first table bring out this point. For the purpose of comparison, the second table shows Chinese and British figures, side by side, thus illustrating the marked indication towards decline during the period under consideration.

Table I

Chinese trade with Britain
(Chinese Statistics)

	China's imports from Britain		China's exports to Britain	
	Total value	Annual average	Total value	Annual average
Year	H. taels	H. taels	H. taels	H. taels
1921-27	826,115,969	118,016,567	324,349,948	46,335,707
1928-34	766,133,297	109,447,614	365,891,173	52,290,168
1921-34	1,592,249,266	113,732,090	690,241,121	49,302,936

Table II

Total trade between China and Britain, excluding Hongkong

	(Chinese Statistics)		(British Statistics)	
	Total value	Annual average	Total value	Annual average
	H. taels	H. taels	£	£
1914-20	788,786,037	112,683,719	207,527,322	29,646,760
1921-27	1,150,465,917	164,352,274	213,178,044	30,454,006
1928-34	1,132,024,470	161,717,781	126,130,842	18,018,692
1921-34	2,282,490,387	163,035,028	339,308,886	24,236,349

It may be seen from the above that though the shrinking tendency of the trade between China and Britain was probably not the feature of the period now under review, the trade between them by no means followed the usual upward tendency during this period but rather showed a decline.

It must be borne in mind that the Anglo-Chinese trade was measured either in H. Tls. or in pounds sterling, both of which could not be expressed as the true measure of the trade. Neither set of the above figures can therefore give us a true picture of the changes in the actual volume of goods entering into China's trade, for both gold and silver prices and the prices of imports and exports fluctuated widely year by year.

As regards the value of China's trade, the statistics compiled by the Maritime Customs are more statisfactory than most published in China, but in certain respects they are inaccurate. Their valuations of China's trade with Britain during this period showed an increase but this increase can hardly be explained as a real one.

If the same values of China's merchandise trade with Britain for the years 1921-1934 are converted into pound sterling we shall find that the difference between the sterling and silver values, due to the post-war decrease in the gold value of silver and the present day decline in the exchange-value of silver with the pound sterling, are, of course, very great. This is shown in the following table which gives the recorded values of China's imports from and exports to Britain for the years from 1921 to 1934 and the same values converted from Hk. Tls. into British currency.

Year	Direct trade of China with Britain				
	Imports H. taels	Exports H. taels	Imports £	Exports £	Rate of Exchange
1913	96,910,344	16,346,413	14,637,500	2,468,989	3/0 1/4
1914	105,207,580	22,576,781	14,356,410	2,997,456	2/8 3/4
1920	131,719,952	45,804,536	44,729,900	15,554,457	6/9 1/2
1921	149,935,615	30,913,956	29,637,273	6,110,658	3/11 7/16
1922	145,292,550	38,507,874	27,242,353	7,220,226	3/9
1923	120,397,229	43,207,130	20,944,101	7,516,240	3/0 3/4
1924	126,011,025	50,250,851	23,070,518	9,200,093	3/7 15/16
1925	93,137,777	47,643,185	16,250,852	8,311,750	3/5 7/8
1926	116,269,419	55,835,783	18,058,090	8,671,995	3/1 3/8
1927	75,072,394	57,991,169	10,576,606	8,170,110	2/9 13/16
1928	113,756,588	61,033,733	16,618,889	8,916,520	2/11 1/16
1929	119,148,969	74,334,237	15,792,203	9,835,717	2/7 13/16
1930	108,257,932	62,669,051	10,239,396	5,927,448	1/10 11/16
1931	119,985,583	64,525,890	10,019,580	5,612,408	1/6 7/8
1932	119,192,225	37,584,262	11,546,747	3,640,975	1/11 1/4
1933	102,694,000	32,510,000	6,632,321	2,099,600	1/3 1/2
1934	83,098,000	33,204,000	10,517,090	2,801,587	1/3 1/6

Thus, we can see that with the fall in the market price of silver the foreign exchange of China continued to depreciate. But, with the falling silver exchange there was a rise in the price of all goods, bearing in mind that during 1921-1931 Chinese wholesale prices were rising, and not falling like those of the outside world, for example, Great Britain, as shown in the following table:

Year	Whole-sale Price British Board of Trade index	Index numbers of whole-sale prices in China		Fluctuations in silver prices in London Market
		North-China	Canton	
	1913=100	1926=100		1926=100
1913	100	67	58	96
1921	197	89	81	129
1922	159	86	85	120
1923	159	90	87	112
1924	166	94	94	117
1925	159	97	100	115
1926	148	100	100	100
1927	142	103	100	91
1928	140	108	97	96
1929	137	110	98	83
1930	120	116	101	60
1931	104	122	112	50
1932	101	113	113	62
1933	100	101	103	63
1934	104	92	-	74

The general level of the prices of all commodities thus steadily fell in Britain from 1921 but it rose just as steadily in China as a whole. No doubt, this rise in the price of goods, particularly in those imported into China, was partly an outcome of the fall in the value of silver, and the movements of prices in Britain and in China are in opposite directions as shown above.

There remains to be noted that the figures in Chinese Haikwan taels do not present the true course of China's trade with Britain if we take into account the changes in prices and the falling price of silver in the London market. It is also the case with the British figures published by the Board of Trade in Great Britain, which must be greatly affected by changes in the general level of wholesale prices in Britain. It is apparent that all trade figures show only roughly the amount of goods imported and exported, and that they are far from giving a true estimate of trade. We are obliged, therefore, to consider the changes in the commodity composition of trade between China and Britain as commodities bulk large in the imports and exports. Before considering commodities in groups we shall deal with Anglo-Chinese trade in imports and exports in general, and before dealing with this we shall first proceed to examine the unfavourable conditions under which Anglo-Chinese trade during this period has shown such a downward trend as pointed out in the above analysis of their trade-statistics in general.

3. The Unfavourable Conditions in Anglo-Chinese Trade.

It is convenient, for many purposes, to divide the modern period of Anglo-Chinese trade into two phases. The first of these covers the years from 1921 to 1927, and the second the years from 1928 to 1934. In the attempt to visualize the present tendency of the trade

between them, emphasis should be laid on the second phase of the period under consideration.

Decline in valuation does not characterise Anglo-Chinese trade during the first phase more than during the second phase of this period while we have found that there was a most notable increase in the total trade between them during 1921-1927 and there was a considerable decrease in their total trade during 1928-1934.

Also, there is an another difference between these two phases, as the first phase witnessed British trade with China increasing in value but not in importance, while during the second phase it probably increased in importance, but actually decreased in value. So, from this point of view throughout this period the decline of British trade with China was marked. Indeed, the trade between them never reached the highest peak of the foregoing period.

The conditions or factors which did not favour the development of British trade with China may be briefly reviewed.

(1) The first factor which has been taken into account when making a comparison of Chinese figures between the silver and the sterling values, is that of price . During the period under review, the decline in the total sterling value of China's imports from Britain is probably attributed to the general fall in wholesale prices in Britain. The increase in the total silver value of China's exports to Britain, on the other hand, is attributed to the general growth of wholesale prices in China, as well as to the reduced quantity of the merchandise imported from China into Britain and to the increased quantity of the Chinese merchandise exported to Britain.

But, only in one respect was Anglo-Chinese trade during this period more fortunate than in some previous periods in being compara-

tively free from violent fluctuations of exchange which have at all times previously done so much to disorganize British business in China.

Owing to the decline in silver, the sterling value of the silver-tael in China actually decreased from the average rate of 3/11 7/16d in 1921, 2/9d in 1927 to less than 2/- in the years after 1930. The total value of Anglo-Chinese trade, therefore, when expressed in sterling at the average rate of exchange for each year during this period, shows decreases as we have pointed out in the above figures which are apt to give a misleading impression of the actual volume and value of China's trade with Britain.

Theoretically from the British point of view, as a result of the fall in the price of silver, a favourable exchange should encourage British buyers to purchase increased quantities of China's exports. But practically, in a trade depression this tendency is often offset by the reduced demand and reduced purchasing power of the British people who cannot take full advantage of the opportunity to buy cheaply in China.

From the Chinese point of view, owing to a rise in the price of goods imported, and to a fall in the silver exchange which remarkably reduced the purchasing power of the Chinese people, who in order to buy a given British article, had to make a constantly greater outlay of Chinese dollars, there was a tendency for the value and the volume of British exports to China to decrease as well as for Chinese exports to Britain to decrease.

(2) The second factor is China's industrialization, the effect of which would lessen her dependence upon her trade with Britain and thus the old-established trade relationship between them would be affected.

As has been stated previously, the Great War, by checking China's

imports from Britain and from other countries except Japan, provided a boom period for Chinese factories in important industrial centres. Under the influence of this boom, Chinese-owned factories especially cotton mills sprung up, and expanded rapidly. From 1925 onwards the expansion of the cotton industry in China advanced at a slow steady pace, while other less important industries showed a more rapid rate of development. During the period under review, industrial development in China, while experiencing a succession of booms and slumps more or less common to all industrial centres in Great Britain, made substantial growth and in the case of cotton goods reached the point of replacing imports to a very large extent and of contributing a by no means negligible quota to world exports. In other lines of manufacture of a competitive nature China has lately shown considerable capacity for expansion in such commodities as glass, cigarettes, and rubber goods, though these are still minor industries.

Thus the once flourishing importation of British goods into China has, through the effect of China's industrialization, suffered a decrease. During this period, China's imports rose, but the British share continued to decline owing to her decreased share in world production which showed a substantial growth.

Here, it may be noted, British goods in the Chinese market, where the fall in the price of silver hit the purchasing power of common people especially hard, and where the low standard of living used to reduce the outside demand, found it very hard to compete with goods produced by the Chinese factories while China could more and more manufacture the cheaper lines of goods of foreign style which she had in the past been obliged to purchase abroad.

As has already been pointed out, cheapness in the past has been

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the determining factor in the sale of foreign goods in China. There is then no doubt that British trade with China has been handicapped to some extent by the high price of her goods imported into China as compared with Chinese made goods. Capture of the local market was therefore the great achievement of China's industrialization.

From a commercial point of view, British goods have had a reputation second to none in quality, and the British product had met with approval as far as quality was concerned. But the British were then faced with the high cost of production which inevitably weakened their position in trading with China, as high prices caused the Chinese demand for her goods to decrease and her trade with China was thus handicapped. In recent years, this handicap still exists as far as the great mass of the people are concerned, even though in the older treaty-ports the standard of living is steadily rising and there is a growing demand for goods of better class and quality, such as those exported from Britain.

On the other hand, there is one point of view which has been held by the British interested in their trade with China. Doubtless, China has been and is meeting, and more than meeting, her own requirements in manufactured goods, such as cotton and other textiles which dominate the picture of Chinese industrialization, but these new industries are not wholely competitive with the textile goods imported from Britain, as the growing wealth of China is ultimately the most favourable omen for the future of British trade with her. When China grows richer her capacity to buy British products will be increased. She has developed her production of cottons but in order to do so she had to buy greater quantities of machinery and electrical equipment. Even from a competitive point of view, metal manufactures and the

engineering industry in China, both of which assumed international importance and in which Britain's industrial structure has had its deepest roots, have by no means attained such importance as to the degree of competing with these goods from Britain. China's trade with Britain expanded very substantially by the rapid extension of railways, and subsequently factory erection on modern lines, which created in their turn a demand for imported engineering products from Britain, and this involved a large degree of Sino-English co-operation not only on the commercial but also on the financial and technical side. British trade and enterprise has thus played a large role in the industrialization of modern China.

From the competitive point of view, the decline in the importance of Britain's share in the Chinese market is better attributed to increased Japanese competition than to the development of Chinese home production. It is beyond doubt that in China's market the most serious competitor of Britain has been Japan and this competition has been a dominant factor in China during and since the War. We shall not discuss the degree of Japan's displacement of British exports to China at present, but shall revert to it when we come to consider the position of British trade in modern China - - in order to examine the unfavourable factors in that trade as a whole during the period under consideration.

(3) The third factor is China's boycott against British goods, during 1925-1927. The appearance of boycotting British goods in China should be specially regarded as an accidental and unfavourable factor in the trade of Britain with China for the period under review witnessed the effect of boycott in the field of China's foreign trade in general and of her trade with Britain in particular.

The effect of China's boycott against Britain during 1925-1927, is brought out by two points: firstly, the fall in China's imports from Britain during the boycotting can be viewed in comparison with her imports from Britain during the years when there was no boycotting, and secondly, the increase in the trade of Japan is evidence that there was a boycott in China and Hongkong in 1925, 1926 and 1927, against Britain.

At the beginning of the period under consideration, China was steadily advancing as a market for foreign trade in general and for British trade in particular. During the years 1921-1924, her total exports rose steadily as did her exports to Britain. Her total imports from Britain as well as those from the rest of the world showed some fluctuations, though on the whole there was an increase. But during 1925 both exports and imports in China's foreign trade declined rapidly, and in this decline British trade with China was most interested as shown by the Chinese figures.

The year 1925 was the first year of anti-British boycott in China. The boycott arose out of an incident which occurred in Shanghai on May 30, 1925. The agitation quickly spread up the Yangtze valley and down the coast to Southern China, where serious incidents occurred.

This boycott was still effective in 1926 especially in the south where it was combined with the boycott of Hongkong against Britain, and much of the anti-British feeling which existed in 1925 continued well in 1927.

In an examination of the course of British trade with China as compared with the total trade of China and with the total trade of Britain as a whole, we find that the economic effectiveness of the China's boycott against Britain was remarkable.

The Chinese figures which have been presented make it clear that

the total trade of China with Britain during the boycotting years 1925-1927 considerably decreased as compared with the preceding periods and that the decrease was entirely in her imports from Britain.

British exports to China dropped from Hk. Tls. 126.0 million in 1924 to 93.1 million in 1925 or from 12.4% in 1924 to 9.8% in 1925 of China's total imports. This is evidence that the boycott was effective as the year 1925 witnessed anti-British feeling at its height in the form of boycott and strickes among the Chinese.

In 1926 the value of China's imports from Britain showed an increase in Hk. Tls. from 93.1 million in 1925 to 116.2 million in 1926 and the share of Britain in China's total imports slightly increased from 9.8% in 1925 to 10.3% in 1926. But, this increase did not mean that the Chinese boycotting of 1926 had become less intense or less effective than before, but as it was almost entirely a boycott of Hongkong, the British losses in trade were due as much to general strikes there as to boycotts.

In 1926 China's trade with Hongkong, measured in Hk. Tls., decreased to about one-half the amount of this trade in 1924. Her imports from Hongkong had never in the past been such a small percentage of her total imports as they were in 1925 and her exports to Hongkong fell off rapidly during the boycotting years as did also her imports from Hongkong.

In 1927 imports into China from Britain suffered a drastic decline, even compared with the two preceding years of boycott. We find that these imports, measured in Hk. Tls., decreased from 116.2 million in 1926 to 75 million in 1927, and that China's import trade with Britain constituted only 7.4% of the total imports of China in 1927.

It is true that the British share of China's imports had been

declining ever since the sudden rise of 1920, but it is to be noted that the drop of 1925 was sharp and the loss of 1927 was tremendously heavy. Never, during years of peace, had the figures for China's import trade with Britain been as slow as these.

The Chinese statistics do not show the boycott against the British goods as a dominant factor in China's whole import trade. In British trade statistics, the figures of British exports to China reveal facts which fit into the general picture of the situation. The falling off of her exports to China, combined with her somewhat increased requirements of imported goods from the rest of the world as well as from China, led during 1925-1927, to a great aggravation of her unfavourable balance of trade. In comparing British trade with the rest of the world, we find that her exports to China showed a remarkable decrease when her goods were boycotted in China and in Hongkong.

The trade statistics of Britain show a drop in British exports to China and Hongkong from £28.9 million in 1924 to 19.7 million in 1925. The movement of British goods to China then declined by about 30% while China's total imports declined by about 7%, and the total export of British products from Great Britain declined by no more than 3.5%. These figures all tell the same story during the year 1925, the first year of boycotting of British goods in China. During the years 1926 and 1927, British trade with China continued to decline and we find that her exports to China were, according to the British statistics, £19.6 million in 1926 and £14.6 million in 1927.

Thus, the year 1927 saw a repetition of the pre-war record in the British export trade with China while the course of events in 1927 proved to be worse for Britain's trade than for that of the other countries trading with China.

Turning to the figures which show the percentage of China's total imports for the years 1924-1928 reported as coming from the countries named below, we find in the percentage shares of the boycott and non-boycott countries in China's import trade, support for the effectiveness of the boycott against Britain. The following figures which show percentage of total imports into China from each of the important countries fit into a brief survey remarkably well.

	China's imports			
Year	from Britain	from Japan	from Hongkong	from U.S.A.
1924	12.4	23.1	24.0	18.8
1925	9.8	31.6	18.6	15.0
1926	10.3	30.0	11.1	16.7
1927	7.4	29.0	21.0	16.5
1928	9.5	26.7	18.9	17.2
1929	9.4	25.5	16.9	18.2

From the percentage figures in the above table, we find that in 1925 the Japanese share of Chinese imports rose remarkably while the decline in the British share is evident; in 1926 there was a great falling off in imports from Hongkong; and in 1927 while there was an outstanding drop in imports from Britain, imports into China from Japan declined less than did imports from Britain.

We also find that during 1925-1927 the great decline in the percentage share of China's trade has been suffered by Britain, and that when Britain was boycotted Japan gained in her trade with China. The United States has accounted for more in the Chinese markets but this increase seems, in general, to be unrelated to the factor of boycott.

Boycott is only one of the factors unfavourable to British trade with China for the years 1925-1927. Other than boycott there are the other factors, we have already stated, which are not peculiar to the

years during which British goods were boycotted, but to the period under review. It is a fact worth noting that owing to boycott China brought a decreasing share of her imports from Britain, and for this reason the growing trade of Britain with China during the first phase of this period 1921-1927 was handicapped.

Turning, now, to the second phase of this period covering the years 1928-1934 the prospects for British trade with China seemed better but not yet bright. Boycotting against Britain was removed as it was forbidden by the Chinese Government. On the other hand, British trade with China throughout this phase was probably influenced by the Chinese boycott of Japanese goods which sufficiently acted as a stimulus to British trade with China. During 1928-1934, therefore, this trade increased somewhat in its importance and in its percentage share of China's total foreign trade, but it decreased considerably in its total value, either measured by Chinese figures in Hk. Tls. or by British figures in pound sterling, as compared with the phase 1921-1927, and with the preceding period 1914-1920. This increase in Britain's share in China's total trade is no doubt in large part due to the result of China's boycott against Japanese goods throughout the phase 1928-1934.

Apart from factors already stated, there are other factors which help to explain the falling off in the total value of British trade with China, and which are peculiar to the phase 1928-1934 as they constituted continuous hardships under which British trade with China suffered.

4. Unfavourable Factors to Anglo-Chinese Trade during 1928-1934.

Among the factors unfavourable to British trade with China during the years 1928-1934, the first was the communist rebels in Central

China, and for this reason, there was an economic blockade in the sovietized areas, thus constituting a great loss not only to Chinese inland trade but also to the trade of China with Britain.

The second was the great Yangtze River flood in the summer of 1931. In Chinese history, no floods have been as intensive in the areas covered or as serious in the losses incurred as that of 1931 in the Yangtze River valley. The Yangtze valley forms that part of China which has been best known to British traders as the most important place for their market. From 1931 onwards, there were in the five Provinces 252 million people who were affected by this natural calamity. There is no doubt that the purchasing power of these people has since been tremendously reduced. It was therefore difficult for the British to raise trade there.

The third was the world-wide economic depression. It did not affect China in 1929 but two years later, for the obvious reason that China, a silver-using country, was until then on a favourable competitive basis in terms of gold for external trade. But this advantage of silver depreciation was lost when the pound sterling went off gold in September, 1931. China then entered the general depression in 1931. Her economic crisis did not, however, reach a critical stage until the passing of the Silver Purchase Act by the United States Congress in June, 1934. Largely for this reason, Britain's trade with China naturally collapsed while China experienced the effectiveness of the wide-spread depression of the years 1931-1934.

The last, but not the least, lay in the increasing Japanese aggression since the Manchurian event of September 18, 1931. The forcible alienation of the three Provinces in the north-east was soon followed by the Sino-Japanese hostilities in Shanghai in 1932, bringing

Chinese export trade down to about one-half of its value in 1931. Japan then invaded Northern China with the resultant forcible occupation and there under Japanese military protection, smuggling assumed an alarming proportion. The foreign economic interests in China were since threatened with a measurable degree of extinction. Under such constant threats of increasing Japanese aggression, British trade with China was bound to be inflicted with heavy losses.

The general conditions of China and the chief factors affecting the development of British trade with China during 1928-1934 have now been reviewed. It may be concluded that the second phase of this period marked a new stage in which, in one respect, British trade with China witnessed a more fortunate period as the Chinese boycott against Britain was now turned against Japan to the benefit of British trade. Britain's trade with China during this phase thus increased in its importance. But in view of the oft-alleged falling off in the volume and value of her trade with China for this phase, the aggregate movement of the trade between them can hardly be proved to have progressed.

The statistics of trade, either British or Chinese, for this period are proof in themselves of the decline in the trade between them, no matter that British trade increased its percentage share in China's total trade during the second phase of this period or that it increased in its total value during the first phase. There are many factors some of which are unfavourable particularly for the trade of Britain with China during 1928-1934, and some for their trade throughout this period. It is obvious that these various factors have all done their share in cutting off important markets of China from normal commercial intercourse with Britain. Anglo-Chinese trade throughout this period was thus hampered by difficulties arising from the factors

which we have summarized. Let us now proceed to determine how far these unfavourable factors were able to predominate and to leave their mark upon the trade returns of Britain and China.

5. The General Import and Export Trade between China and Britain.

As we have seen, there was a notable decrease in the total value of the trade between China and Britain during the period under consideration. The decrease was mainly in the import trade of China with Britain. In the British exports to China, during 1921-1924 there was some increase, but during 1925-1928 the British export trade with China showed a remarkable decline. Generally speaking, the years 1921-1927, the first phase of this period, revealed a downward trend of the British export trade with China, and we find that, according to Chinese figures in Hk. Tls., it declined from 149.9 million in 1921 to 75 million in 1927, and according to British figures, from £32.9 million in 1921 to £14.6 million in 1927.

During the second phase of this period, covering the years from 1928-1934, British export trade with China rose in most years except in 1933 and 1934. When China met the world depression, trade in China collapsed. As a whole the export trade of Britain with China was on a down grade and we find its declining value in Chinese figures as 113.7 million Hk. Tls. in 1928 and 83 million Hk. Tls. in 1934 and in British figures, £21.2 million in 1928, and £9.1 million in 1934. It must be borne in mind that all amounts in British figures include trade at Hongkong.

Turning now to the British import trade with China, we find that there were no notable fluctuations throughout this period. There are three points to indicate this. First, the fluctuations of China's exports to Britain were less than those in her imports from Britain.

Secondly, parallel with China's total exports which rose steadily from 1921 to 1929, exports from China to Britain changed more from year to year up to 1929, and in the opposite direction to the imports into China from Britain. From 1930 onwards China's export trade with Britain was to share the world depression with the British total import trade. Thirdly, according to British figures, in the British total import trade, China's direct exports to Britain steadily decreased in their percentage share, while Britain bought an increasing amount of imports from the rest of the world.

In a comparison of China's imports with her exports from and to Britain, it was marked however that China sent a growing share of her exports to Britain while she bought a decreasing share of her imports from Britain during this period, even though the total value of these imports is actually greater than the exports. This would indicate that Britain's demand for a supply of Chinese raw-materials and food-stuffs was more than China's demand for British manufactured goods in the modern period. We can then say that on the one hand, the character of modern China's consumption has been and still undergoing changes, and on the other hand, the rapid industrialization of the Far East, espically Japan and modern China did react upon British trade in the East in general and upon her trade with China in particular.

We can also say that the factors which we have pointed out were more unfavourable for Britain's exports to China than for her imports from China, as, during the period under consideration, British losses in her trade with China are the losses in her export trade with China or in the leading staples imported into China. Thus, in China's foreign trade, Britain has lost ground very considerably while she has gained no ground in the selling of some principal goods which formed

the major part of British export trade with China.

Furthermore, in a comparison of China's total import and export trade with her import and export trade with Britain, we find that during this period changes in China's total imports from all sources reacted upon her import trade with Britain as well as her total exports to the rest of the world reacted upon her export trade with Britain. On the side of China's imports, there was a steady increase in the volume of food-stuffs of which Britain proved a very poor supplier. She has always been however ready to supply the Chinese markets with cotton piece goods upon which China has now come to rely less and less, as the Chinese cotton industry proved more and more able to supply the growing demand of these goods in China, thus causing a great decline in the imports of cotton goods from Britain as well as from other sources. As a result of these facts existing in China's import trade, British export trade with China was bound to shrink.

On the side of China's export trade, with the exception of tea and silk piece goods, her important exports of raw-materials and food-stuffs to Britain and to the rest of the world have all shown a steady increase during this period. In this increase, beans, bean products and egg products have together provided during this period the largest bulk of the total exports of China to Britain and to the rest of the world. But actually China's export trade with Britain decreased during this period as compared with the previous period, and this decrease was to a less degree than the decrease in her import trade with Britain.

If we now draw our attention specially to the trade figures from British official publications, we shall find that in the composition of British trade with China, when some commodities were increasing

other were decreasing in value and importance.

According to British trade figures, the main commodities in Britain's export trade with China may be divided as in the preceding period into four sections, viz. (1) spirits and tobacco, which provided the same percentage share during this period as in the foregoing period - - about 5 per cent of the total exports of Britain to China; (2) raw materials, which largely increased their percentage share from about 9% during 1914-1920 to about 15% during 1921-1934; (3) manufactured commodities, which constituted the greatest bulk of British exports to China; their percentage share during this period, reaching the highest peak - - approximately 80% - - of the total exports from Britain to China as against 77% during the foregoing period; and (4) the other unclassified commodities, which show during this period about 7% the same percentage of the total export trade of Britain to China as they did during the previous period.

As regards classification of British imports from China, it falls under four headings: food-stuffs, raw materials, manufactures, and other articles. During this period, Britain's imports of manufactures from China show a slight rise constituting 5% of the total imports of Britain from China, compared with 3.7% during 1914-1920, and the percentage share of the unclassified goods has during this period fallen to about 11.6% of China's total exports to Britain, compared with 24.4% during the previous period.

For Britain, food-stuffs and raw materials were of course in great demand. Since 1900, Britain's imports of Chinese foodstuffs and Chinese raw materials offer a contrast, for in her total imports from China the percentage share of foodstuffs was steadily growing, while there was a continuously falling off in the percentage share of

raw materials.

Of Britain's total imports from China, the percentage of foodstuffs increased from 40.2 during 1900-1913, to 41.4 during 1914-1920, and to 56.1 during this period 1921-1934, and for the same intervals, the falling off of the percentage of raw materials was from 56.4 to 30.5 and to 27.4.

The percentage distribution of the British imports and exports from and to China and Hongkong is shown in the following table, which is compiled from British trade statistics.

Various classis of commodities in Britain's trade with China 1921-34 compared with 1900-13 and 1914-20

British imports from China:	1900-1913 %	1914-1920 %	1921-1934 %
Foodstuffs	40.2	41.4	56.0
Raw materials	56.4	30.5	27.4
Manufactured articles	3.0	3.7	5.0
Other articles	0.4	24.4	11.6
British exports to China:			
Tobacco & Spirits	3.8	5.2	4.0
Raw materials	11.0	9.6	14.0
Manufactures	77.8	77.4	80.0
Other articles	7.4	7.8	2.0

6. Staples of the British Imports from China.

Let us now consider the composition of British imports from China and the chief staples in that trade. As we have seen, the period under our consideration was, from the Chinese point of view, the period of China's large expansion of trade with Britain as her exports to Britain increased at a more rapid rate than did her imports from Britain, even though the actual value of the latter is considerably larger than that of the former. Comparing the annual average value of the first seven-year phase of this period, which is measured according to British statistics, with that of the second seven-year phase, which,

for British imports from China, was £8,861,834, and, for her exports to China, was £13,621,449, the first phase showed imports amounting to £12,776,656, but exports amounting to £24,336,310.

It is to be noted that China's exports to Britain actually decreased, but they showed some progress as compared with her imports from Britain, while we find that the percentage of China's exports to Britain in Britain's total imports from foreign countries - - excluding British possessions - - fell from 1.5 in 1921 to 1.33 in 1934 and the percentage of Britain's exports going to China fell considerably from 6.47 in 1921 to 3.1 in 1934.

Further, as we have stated, the comparative increase of the Chinese export trade with Britain during this period was very largely in the Chinese export to Britain of foodstuffs, and comparatively less in that of raw materials. To Britain, China until to-day is the least important country to produce manufactured goods imported into Britain. During this period as during the previous period, there was, therefore, not so much change in the nature of the commodities which entered into China's export trade with Britain and which have been classed as foodstuffs, raw materials and manufactured articles.

The principal items among Chinese exports to Britain together with the total value of the trade in each item and the relative position of each article in the total imports of Britain from China and Hongkong are found in the following table:-

Staples of Britain's imports from China and Hongkong

	1921-1927			1928-1934	
	Total value £	Annual aver. £	% of total	Total value £	Annual aver. £
Tea	6,654,405	950,629	7.4	4,065,058	580,723
Silk:	1,736,901	248,129	2.0	583,513	83,359
raw silk	2,948,104	421,158	3.3	1,488,426	212,632
silk goods	2,599,154	371,308	2.9	920,616	131,516

	1921-1927 Total value £	1921-1927 Annual aver. £	1921-1927 % of total	1928-1934 Total value £	1928-1934 Annual aver. £
Total silk	7,284,159	1,040,594	8.2	2,992,555	427,508
Cotton:					
cotton raw	433,652	61,950	0.5	92,287	13,184
cotton waste	568,123	81,160	0.6	326,561	46,652
cotton goods	190,817	27,260	0.2	95,698	13,671
Total	1,192,592	170,370	1.3	514,546	73,507
Antimony	810,504	115,786	0.9	677,185	96,741
Hemp	95,331	13,619	0.1	147,917	21,131
Straw plating	1,485,442	212,206	1.7	202,848	28,978
Matting	1,001,800	143,114	1.1	1,042,161	148,880
Peas	334,793	47,828	0.4	78,760	11,251
Beans	1,257,927	179,704	1.4	921,191	131,599
Soya beans	5,078,800	725,543	5.7	4,977,656	711,094
Oils	5,863,357	837,622	6.6	2,429,613	347,088
Poultry	628,491	89,784	0.7	206,674	29,525
Eggs & Egg products	27,010,647	3,858,664	30.1	23,822,178	3,403,168
Ginger	948,311	135,473	1.1	778,986	111,284
Hides	746,215	106,602	0.8	1,123,362	160,480
Skins	6,632,321	947,474	7.4	3,142,597	448,942
Feathers	1,616,770	230,967	1.8	1,334,784	190,683
Hairs	2,160,147	308,592	2.4	1,296,992	185,285
Wools	2,893,967	410,567	3.2	2,150,318	307,188
Bristles	4,569,622	652,803	5.1	2,540,701	362,957

	1928-1934 % of total	1921-1934 Total value £	1921-1934 Annual aver. £	1921-1934 % of total
Tea	6.5	10,719,463	765,676	7.1
Silk	0.9	2,320,414	165,744	1.5
raw silk	2.4	4,436,530	316,895	2.9
silk goods	1.5	3,519,770	251,412	2.3
Total	4.8	10,276,714	734,051	6.8
Cotton				
cotton raw	0.2	525,933	37,567	0.3
cotton waste	0.5	894,684	63,906	0.6
cotton goods	0.2	286,515	20,465	0.2
Total	0.8	1,707,138	121,938	1.1
Antimony	1.1	1,487,689	106,264	1.0
Hemp	0.2	243,248	17,375	0.2
Straw plating	0.3	1,688,290	120,592	1.1
Matting	1.7	2,043,961	145,997	1.3
Peas	0.1	413,553	29,538	0.3
Beans	1.5	2,179,118	155,651	1.4
Soya beans	8.0	10,056,456	718,318	6.6
Oils	3.9	8,292,970	592,355	5.5
Poultry	0.3	835,665	59,694	0.5
Eggs & Egg products	38.4	50,832,825	3,630,916	33.6
Ginger	1.2	1,727,297	123,378	1.1
Hides	1.8	1,869,577	133,541	1.2
Skins	5.1	9,774,918	692,208	6.4
Feathers	2.1	2,951,554	210,825	1.9

	1928-1934 % of total	1921-1934 Total value £	Annual aver. £	% of total
Hairs	2.1	3,457,139	246,938	2.3
Wools	3.5	5,024,285	358,877	3.3
Bristles	4.1	7,110,323	507,880	4.7

Among the above imports of Britain from China, the leading articles, in order of their importance, were eggs and egg products, beans including soya beans, tea, silk of all kinds, skins and wools, oil of all kinds and bristles. Other than these leading articles, all the other exports of China to Britain which have been enumerated as next in importance showed little gain namely from three to less than one per cent in the total exports of China to Britain. As a whole, British imports of these articles from China which constitute only a very small percentage of the total imports of Britain, remained about the same as they stand in the above table during the whole period.

As to the relative positions occupied by the leading articles entering into the British import trade with China, there were during the period under discussion a number of changes in them. Throughout the period as a whole eggs and egg products were the most important items. They had taken first place on the list in British imports from China. Bean imports into Britain from China throughout this period were a close second to eggs and egg products. In these imports, soya beans during this period became of considerable importance, but as in the previous period the exports of them only constituted 2.4% of the total exports of China to Britain. Tea occupied third place on the list during this period. The fourth item consisted of silk and silk products which have been comparatively important during the previous period. The other leading commodities declined in importance during this period to some extent as we shall see later. We now enter

into a close discussion of these leading items of British imports from China.

a. Eggs and Egg Products.

The increase of China's export trade with Britain since 1920 was due to the great increase in her export of eggs and egg products to Britain. Since the Great War, China became of importance as a source of certain lines of foodstuffs, and she was called upon to supply Britain with an increased quantity of eggs and egg products. These products now assumed increasing importance in China's trade with Britain, and they were exported from China chiefly to Britain via Hongkong. The following table shows China's exports of eggs and egg products to abroad and to Britain.

China's exports of eggs and egg products

	To Britain	Total export
	Millions of H. Taels	
1919	13.2	24.9
1927	14.6	33.5
1928	19.2	43.8
1929	24.7	51.7
1930	27.2	51.2
1931	19.9	37.8
	Millions of Chinese dollars	
1933	20.9	36.5
1934	18.9	30.2

During this period eggs and egg products ranked first among China's exports to Britain, and they are the items which show the largest figures. In the following table, are indicated the percentage share of eggs and egg products in China's total exports, and the value and the share of this import in the British import trade with China, during some years within this period, compared with 1913 and 1920.

	Eggs and egg products		
	% of China's total exports	Value of British import from China	% of Britain's total imports from China
1913	1.6	£600	0.01
1920	2.2	£6,660,490	22.65
1921	4.1	£4,669,370	38,12
1927	3.7	£3,654,237	29.00
1928	4.4	£3,736,716	30.00
1930	5.7	£4,262,904	41.33
1931	4.2	£3,483,578	42.58
1934	5.7	£2,424,903	36.52

b. Beans and Soya Beans.

The second place among the imports of Britain from China was taken by beans including soya beans. Beans and soya beans have become important in China's foreign trade as a whole. In Britain beans are used for manufacturing purposes, and the result of the great increase of bean imports into Britain was the remarkable expansion in bean industries to which a great impetus was given by the Great War.

With the exception of soya beans, the annual average value of bean imports into Britain from China and Hongkong actually decreased within this period as a whole, or as compared with the two preceding periods between 1900 and 1920.

Since the value of the soya bean and the importance of this trade have been recognised by the public in Britain the soya bean industry has been fostered by the British Government. British imports of this bean and its products from China contributed considerably toward upholding China's commercial position in her export trade with Britain. Prior to 1914, her trade with Britain in soya beans had enjoyed a short period of prosperity when we find that their import had formed more than 13% of the total British imports from China. Owing to the World War, China's export of this commodity to Britain considerably declined, but at the start of this period it recovered more rapidly

than was expected. During this period, soya beans constituted 6.6% of the total imports of Britain from China, as against 2.4% during the previous period. During the latter half of this period, Britain's imports of soya beans constituted about 8% of her import trade with China, as against 5.7% during the first half of this period. Since 1933, on account of the loss of Manchuria to China, records of soya bean exports from China have disappeared from Chinese Customs Returns, and Britain's import of these from China considerably decreased from 66,460 tons in 1932 to 615 tons in 1934, or from £464,661 to £4,588.

It is to be noted that Manchuria is the centre for the production of the soya bean not only in China but in the whole world. By 1934 its world production amounted to 12,000,000 tons, of which Manchuria provided 5,200,000 tons, China, 4,800,000, and Japan, U.S.A. and U.S.S.R. the remainder . In fact, the soya bean is Manchuria's most important agricultural crop, and China's most important commercial crop. Without any doubt, the British demand has made for a more extended use in industry for soya bean oil. The crude oil shipped from Manchuria has been a most important factor in British trade with China, for it gave employment to British oil mills which refined it and returned it to China in the form of soap, candles, glycerine, margarine and all the other articles which are manufactured by highly developed technical industries. Thus, the loss of Manchuria caused a decline in the trade between China and Britain as we have learned from the trade figures.

It will serve to show the growing importance of soya beans and their products in Anglo-Chinese trade if we compare the share of these commodities in China's export trade in beans and soya beans with the value and the percentage of them in Britain's total imports from China

as follows:

Table I

Britain's import of soya beans & soya bean oil from China

Year	Soya beans Value £	Soya beans % of total	Soya bean oil Value £	Soya bean oil % of total
1912	545,289	9.44	-	-
1921	76,401	0.62	42,139	0.34
1924	1,313,219	8.94	283,361	1.93
1927	806,893	6.40	815,125	6.47
1930	807,632	7.83	47,305	0.45
1931	611,412	7.46	-	-
1934	8,357	0.12	-	-

Table II

China's total export of beans & peas to Britain

Year	Piculs	% of total exports of beans & peas
1912	909,185	8.32
1921	1,032,412	8.72
1924	1,324,519	5.35
1927	1,243,059	4.21
1930	1,151,381	3.52
1931	2,722,117	6.43
1932	507,780	2.64

Table III

China's export of beans

(1) soya beans

Year	To Britain Millions of piculs	To Britain Millions of H. Taels	Total export Millions of piculs	Total export Millions of H. Taels
1919	1.2	3.5	11.2	28.8
1927	0.8	3.1	25.3	82.9
1928	2.3	9.5	35.8	129.8
1929	4.0	15.1		
1930	1.0	3.8		
1931	2.4	9.5		

(2) Beans & peas, not including soya bean

Year	To Britain Millions of piculs	To Britain Millions of H. Taels	Total export Millions of piculs	Total export Millions of H. Taels
1919	0.7	1.6	4.5	11.4
1927	0.4	1.4	4.2	14.8
1928	0.4	1.3	4.5	17.4
1929	0.5	1.5	4.6	17.2
1930	0.2	0.6	4.1	17.3
1931	0.4	1.2	4.3	17.6

c. Oil of All Kinds.

In addition to bean oil, China produces other vegetable oils which

have become important articles in her export trade with Britain and with the rest of the world. For these exports the British market became weaker during this period than during the previous one, and was stronger during the former half of this period than during the latter half. During this period, oil of all kinds, exclusive of bean oil and soya bean oil constituted 5.5% of the total imports of Britain from China. Among the vegetable and seed oils are included nuts oil, cotton seed oil, and seeds for expressing oil are therefrom and seeds oil, such as rape, sesame and flax, which are not enumerated in British import lists. The table shown below supplies exact values of these imports into Britain from China and Hongkong during the period under consideration.

Britain's import of oils from China & Hongkong

Year	Soya bean oil £	Vegetable oil £	Nuts oil £	Cotton seeds oil £	Seeds for expressing oil £	Total £
1921	42,139	227,267	235,192	4,768	78,721	588,088
1922	45,996	86,128	58,539	760	118,663	310,086
1923	61,486	289,507	74,529	-	125,023	550,545
1924	283,361	249,524	367,129	9,106	135,279	1,044,399
1925	330,685	216,269	201,815	37,383	4,270	790,422
1926	674,824	176,953	236,660	28,647	4,750	1,121,834
1927	815,125	278,478	352,387	7,906	4,087	1,457,983
1928	143,274	278,313	85,648	4,116	8,550	519,901
1929	26,654	311,354	65,425	-	7,349	410,782
1930	47,305	202,729	211,183	-	33,510	494,727
1931	-	155,624	242,347	Tung	2,600	400,571
1932	21,944	165,966	53,457	oil	1,120	242,487
1933	-	24,333	4,722	153,962	-	183,017
1934		271	2,711	174,946	-	178,128

d. Tea. In China's export trade with Britain, tea and silk were important items up to 1900, after which the Chinese tea trade was greatly reduced. Between 1913 and 1920, China's share in the world tea export considerably declined from 24.7% to 6.47% while her export of tea to Britain declined in volume from 76,086 piculs to 36,287 piculs. During this period, tea figures to a varying extent in

China's export trade with Britain. According to Chinese statistics, tea throughout this period showed an increasing relative importance in her total exports to Britain, as evidence by the following figures:

Year	China's export of tea to Britain Piculs	Index 1912=100	China's total export of tea Millions of Piculs	Index 1912=100	China's share in the world tea export in percentages
1912	97,905	100.00	1.48	100	25.89
1913	76,086	77.71	1.44	97	24.71
1920	36,287	37.06	0.31	21	6.47
1921	31,514	32.19	0.43	29	9.24
1922	75,911	77.54	0.58	39	11.80
1923	167,542	171.13	0.80	54	16.45
1924	205,475	209.87	0.76	52	13.04
1925	47,952	48.98	0.78	53	11.44
1926	107,328	109,62	0.84	57	16.32
1927	88,605	90.50	0.87	59	12.69
1928	60,134	61.42	0.93	63	13.82
1929	62,826	64.17	0.94	64	14.69
1930	65,924	67.33	0.69	47	11.59
1931	50,796	51.88	0.70	47	-
1932	59,531	40.38	0.65	44	-
1933	($3,848,384)	-	($34,213,037)	-	-
1934	($6,846,524)	-	($56,816,066)	-	-

It has been said that China's tea trade with Britain has been wrested from her by India and Ceylon. But it has also been hindered in China by the high cost of production arising from the inland tax and export duty until 1930. After 1931 tea in the Chinese new tariff has been free from duty.

Of the world tea production in 1930, China constitutes 11.59%, India 38.85%, Ceylon 30.26%, Duch Indies 16.93% and Japan 2.37%. The tea trade in China, though apparently on the decline, has possibilities for the expansion of her export trade with Britain and the rest of the world. Throughout the period under review, the value of tea imported into Britain from China kept up fairly well, while the share of tea in China's total exports showed an increase. The following

table gives the values of Chinese tea imported into Britain, and the percentage shares of the tea export in China's total export trade and of the tea import in Britain's total import trade with China during the years shown below.

Year	The share of tea in China's export trade %	Britain's imports of tea from China and Hongkong lbs	£	% of total
1913	8.41	16,272,548	613,147	11.46
1920	1.64	15,928,282	1,106,298	3.76
1921	2.10	4,646,074	246,570	2.02
1927	3.44	12,517,351	852,359	6.76
1928	3.75	6,580,893	525,719	4.22
1930	2.94	8,740,961	529,479	5.13
1931	3.66	8,616,116	640,806	7.84
1934	6.74	21,471,484	954,970	4.44

e. Silks. As we have seen silk and tea have been the basis of China's export trade with the world, and they have also been of great importance in Britain's imports from China. During this period, in no other leading articles in China's exports, was the diminishing export trade of China with Britain so marked as in silk and silk products. Of Britain's total imports from China, silk of all kinds constituted about 20%, during 1900-1913, about 12% during 1914-1920, and only 6.8% during this period, 1921-1934. The percentage relationship of silk and its products to other goods imported into Britain from China had thus fallen, and their actual volume either exported from China to the world or imported into Britain from China did not reveal any permanent increase. From Chinese statistics, the trend in China's export of silk of all kinds to the world in general and to Britain in particular has been as follows:

Year	China's export of silk to Britain Piculs	% of China's total export of silk	China's total export of silk Piculs
1912	26,876	8.38	320,796
1918	21,140	6.42	329,557
1921	6,513	2.36	275,789
1924	13,881	3.63	382,256
1927	10,741	3.25	330,533
1930	7,739	2.88	268,912
1931	4,382	1.51	290,293
1933	($2,177,232)	3.83	($56,816,066)
1934	($1,568,045)	5.52	($28,423,639)

The decline of China's export of silk to Britain was remarkable and we find that in 1934 her export of raw silk to Britain was much less than that of bristles, as the latter amounted $3,428,000 and the former only to $1,568,000. In the past the tea plant and the mulberry tree have both contributed much to the economic life of China. Since 1900, China's trade with Britain in tea has considerably declined, and silk of all kinds have taken the dominant position once held by tea. This change is indicative of the fact that China obtained a greater percentage share of Britain's import trade in silk than in tea. In the tea trade, India has long been China's most bitter rival. But in the case of the silk trade, China has many rivals, and she has always been at the mercy of them. Her formerly dominant position in the silk import trade of Britain was during this period taken by Japan, France and Italy. China's silk has failed to keep up with the British demand for silk. Although silk workers in China possess an artistic ability in the manufacturing of silk goods, great improvements in the West have been made in the better qualities of artificial silk goods, which have ousted Chinese pure silk goods from the British market. Also, there is no doubt that the high tariff policy of the British Government since the War has had a limiting influence on the

British import of Chinese silk goods, which is shown in the following table.

Britain's import of silks from China

Year	Silk waste, knubs & etc. cwts	£	Raw silk lbs	£	Silk manufactures £
1913	38,104	391,773	546,665	289,511	226,713
1921	5,692	125,711	159,732	199,562	422,254
	lbs				
1927	877,338	123,977	350,925	356,196	230,169
1928	966,127	96,202	457,110	422,015	203,561
1930	1,244,689	123,388	277,272	202,535	145,670
1934	2,307,992	70,488	247,433	86,088	64,001

f. Skins, Wools and Bristles.

China's export of skins, wools and bristles to Britain became increasingly more valuable during this period than during the previous period. To be sure, years accentuated Britain's demand for these commodities from China. In such commodities as these all of which are under the group of raw materials, it is clear that development of a steady character had been already under way, for this period saw a rise in the general level of industrial production in Britain, and there was a growth in her demand for Chinese raw materials such as the articles now under our consideration.

In addition to undressed skins and furs, there was China's export trade to Britain in the dressed skins and furs of all kinds as well as manufactured skins and furs. Wools imported into Britain from China, including camel, sheep and lambs wools. Skins and wools are the staple exports of the northwest frontier of China, but swine bristles form the by-product of Chinese farmers in the central part of China. The part such commodities played in the British import trade with China during the years from 1921 to 1934 is shown in the following.

Year	Skins £	Wools £	Bristles £
1921	398,155	167,979	469,025
1927	1,195,510	632,868	541,769
1928	1,145,606	558,532	378,171
1930	266,344	434,287	356,696
1931	326,279	281,342	256,615
1934	193,680	70,501	469,760

The general facts concerning the exports of China to Britain have been considered. The important exports of China to Britain were agricultural products. It remains to mention one point, namely that Chinese foodstuffs and raw materials became more and more important in her total overseas trade as well as in her export trade with Britain. Contrary to a widespread belief, much of Chinese agriculture has been, not subsistance farming, but production for a market, and often an overseas market such as Britain.

A striking point is that the shift in China's exports to Britain from raw materials to foodstuffs during this period became more apparent. It is to be seen in the agricultural economy of the Four Eastern Provinces, with its emphasis on the export of soya beans to Britain and to the rest of the world; but it is equally true of the northwest provinces with their exports of wool, and of central China with its export trade in egg products and vegetable oil. Our next treatment will be of the exports of Britain to China.

7. Staples of the British Exports to China.

Having reviewed the chief articles of Britain's imports from China, let us now turn to the exports of Britain to China. It has been noted that according to British statistics, there was a noticeable fall in the value of Britain's exports to China and Hongkong during this period, and that these showed a heavier drop than did her imports from China. The decline in the British export trade with China was from an annual

average value of £24,336,310 during 1921-1927 to that of £13,621,449 during 1928-1934, while the decline in her import trade with China was from an annual average value of £12,776,656 during 1921-1927 to that of £8,861,834 during 1928-1934.

According to Chinese statistics, her import trade with Britain showed a downward trend, the decrease in the annual average value of the total imports of China directly from Britain being from 118,016,567 Hk. Tls. during 1921-1927 to 113,732,090 during 1928-1934. As for China's exports to Britain, there was a slight increase in their values throughout this period, their annual average value increasing in Hk. Tls. from 324 millions during 1921-1927 to 365 millions during 1928-1934.

The valuations of Chinese statistics plainly fail to adopt themselves to the true changes in the goods which form the trade between China and Britain. Firstly, from 1925 to 1930 the fall in the gold price of silver, as we have been pointed out, was persistent and fairly rapid. Some of the effects of falling silver upon the Chinese Customs valuations account for the fact that Chinese figures are inaccurate. Secondly, trade between China and Britain, which went through Hongkong and was reported in Chinese statistics as from Hongkong, was really British. For the same reason, the Chinese trade with Britain which went through Singapore and India was not reported as British. We must, therefore, rely mostly upon British statistics in reviewing the main items of British exports to China during the period under consideration.

It has been held that the total British export trade with China, including Hongkong, showed a steady decline throughout this period as a whole. During 1920, the last year of the foregoing period, with which we have dealt, the total value of exports from Britain to China

and Hongkong amounted £56,693,072. This amount marked a peak year for the first time in the history of British trading with China, and at the same time a high watermark was reached in the total value of British trade with China. But, in the following year, this amount considerably decreased to £32,981,848, and further fell to £9,107,325 in 1934.

In British statistics, the 1934 figures for exports to China from Britain were reduced to the basis of 1901 or 1902 values, and between 1921 and 1934 the magnitude of the decline in the valuations of British trade to the Chinese market amounted to over 65 per cent.

During this period, the principal group of exports from Britain to China, which had consisted of manufactured goods, provided the greatest bulk of the total exports of Britain to China, and continued to grow. The group, which comprised raw materials, showed an increase in the percentage of British exports to China. During the period under discussion there was, therefore, no important change in the relative positions of the commodities in the export trade of Britain with China, and there was also no great decrease in the percentage share of the chief articles with the exception of cotton goods. The following table displays the general chief items and the leading staples of the British export trade with China, and shows their total value, annual average values and their percentage of the exports of Britain to China during the years shown below:-

Staples of the British expots to China & Hongkong

	1921-1927			1928-1934	
	Total value £	Annual aver. £	% of total	Total value £	Annual aver. £
Cottons	104,093,544	14,870,506	61.1	26,151,019	3,735,860
Manufactures	102,028,663	14,575,523	59.9	23,223,442	3,317,635
Yarn	2,064,881	294,983	1.2	2,927,577	418,225
Woollens	26,072,460	3,724,637	15.3	16,037,568	2,291,081

	1921-1927 Total value £	1921-1927 Annual aver. £	1921-1927 % of total	1928-1934 Total value £	1928-1934 Annual aver. £
Manufactures	23,139,557	3,305,651	13.6	10,574,118	1,510,588
Yarn	2,932,903	418,986	1.7	5,463,450	780,493
Machinery	14,452,644	2,064,663	8.5	8,521,802	1,217,400
Iron & Steel	14,127,878	2,018,268	8.3	10,166,598	1,452,371
Chemicals	4,306,381	615,197	2.5	6,457,917	922,560
Electrical goods	2,598,817	371,260	1.5	2,032,477	290,354
Papers	2,556,606	365,230	1.5	1,159,965	165,709
Instruments	657,434,	93,919	0.4	414,302	59,186
Hardware	153,321	21,903	0.1	-	-
Tools	424,210	60,601	0.2	356,549	50,936
Arms	261,935	37,420	0.2	865,176	123,597
Ships	629,468	89,924	0.4	489,603	69,943
Aeroplanes	526,415	75,202	0.3	585,032	83,576
Cars	1,639,233	234,176	1.0	3,146,400	449,486
Medicine	648,571	92,653	0.4	699,571	99,939
Soap	469,055	67,008	0.3	494,014	70,573
Apparels	1,962,131	280,304	1.2	1,383,111	197,587
Glass	499,431	71,347	0.3	379,917	54,274
Rubber	618,720	88,389	0.4	319,099	45,585
Silk	310,995	44,428	0.2	101,455	14,494
Leather	671,735	95,962	0.4	388,771	55,539
Metals	1,574,728	224,961	0.9	1,041,010	148,716
Dyes (1924-34)	566,379	141,595	-	1,328,117	189,731
Coal	400,672	57,239	0.2	141,098	20,157
Paints	1,064,210	152,030	0.6	800,843	114,406
Spirits	1,400,044	200,006	0.8	996,179	142,311
Tobacco	6,090,248	870,035	3.6	5,117,784	731,112

	1928-1934 % of total	1921-1934 Total value £	1921-1934 Annual aver. £	1921-1934 % of total
Cottons	28.0	130,244,563	9,303,183	49.0
Manufactures	24.9	125,252,105	8,946,579	47.1
Yarn	3.1	4,992,458	356,604	1.9
Woollens	17.2	42,110,028	6,015,718	15.9
Manufactures	11.3	33,713,675	2,408,120	12.7
Yarn	5.9	8,496,353	599,740	3.2
Machinery	9.1	22,974,446	1,641,032	8.6
Iron & Steel	10.9	24,294,476	1,735,319	9.1
Chemicals	6.9	10,764,298	768,879	4.0
Electrical goods	2.2	4,631,294	330,807	1.7
Papers	1.2	3,716,571	265,470	1.4
Instruments	0.4	1,071,736	76,553	0.4
Hardware (1921-8)	-	169,105	21,138	0.1
Tools	0.4	780,759	55,768	0.3
Arms	0.9	1,127,111	80,508	0.4
Ships	0.5	1,119,071	79,934	0.4
Aeroplanes	0.6	1,111,447	79,389	0.4
Cars	3.4	4,785,633	341,831	1.8
Medicine	0.7	1,348,142	96,296	0.5
Soap	0.5	963,069	68,791	0.4
Apparels	1.5	1,962,131	238,946	0.7

	1928-1934 % of total	Total value £	1921-1934 Annual aver. £	% of total
Glass	0.4	879,348	62,811	0.3
Rubber	0.3	937,819	66,987	0.3
Silk	0.1	412,450	29,461	0.2
Leather	0.4	1,060,506	75,750	0.4
Metals	1.1	2,615,738	186,838	1.0
Dyes (1924-34)	1.4	1,894,496	172,227	-
Coal	0.2	800,843	114,406	0.9
Paints	0.9	1,865,053	133,218	0.7
Spirits	1.1	2,396,223	171,159	0.9
Tobacco	5.5	11,208,032	800,574	4.2

From the above table we can see that the largest group in the export trade of Britain with China was cotton goods, forming about one half of the total exports of Britain to China. This export included cotton yarn and cotton manufactures. The woollen group was the next item, followed by such commodities, in order of importance, as machinery and tools, metal of all kinds, chemical goods, and tobacco including cigarettes.

With the exception of the leading articles, there has been some increase in amounts of scientific instruments and electrical goods, a gradual decrease in hardware and soaps, a great decrease in coal, no great increase in spirits, glass and rubber, a relative increase in silk goods, some increase in arms, dyes and paints, a marked increase in apparel and leathers, a great growth in constructive capital goods regarding communication, such as ships and boats, aeroplanes and vehicles, and many articles which were not obtainable in China.

The list of the relatively important exports from Britain to China reveals a somewhat astonishing fact, namely that the Chinese call for British manufactured goods can be attributed to the development of China's economical establishment. In modern China, rapid progress in transportation and communication was an especially

noticeable point, and this fact has been remarkably reflected in the steady growth of Britain's export trade in such articles as boats, ships, aeroplanes and vehicles. It is to be noted that in articles such as boats and ships, Britain's industry has been largely interested, as she was the leading ship-building country in the West. But, in view of the new position of Britain in world trade and the importance of certain new commodities in her trade with China, such as motor cars and aeroplanes, she has counted for less in the Chinese market, and this decrease seemed, in general, to be not unrelated to the world industries, in which Britain has not chiefly specialised in the past. We shall now leave this question and draw our attention again to an examination of the leading articles in the exports of Britain to China.

a. Cottons. China has been one of the world's largest markets for cotton goods as her enormous population depends largely upon cotton goods as material for clothing. In Britain, the prosperity of the Lancashire cotton industry depended on the continued existence of international trade, and, to some extent, on the demand in China. Of the total world export of cottons, Britain now constituted about 40%, and at the same time, the share of China's import of cottons in the world cotton export trade formed about 20%.

During this period, China's import of cottons from all sources greatly decreased in their silver value, but showed somewhat of an increase, relative to other imports into China. Throughout this period, among the total imports into China, the drop in cotton piece-goods was rapid, while cotton yarn experienced an even greater collapse; its importation diminished by 1934 to the point of extinction. But, the exports of cotton goods and cotton yarn from China considerably grew in importance in the world cotton exports.

Turning to the cotton export trade of Britain during this period as a whole, compared with 1913, there was a big relative change in cotton goods, and they formed in value nearly 31% of all manufactured exports in 1913 and only 23½% in 1929. Thus Britain's export trade in cottons was on a downward trend.

In contrasting the British export trade in cottons with the Chinese import trade of foreign cotton goods, the tendency of the Anglo-Chinese trade in cottons will be found to be a downward one. The decline in the British export trade to China during this period has been very largely in the export of cotton textiles. Roughly speaking the British export trade with China in cotton goods has not prospered since the War, and it has declined fairly and rapidly from 1925 to 1934.

During this period, whereas cotton yarn imports from Britain into China greatly increased, particularly in the years 1928-1934, cotton piece goods imports decreased more rapidly, standing at £14,041,095 in 1921, £6,914,417 in 1928, and £764,089 in 1934. Of the total exports of Britain to China, the share of cotton yarn slightly increased from 1.2% during 1921-1927 to 3.1% during 1928-1934, while the share of cotton piece goods sharply dropped from 60% during 1921-1927 to 25% during 1928-1934. The following table shows, in more comprehensive detail what has been already stated.

Exports of cotton yarn and cotton piece goods from Britain to China and Hongkong

Year	Cotton yarn		Cotton piece goods		Entered by value	Total
			Entered by sq. yard			
	lbs.	£	sq. yard	£	£	£
1921	3,475,300	480,636	211,064,500	13,451,532	589,563	14,041,095
1922	6,058,300	764,517	309,025,200	13,493,553	467,158	14,164,711
1923	502,200	86,967	235,369,200	9,993,770	466,909	10,460,679
1924	967,700	197,536	292,578,200	12,621,268	459,596	13,080,864
1925	512,300	103,378	173,408,200	7,493,054	463,582	7,956,636

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	Cotton yarn		Cotton piece goods			Total
	lbs.	£	sq. yard	£	£	£
1926	1,727,600	230,168	177,801,100	6,841,743	554,030	7,395,773
1927	1,273,924	201,679	103,298,100	3,848,467	423,961	4,272,428
1928	1,738,041	289,632	186,644,600	6,456,414	458,003	6,914,417
1929	2,372,644	363,651	188,399,900	6,176,962	435,040	6,612,002
1930	2,127,973	290,818	61,397,100	1,867,981	383,161	2,251,142
1931	7,649,473	702,934	80,840,600	2,145,874	252,713	2,398,587
1932	10,341,681	838,655	125,464,600	2,639,200	244,510	2,883,710
1933	1,886,997	196,600	52,348,400	1,201,467	198,028	1,399,495
1934	2,218,488	245,227	19,988,552	577,688	186,401	764,089

Another table shows the decline in piece-goods exported from Britain to all markets in the world as well as to China and Hongkong. During the latter half of this period, British exports in cotton piece goods to China and Hongkong rapidly decreased as shown in the following table:

Year	Total exports of British cotton piece goods Million(sq.yds.) Linear yds. (L)	£m.	Exports of cotton piece goods from Britain to China & Hongkong £m.	% of total exports of cotton goods from Britain
1921	2,902	137.1	14.0	10.21
1922	4,184	142.4	14.2	9.97
1923	4,141	138.4	10.5	7.59
1924	4,444	153.4	13.1	8.54
1925	4,436	150.6	8.0	5.31
1926	3,834	116.1	7.4	6.37
1927	4,118	110.0	4.3	3.91
1928	3,866	107.3	7.0	6.52
1929	3,672	99.3	6.6	6.64
1930	2,407	61.3	2.3	3.75
1931	1,791 (L)	37.3	2.4	6.43
1932	2,302 (L)	43.6	2.9	6.65
1933	2,116 (L)	40.2	1.4	3.48
1934	-	39.8	0.8	2.01

We now pass on to consider a variety of causes, to which the falling off in the British export to China of cotton goods during this period may be attributed. (1) Some of these rest on the domestic affairs of Britain. In Britain, the cotton industries have been said to have been over-capitalized, and tied financially to banks, which

were usually hesitant in lending fresh money to an industry faced with uncertainty. In regard to labour, disputes between workmen and employers in the British cotton industry became an important feature, and especially during the world slump.

(2) China was held to be essentially a price market, as the people in China cannot afford to buy goods which are high in quality and high in price. Before 1931, prices were steadily rising in China, which created difficulties in buying abroad. The rise in prices merely reflected the fall in foreign exchange, which prevented China from developing imports from outside. The fall in the value of silver and the rise in the value of goods imported, easily caused the purchasing power of the Chinese people to decrease to an extent that importers in China found no interest in carrying on their business for British Lancashire goods.

(3) As we have mentioned before, the Chinese anti-British boycott of 1925-1927 brought imports from Britain down to a lower figure in 1927. When the Chinese boycott against Britain's imports was fairly effective in the Yangtze valley and in the South where it was combined with a strike of Hongkong, not only British shipowners and British merchants suffered losses in China, but the British cotton industry at home also suffered heavy losses, as exports of cotton goods from Britain to China usually formed the greater bulk of the total imports of China from Britain. The movement of anti-British feeling in China and Hongkong, therefore, made itself felt in Lancashire.

The economic effectiveness of China's boycott against British goods can be found from the statistics of trade between China and Britain, either British or Chinese, and it is to be noted that imports of British cotton goods into China during 1925-1927 suffered a drastic

decline, as compared with the years of peace.

There is no doubt that British goods being unobtainable in China during the boycott, those of another nation could be easily bought instead. Thus China's imports of cotton goods from U.S.A. and Japan showed an increase. Conversely, since 1928 when there was an anti-Japanese boycott in China, the trade figures of China for the years 1928-1932 showed a rise in the importation of piece goods from Britain. But, as we have said, a trade which was already lost would not be easily recovered. The remaining years of this period saw the failure of Britain to regain her export trade with China in cotton goods and the world slump was bound to affect any trade.

(4) We turn now to Japanese competition, which has been a dominant factor in China's market, and, to the effect of which, British export trade with China in cotton textiles has proved particularly vulnerable. The Japanese advantage in her competition with British goods rested upon effective combination, lower wages, and longer labour hours. We find the decline in British cotton exports mainly concentrated in Asia. In Asia, China was the second most important market after India for British cotton piece goods. Since British staple exports to India and China were affected by increased Japanese competition, it has been felt in Britain that Japan has been Lancashire's principal competitor. In India's case, the British tariff restrictions on Japanese imports changed the situation in her favour. But, in China the competition of Japanese cotton goods has been more successful in the low price field and the persistent downward trend in the British share of the Chinese import of cotton goods was an underlying fact of this period.

Taking as example the last five years of this period, which showed a progressive decline both in the British export trade to China

and in Lanchashire's share of the trade, the value of the total imports of China in cotton piece goods and yarn fell from $233.4 million in 1930 to $35.8 million in 1934. In this declined trade of China, imports of cotton piece goods fell from $33.1 million in 1933 to $15.2 million in 1934, and from Britain, from $20 million in 1933 to $10.1 million in 1934. We then find that during the five years ending 1934, not only has the value of China's imports of cotton goods declined, but of these decreased imports, exports from Britain have taken a smaller proportionate share than that taken by Japan. The figures given below tell their own tale.

China's imports of cotton piece goods
(According to Chinese statistics)

	From Britain		From Japan	
	(1933)	(1934)	(1933)	(1934)
% in China's import trade	1.4	1.0	1.5	2.4
% of the total imports of China from each country	12.5	8.0	25.0	12.0

The importance of Japanese competition with British cotton goods has been pointed out in "Consulations and Recommendations of the Cotton Mission", which appeared in the British Board of Trade Journal, April 16, 1931. The general statements by that Mission were as follows:

"In the period 1909 to 1913 Great Britain held between 60 and 65 per cent of the total world export trade and Japan less than 3 per cent. Britain's share fell by 1929 to 45 per cent and Japan's share had increased to 17 per cent. Great Britain exported to China and Hongkong in the years 1909 to 1913 an average of 587 million linear yards, in 1929, 210 million, in 1930 only 69 million. In 1913 Britain's exports to China and Hongkong were four times the value of those of Japan, but in 1930 they were only one-sixth part of the value of Japan's."

So, in China's import trade, Japan has thus proved a very successful competitor and has largely displaced the British export trade with China in cotton goods as well as in some of the other commodities. The course of China's import trade in cotton goods with Great Britain as compared with that of her import trade in cotton goods with Japan can be seen in the following tables:

Table I — China's imports of cotton goods

Year	Percentages of Total From Britain	From Japan
1912	56.0	17.6
1921	43.2	43.9
1924	31.4	46.7
1927	15.6	69.7
1930	12.5	80.3
1931	12.3	78.7
1932	32.6	62.0

Table II — China's imports of cotton piece goods

	From Japan Cotton piece goods				From Britain Cotton piece goods			
Year	Grey	Printed	White or Dyed	Total	Grey	Printed	White or Dyed	Total
	(In millions of H. taels)							
1919	38.7	5.4	39.4	83.5	6.3	2.2	26.7	34.2
1927	23.0	17.3	50.0	90.3	1.2	1.2	18.0	20.4
1928	23.9	23.2	63.7	110.8	3.2	1.5	30.3	35.0
1929	20.6	19.6	70.3	110.5	3.2	1.8	31.4	36.4
1930	17.7	13.3	59.3	90.3	1.6	1.3	13.3	16.2
1931	7.3	15.3	55.4	78.0	0.8	0.7	13.7	15.2

It is true that modern producers of cotton goods in China have so far confined their attention to the poorer quality cloths, but increased production of these qualities in China has stimulated the manufactures of the better qualities in Japan, so that Japan's competition with Lancashire has intensified. In the face of decreased sales, the British have found it very hard to compete with the Japanese in cotton goods of better quality but of cheaper price, with the exception of certain specialised and comparatively expensive lines, the demand for

which has been, however, small in China.

(5) We shall now concentrate on a general aspect, namely the extent to which China's industrialization resulted in the growth of cotton goods in her markets.

Development of China's industrialization has been going on continuously, but in the latter half of this period, particularly in certain lines of production which affected her imports in general. This was noticeable in the cotton textile industry in China. During this period, an impetus was given to the cotton spinning industry, because of high prices which developed, and because of the strong anti-Japanese boycott in recent years.

The cotton piece goods industry also developed quite rapidly in this period, particularly in the seven years closing with 1934, while the cotton spinning industry continued to develop equally with the demands of the weaving industry in China. Whenever the price of imported piece goods rose considerably the hand and power weaving industry had an increased demand.

Consequently during this period, the development of the cotton spinning industry in China accounted for an increase in the amount of cotton yarn exported from Britain to China, and also for the decline in cotton piece goods exports from Britain to China. The following figures derived from Chinese Customs Reports show imports of cotton piece goods and cotton yarn from Britain during some years within this period.

China's import of cottons from Britain

Year	Cotton piece goods Hk. Tls.	% of China's total import of cotton goods	Cotton yarn Piculs	% of China's total import of cotton yarn
1912	46,977,000	56.0	11,000	0.5
1921	62,847,000	43.2	15,000	1.1

	Cotton piece goods		Cotton yarn	
	Hk. Tls.	% of total	Piculs	% of total
1924	54,121,000	31.4	2,000	0.4
1927	20,364,000	15.6	1,000	0.3
1930	15,471,000	12.5	1,000	0.6
1931	13,536,000	12.3	3,000	6.3
1932	23,660,000	32.6	18,000	18.7
1933	G.U.9,910,950	33.2	Not available	
1934	G.U.5,119,825	37.6	"	"

In close connection with the cotton weaving industry in China was the importation of dyes. In 1924, foreign dye imports into China constituted about 3% of her total imports, and in the same year we find Britain's export of dyestuff to China, amounted to £120,905. From 1924 to 1928, the value of the export in dyes from Britain to China was doubled, because of the growing cotton products, which served to stimulate China's import trade with Britain in dyestuffs. Export of dyes from Britain to China and Hongkong steadily increased in value from £566,379 during 1924-1927 to £1,328,117 during 1928-1934, as the continued development of the Chinese cotton textile industry made necessary an increasing importation of dyestuffs from Britain as well as from the continent of Europe.

b. Woollens. In modern China, woollen fabrics and materials rapidly gained in popularity for clothing purposes during the period under consideration. It appeared that with the improvement of the economic position of the people in China, the demand for fine woollen goods undoubtedly grew. China's textile industry has extended from cottons to woollens, coming as a result of her industrialization, and high prices gave a considerable impetus to the woollen goods industry no less than to the cotton piece goods industry.

But, there was no doubt that the growing industry in woollen weaving in China could not keep pace with such increased demand con-

sequent on the improved economic condition of the country. The sharp growth in percentages of British exports of woollen yarn and woollen goods in the total export trade of Britain with China during this period remarkably reflected the increasing activity in the demands of the woollen import in China. It is quite certain that the information from the Chinese side ~~would~~ shows the growth of this trade, which is revealed in the accompanying table.

China's import of wool and woollen fabrics

Year	From Britain	From all sources
	(In millions of H. Taels)	
1919	4.0	7.5
1927	12.0	28.1
1928	23.7	48.7
1929	20.8	44.8
1930	10.7	25.6
1931	16.6	32.8

During foregoing period, the total exports of woollen commodities from Britain to China, according to British trade returns, constituted only about 6.7% in the British export trade with China. Within this period, this percentage rose to about 15.3 for 1921-1927 and for 1928-1934 it was over 17.0. The great increase in the importance of British woollens was, therefore, a characteristic of the Chinese market in the fourteen year period now under our review. The relative importance of British woollens among her exports to China increased considerably, while we find that not only did the British export of woollen yarn or worsted tissues grow with the growth of the woollen goods industry in China, but the nature of British woollen goods was more able to suit the growing Chinese demand. The Chinese demands for British woollens grew to such an extent that Britain's export of woollen yarn and woollen textile to China and Hongkong reached an annual average of £870,977 during 1900-1913, of £1,478,441 during

1914-1920, and of £6,015,718 during 1921-1934.

The successive increase in the British exports of woollens to China during the above-mentioned three periods was so fast that during this period woollens took the second place in British export trade with China. Further, a comparison of woollen yarn with woollen piece goods among the British exports to China from the years 1921-1927 to the years 1928-1934 shows that China's import of British woollen yarn increased while her import of British woollen goods decreased. The growth of the woollen textile industry in China on the one hand caused the demand within China for yarn for weaving to increase, and on the other hand resulted in a decreasing import of woollen goods into China from Britain. The following table shows exports of woollen goods and worsted tissues from Britain to China and Hongkong.

	Woollen yarn	Woollen goods		
		By sq. yds.	By value	Total
Year	£	£	£	£
1921	246,978	2,046,424	271,283	2,564,685
1924	455,203	4,775,139	289,519	5,519,861
1927	329,586	2,195,096	315,852	2,840,534
1930	343,754	1,037,043	158,713	1,539,510
1931	635,215	1,060,049	106,701	1,801,965
1934	750,720	671,480	79,961	1,502,161

This table also shows that although throughout this period as a whole Britain's export of woollen to China increased in importance, the decline in the export trade of Britain with China in woollens was well under way between 1927 and 1934. In those years the annual total had been greatly reduced. Doubtless, the world depression of 1929-1932 served to increase the rate of loss. But, we should not forget that Japan's competition in China had seriously reduced exports of woollens from Britain to the Chinese market. The remarkable increase in exports of woollen yarn and goods from Britain to China from £2,641,841

in 1922 to £4,156,125 in 1923, and to £5,064,658 in 1924, is to be explained as the result of a quickened demand for British woollens in China, due to the Japanese earthquake of 1923. During the latter half of this period, the decline in exports of woollen goods from Britain to China, therefore, was due to the increased Japanese competition in China rather more than to the development of China's home production. In Northern China there are a number of small woollen mills, which have been able to meet in some measure the Chinese demand for woollens. Exporters of woollen goods from Britain to China faced no severe competition from producers in China as the growth of the woollen industry there during this period had not yet caught up with the increased demand of the Chinese people. The tables given below show that the increase in the woollen import from Britain into China was obvious in Chinese figures in Hk. Tls. but it will be noted that the share of the Chinese import trade in woollens taken by Britain, has in the latter part of this period tended to decline, owing principally to competition from Japan and Germany.

China's imports of woollen goods

Year	From Britain Hk. Tls.000's	From all sources Hk. Tls.000's
1912	1,141	4,014
1921	4,806	7,694
1924	11,189	17,992
1927	7,967	17,987
1930	7,795	19,230
1931	13,456	26,942
1932	12,312	17,936
1933	4,035(G.U.)	17,100(G.U.)
1934	3,442(G.U.)	18,289(G.U.)

Percentage shares of China's imports in woollens from the countries shown below

Year	Britain	Germany	Japan
1912	28.4	20.1	9.2
1921	62.5	8.5	10.4
1924	62.2	10.8	3.7
1927	44.3	15.6	5.4

Year	Britain	Germany	Japan
1930	40.5	18.6	16.2
1931	49.9	19.6	9.6
1932	68.6	14.3	7.5

c. Metals of all kind and their products.

Sources of natural power in China was mainly untouched. The exploitation of them and the development of transportation and other inter-communications would necessarily be accomplished largely through importations. Exports of metal of all kinds from Britain to China have shown a steady increase in their percentage shares of the total exports of Britain to China, and we find that the value of these exports totalled £1,038,361, or 7.9 per cent of the total value of exports from Britain to China during 1900-1913; £1,858,578 or 8.5 per cent during 1914-1920, and £1,922,158 (OR 10%) during 1921-1934. Thus, the development of China's industry caused the British export trade with her in metals to prosper, and this trade became more important in this period than it had been in previous periods.

There was a general increase in almost all items under this heading, but the most important metal items imported into China from Britain are iron and steel and their products, such as rails. Imports of railway supplies have been stimulated by the operation of the Chinese Government Purchasing Board set up in London. Many purchases of railway materials were made with the British share of the Boxer Indemnity. Imports of railway materials and heavy steel manufactures increased and Britain supplied a large share of the metal imports of China during this period.

In the British imports of iron and steel, and their products into China during this period, the principal suppliers of these were the British, but Germany and Czechoslovakia took larger shares, and China's

imports of these articles from Japan and Belgium were also increasing. Though the bulk of trade in iron and steel has been done by Britain, competition in all items of this trade has always been severe in China's markets. More detailed figures are given in the following tables, one of which shows the Chinese import of iron and steel and their products such as rails from Britain and other countries during 1927-1931, and the other, Britain's metal exports to China and Hongkong from 1921-34.

Table I. China's imports of metals from foreign countries

Year	(1) Iron & Steel From Japan	From U.S.A.	From Britain	From Germany	From all Sources	(2) Railway & Material From Britain	From U.S.A.	From all Sources
					(IN MILLIONS OF HK. TLS.)			
1919	11.5	13.0	4.6	-	36.9	1.0	12.5	22.7
1927	9.3	5.5	4.5	3.1	36.6	0.9	4.3	13.7
1928	10.2	7.5	8.3	4.0	50.1	0.5	5.5	15.1
1929	12.6	9.0	9.2	5.0	60.4	0.7	3.5	13.7
1930	13.4	9.9	10.8	6.0	65.2	1.8	1.4	16.7
1931	13.7	12.4	12.3	7.6	78.3	3.0	2.3	15.1

China's import of iron & steel, & their products from Britain
(Chinese Statistics)

	Total value in Hk. Tls.	% of total imports of China
1932	5,450	62
1933	3,788	50
1934	13,956	48

Table II. Britain's exports of metal of all kinds to China and Hongkong
(British Statistics)

Year	Iron & steel, and their products £	Other metals £	Total metals £
1921	3,248,041	324,108	3,572,148
1924	2,351,274	249,312	2,600,586
1927	1,100,662	145,241	1,245,903
1928	1,576,660	169,487	1,746,147
1930	1,453,192	113,606	1,566,798
1931	1,207,292	121,071	1,328,363
1934	1,564,453	167,202	1,731,655

d. Machinery, tools and chemical goods.

During this period, China's industrialization showed signs of

expansion as a number of mills, the most important of which were textile and flour mills tended to expand to such an extent that their products would soon exceed those of foreign-owned mills in China. Without question the expansion of modern industries in China increased steadily the demand for machinery and power apparatus, such as engines and machine tools for mill work. Almost every important industry in China has found itself dependent upon the supply of machinery and tools and the parts thereof, from foreign countries, notably Britain and the United States. China's imports of machinery, which normally relied to a very considerable extent on her trade with Britain, now tended to rely preponderantly on the supply of other industrial countries. The tables of such data drawn up in the form of percentage shares of the total imports of China from many sources are presented below:-

Table I. Sources of machinery and tool imports into China

Year	From Britain	From U.S.A.	From Germany	From Japan	From other Countries
	(% of total imports) (Chinese statistics)				
1912	36.8	5.1	24.8	8.1	25.2
1921	31.5	36.6	2.3	13.7	15.9
1924	25.0	22.6	15.1	25.6	11.7
1927	19.1	20.7	8.3	29.2	22.7
1928	21.0	21.3	16.9	23.0	17.8
1931	21.0	17.9	12.5	23.4	25.2
1932	29.7	24.5	16.2	14.8	14.8

Table II. China's import of machinery for textile industries

Year	From Britain	From Japan	All Sources
	(In millions of Hk. Tls.)		
1919	0.8	0.9	3.8
1927	2.0	1.3	3.8
1928	2.0	1.5	4.2
1929	5.6	2.1	9.0
1930	8.6	4.0	14.0
1931	6.3	5.7	13.8

China's import of mechanical apparatus & boiler & detached parts thereof

From Britain	From Japan	All Sources
(In millions of Hk. Tls.)		
1.4	2.9	11.8
3.5	4.0	15.2
3.6	2.9	16.7
4.1	4.6	21.8
5.7	4.9	29.7
7.0	5.8	29.4

According to Chinese figures regarding imports of machinery and

detached parts thereof from Britain, the value of these was generally steady, with a great tendency to rise during the latter half of this period more than during the former half, and this import trade of China with Britain was to keep pace remarkably with the increase in her total imports of machinery and tools, as shown in the following:

China's import of machinery

Year	From Britain Hk. Tls.000's	% of total imports of machinery	From all sources Hk. Tls.000's
1912	4,892	36.8	13,299
1921	30,282	31.5	96,077
1924	8,551	25.0	34,133
1927	9,659	19.1	56,475
1930	20,483	21.0	97,547
1931	21,399	21.0	102,023
1932	19,136	29.7	64,509

From a study of the British statistics for the post-war period, we find that the exportation of machinery and tools from Britain to China and Hongkong registered a total value of about 5 million pounds sterling during 1914-1920, while during this period 1921-1934 it reached more than 23 million pounds sterling, a tremendous increase of nearly 4 or 5 times. From these imports it is indicated how the industrialization in China has been on a progressive scale in the twenty years ending with 1934.

Also, the export of chemical goods from Britain to China was stimulated by the industrialization of modern China, as the chemical import into China during this period formed an important part of the goods classified as leading articles imported from Britain into China.

The total value of the exported chemical goods, according to British statistics, amounted to only one million pounds sterling during the foregoing period, but during this period it increased to more than ten million pounds sterling. Of the total exports from

Britain to China and Hongkong, chemical goods formed only about one per cent for the periods 1900-1913 and 1914-1920, but for the period under review they formed about 4 per cent. It is therefore obvious that there was a rapid growth in the industries of China and there was a greater share taken by Britain in the Chinese import of these articles. The following table shows the exports of machinery, tools and chemical goods from Britain to China and Hongkong during 1921-1934 and serves to illustrate the growing importance of those commodities connected with China's industrialization.

Year	Machinery £	Tools £	Chemical goods £
1921	4,762,395	100,237	347,502
1924	1,234,025	51,935	606,345
1927	897,810	50,766	880,258
1928	929,025	67,699	1,411,529
1930	1,488,159	47,669	1,157,457
1934	1,273,502	49,489	338,579

e. Tobacco and cigarettes.

Other exports from Britain to China that assumed some importance during this period as well as during the foregoing period, were tobacco and cigarettes. Britain's export of these commodities to China averaged about £800,574 a year during this period. As compared with the annual average value of about one million pounds sterling a year during the previous period, Britain's export trade with China in these articles showed a moderate decrease during this period. There were great fluctuations in these goods from year to year, which was a characteristic of this export trade of Britain with China. During this period as a whole the general course of Anglo-Chinese trade in tobacco was downward as we can see from the figures in the following table.

Export of tobacco from Britain to China & Hongkong
(British statistics)

Year	£
1921	994,863
1924	1,076,511
1927	713,847
1928	1,208,366
1930	1,175,375
1931	813,182
1934	221,644

There was a falling off in imports of tobacco into China from Britain, but, the Chinese market for tobacco and cigarettes in the past twenty years has grown very rapidly. Both of these facts indicated that cigarette manufacture in China has made rapid strides, largely under the impulse of foreign interests concerned, headed by the British American Tobacco Company, for China's own production of tobacco has not been sufficient to meet the needs of the cigarette industry in China. The growth of the home production of cigarettes was at the expense of Britain's export trade with China in tobacco, but on the other hand, China had to continue to import tobacco from foreign countries in order to maintain her cigarette manufacture. In this trade America, as shown in the following table, was well ahead of Britain as she could produce improved tobacco of American seed. Little interest could be obtained for the British in exporting tobacco from Britain to China, because in China the native and foreign tobacco factories grew up and competed keenly, and because Chinese taxation on tobacco was so severe that a large proportion of tobacco manufacturers had to suspend business.

China's imports of tobacco
(In millions of Hk. Tls.) (Chinese statistics)

Year	From Britain	From U.S.A.	From all sources
1919	1.01	14.34	27.92
1927	2.17	29.23	36.12
1928	4.83	48.98	60.92
1929	8.94	36.19	48.57
1930	16.99	37.88	59.32
1931	11.04	48.22	62.96

In summarizing the general facts on some leading exports from Britain to China during this period, we find that there was a decline in the value of tobacco; a great decline in the relative importance of cotton goods; and an important increase in those goods related to the development of China's industries. It is noticeable that capital goods of a constructive character thus figured increasingly in China's imports from Britain while the development of her industries called for increasing amounts of machinery and tools, and for iron and steel products of all kinds. The increased demand for these commodities is but indicative of a brighter policy taken by the Chinese Government which tended to encourage in her trade with Britain such imports possessing a constructive character.

8. Specie movements between China and Britain.

In dealing with specie movements between China and Britain, our attention is drawn to the movements of gold and silver between them, and our data will rely as formerly upon British statistics.

From 1921 to 1929, the export of gold from China to Britain which only accurred in 1921, amounted to £2,415. But from 1930 to 1934, gold exported from China and Hongkong is estimated at about 12 million pounds sterling. The shipment of gold which was sent to China from Britain in 1933, however, amounted to only £323.

The movement of silver between China and Britain differs from that of gold. There are three tendencies to indicate its movement between the two countries during this period as a whole. Firstly, there was the excess of silver imports into China and Hongkong from Britain over the exports from China and Hongkong to Britain. Secondly, there was a great rising in the value of silver exports from Britain to China and Hongkong during this period. And thirdly, throughout this period

as a whole, the movement of silver towards China, tended to be on a steadily downward trend, and there was a continued falling in the silver exports from Britain to China and Hongkong during the last five years of this period, as compared with any other five years within the period. These decrease in Britain's export of silver to China and Hongkong caused a great increase in the British import of gold from China and Hongkong.

Thus some facts regarding the movements of gold and silver between China and Britain are revealed by the above statements. During this period when the gold price of silver declined steadily and continuously China's imports of silver from Britain showed a steady and continuous decrease. Also, the movements of treasure between the two countries was in no way isolated from and independent of world influences. Owing to an adverse balance of payments, China was in a position to buy greatly increased quantities of silver bullion, and therefore most of the world silver usually found its way to her. Since the world depression in 1929, a huge demand from Europe for gold imports came and the shipments of gold which have sent to abroad from China and Hongkong greatly increased during 1930-1934.

In 1933, America carried on the policy of governmental purchases of silver, and then the price of silver was artificially stimulated to rise. At the same time considerable purchases of silver were made in London. Thus in 1933 and 1934, China became a net exporter of silver. Imports of silver into Britain from China and Hongkong greatly increased from £8,100 in 1933 to £10,975,655 in 1934.

As we have said, the price of silver went up rapidly in 1934 while the exchange value of the Chinese dollar increased steadily in terms of British sterling. In order to balance her overseas payments, from

China the outflow of silver together with gold, continued on an alarming scale. The great imports of gold and silver into Britain from China and Hongkong during 1933 and 1934 are to be explained as in part due to such factors as those presented. The Chinese statistics for the movements of gold and silver to and from Britain during 1933 and 1934 show in the following table a very great export of gold and a greater export of silver from China to Britain, and a smaller amount of silver together with some gold, imported into China from Britain.

China's import from Britain

Year	Gold G.U.	% of total	Silver G.U.	% of total	Total G.U.	% of total
1933	2,688	1.96	6,897,734	8.57	6,900,422	8.56
1934	-	-	-	-	-	-

China's export to Britain

Year	Gold $	% of China's total exports of treasure	Silver $	% of China's total exports of treasure	Total $	% of China's total exports of treasure
1933	22,700,496	63.63	215,115	0.23	22,915,611	17.56
1934	26,222,399	9.81	156,860,752	58.67	183,083,151	68.48

As valuations in Chinese figures vary and are often changed, we have to rely upon information from the British source, and to base on British statistics the estimate of the amount of gold and silver moved between China and Britain during the period under our consideration.

Britain's imports of gold and silver

	GOLD		SILVER		
Year	from China £	from Hongkong £	from China £	from Hongkong £	Total £
1921	2,415	-	-	-	2,415
1922	-	-	-	105,117	105,117
1923	-	-	150	91,400	91,550
1924	-	-	93,569	525	94,094
1925	-	-	-	-	-
1926	-	-	917,205	-	917,205
1927	-	-	1,650	-	1,650
1928	-	-	113	-	113
1929	-	-	-	-	-
1930	178	11,215	88,425	-	99,818
1931	-	27,006	-	2,695	29,701

	GOLD		SILVER		
	from China	from Hongkong	from China	from Hongkong	Total
Year	£	£	£	£	£
1932	-	296	-	-	296
1933	3,679,623	2,652,167	8,100	-	6,339,890
1934	4,592,362	1,820,128	10,298,634	677,021	17,388,145
Total	8,274,578	4,510,812	11,407,846	876,758	25,069,994
Aver.	591,041	322,201	814,846	62,625	1,790,714

Britain's exports of gold and silver

	GOLD		SILVER		
	to China	to Hongkong	to China	to Hongkong	Total
Year	£	£	£	£	£
1921	-	-	2,654,350	795,673	3,450,023
1922	-	-	1,885,100	1,496,600	3,381,700
1923	-	-	2,041,050	37,500	2,078,550
1924	-	520	388,146	-	368,666
1925	-	32,814	810,683	116,650	960,147
1926	-	44,050	238,225	118,650	400,925
1927	-	-	125,817	16,950	142,767
1928	-	-	2,224,314	70,057	2,294,371
1929	-	-	842,624	317,984	1,160,608
1930	-	-	125,234	1,238,115	1,363,349
1931	-	-	673,720	199,009	872,729
1932	-	-	453,176	917,466	1,370,642
1933	323	-	74,880	12,264	87,467
1934	-	-	-	3,680	3,680
Total	323	77,384	12,517,319	5,340,598	17,935,624
Aver.	23	4,527	894,094	381,471	1,281,116

9. Balance of trade between China and Britain.

As we have seen, in China's trade with Britain, she had a characteristic excess of merchandise imports from Britain, and this "unfavourable" balance, instead of being compensated for by an export of treasure to Britain, has been probably increased by large imports of silver coin and bullion. As is well known, a nation's exports of all items of value should pay for its imports of value. As far as the visible items in China's trade with Britain have been concerned China she had to pay Britain by an export of gold and some silver, even though this had a depressing effect upon the gold price of silver abroad.

China was known to the world as a silver purchasing country, and

not a gold producing country. As we have seen, her shipments of treasure were usually not sufficient to pay for the excess of total imports over total exports in her trade transactions with Britain. During this period as well as during the periods we have dealt with, she made actual payments not only by disposing of treasure but also of other items of value.

But, few of these items can be measured with accuracy, as the statistics are not adequate for a thorough analysis of these "invisible" imports. It is a well-known fact that considerable sums, which have been sent home from the British Empire by Chinese overseas, are not easily estimated as an estimate of the approximate number of Chinese abroad or in British possessions has not yet been satisfactorily made.

The imports of capital in the form of investments in real estate and buildings, by the British people and corporations in China was another important "invisible item" of credit to China in her account with Britain, and one upon which China has been compelled to depend as a means of balancing her trade accounts with Britain. We shall deal with this item in the next chapter.

Taking all these "invisible" items of China's imports into consideration, we find that China has been more dependent upon the continuance of British capital investments in China than upon her other "invisible" items of credit, such as proceeds of new loans and increasing remittances by people overseas, as a means of paying for her import surplus of goods from Britain, and of securing the gold credits necessary to pay interests upon her Government Debt to Britain.

During the period under review, China's indebtedness to Britain was probably increased by her growing obligations to pay interest and principal on loans from Britain and on indemnities to Britain. Then,

in China's balance of payments for this period, it is obvious that debit items are larger when they are compared with the corresponding credit items. The amounts of the "invisible" items in her balance of payments with Britain are not easily calculated for this period, but we can deal with the "visible" elements. They are as follows:-

Balance of merchandise trade between China & Britain
1921-1934
(According to British statistics)

	China		China & Hongkong	
Britain's exp. to:	£195,919,584		£265,704,314	
Britain's imp. from:	143,389,302		151,399,431	
Excess of exp. over imp		£52,530,282		£116,304,883
Britain's exports of treasure to:	£12,537,640		£17,955,604	
Britain's imports of treasure from:	19,682,634		25,070,204	
Excess of treasure imports over exports		£7,114,994		£7,114,600
Balance against China		£45,415,288	. . . . .	£109,190,283

This table shows certain changes in the excess of British imports of merchandise into China over China's exports to Britain, and Britain's exports of gold and silver to China and Hongkong over her imports of those from China and Hongkong. The increase in China's exports to Britain was more rapid than in her imports from Britain during this period, and the gap between imports and exports was therefore narrowed rather than increased in China's trade with Britain. But throughout this period as a whole, Britain in her trade with China still maintained her position as a creditor nation though the characteristically large excess of Chinese imports from Britain was reduced.

10. The place of British shipping in China's total trade.

The Chinese shipping statistics show the total British tonnage coming under the view of the Chinese Customs in the foreign and

domestic trade of China. The figures in the following table include practically the whole of the steam ships calling at each of the Chinese ports, taking ocean-going, coastwise and river vessels together, and give the number of vessels and tonnage under the British flag as well as that under the Chinese flag.

	British		Chinese		Total shipping in China's water	
Year	Vessels	Tonnage	Vessels	Tonnage	Vessels	Tonnage
1921	38,855	42,326,445	139,520	31,791,479	214,566	114,619,544
1922	40,075	47,698,139	111,119	32,857,745	186,428	124,131,361
1923	44,055	51,965,230	102,245	32,433,847	182,722	131,304,556
1924	48,886	55,715,925	94,751	33,288,363	186,382	141,432,827
1925	36,937	42,942,484	88,844	33,002,936	167,746	128,202,625
1926	36,474	47,645,090	78,163	28,393,631	158,996	134,659,606
1927	33,791	40,258,049	79,538	21,636,430	154,275	116,210,785
1928	48,523	56,036,567	92,200	36,522,321	186,851	152,630,001
1929	50,845	57,926,507	85,977	29,884,336	186,514	154,667,910
1930	49,402	57,246,927	81,956	29,199,170	180,981	155,605,954
1931	50,534	60,560,794	83,676	32,698,623	181,607	160,005,101
1932	49,517	59,430,602	81,023	33,888,168	161,592	135,409,496
1933	47,574	58,215,213	93,878	37,254,843	171,725	137,379,174
1934		N O T	A V A I L A B L E			

In the above table, we find that both British and Chinese shipping increased in tonnage, and British tonnage played a great part in the foreign and domestic trade of China. In 1933, for example, the combined entrance and clearance of British ships engaged in Chinese trade and representing 42% of the total shipping in China, show, in comparison with 1921, an increase of about 5%, while the total tonnage engaged in China's trade increased from 115 million in 1921 to 137 million in 1934.

The above figures indicating British tonnage in China are better considered in relation to the British trade with China. We find that the British position in the carrying trade of China ranked far above her commercial status in China. If we refer to changes in the percentage distribution of the total tonnage in China, we shall find that the decreasing importance of British shipping was not matched during this

period by a similar decrease in the importance of her trade with China. During the early years of the period under consideration British tonnage in China's trade greatly increased and there was a remarkable rising in the share of her shipping in Chinese waters. During the remaining years of this period, the British share of the total tonnage in Chinese waters showed an increase as the Japanese share of the domestic shipping of China decreased. In 1930, of the total tonnage in Chinese waters, the British percentage was about 35, and the Japanese about 30. In 1933, the British percentage increased to 42 but the Japanese decreased to 15. Throughout this period the position of British shipping in the whole of China's trade remained unchanged as at the end of this period Britain was still the leading foreign nation in the carrying trade of China. The following table shows the percentage share of the tonnage under different flags in the whole of China's trade during this period.

Percentage of tonnage entered & cleared in China's trade

Year	British	Chinese	Japanese	German	French	U.S.A.	Other Countries
1921	36.93	27.74	27.69	-	1.07	3.94	0.51
1922	38.42	26.47	26.57	0.36	1.31	3.91	2.96
1923	39.65	24.70	25.53	0.28	1.40	4.54	3.90
1924	39.33	23.54	24.15	1.47	1.55	4.50	5.46
1925	33.50	25.74	27.36	1.94	1.57	4.57	5.32
1926	35.38	21.09	28.92	2.23	1.72	4.83	5.83
1927	34.64	18.16	30.80	2.81	1.89	5.57	6.13
1928	36.71	23.96	25.60	2.42	1.97	6.36	2.98
1929	37.45	19.32	27.38	2.80	2.13	6.65	4.27
1930	34.86	18.76	29.32	2.70	1.86	6.49	6.01
1931	37.85	20.44	26.90	-	0.96	3.86	9.99
1932	43.89	25.03	14.60	1.77	1.10	3.97	9.64
1933	42.37	27.11	14.68	1.71	0.88	3.90	9.35
1934	N O T A V A I L A B L E						

11. Declined position of British trade with China.

We shall now observe the numerous changes in the position of the British trade with China in China's trade with a selected group of

countries including Japan, Germany, France, U.S.A., U.S.S.R., Hongkong and India. Among the aforementioned countries, only Germany during this period enjoyed an increasing share in the total trade of China, while the U.S.S.R. like Germany, recovered from the recession caused by her political debacle after the Great War. The relative shares of the total British Empire in China's total trade increased during this period, with the exception of Britain and Hongkong.

The countries with the greatest increase in their relative share of China's trade during this period were Japan and the United States. During the early years of the period, the United States jumped from the fourth to the second place as a result of the spectacular rise in her share of the total trade of China. At the end of this period, she replaced Japan as the leading country in China's foreign commerce, Japan then taking the second place.

The decline in China's trade with Hongkong indicated a decline in the direct trade between China and Britain during this period, as Hongkong acted as a distribution centre for China's trade with Britain. Probably owing to the shift in the distribution channel of China's foreign trade, Britain then faced a decline in the relative importance of her trade with China in the total trade of China.

Throughout this period as a whole, the decline of the British share in China's trade from the third to the fourth place was due solely to the drastic diminution of her share in China's import trade from Britain, and the decline in the British export trade with China was due mainly to the decreased export of cotton goods from Britain, which was an outstanding feature of China's foreign trade during this period. But, the noteworthy changes in China's imports were the increased imports of capital goods of a constructive character, such as machinery and

iron and steel rails, of which Britain supplied a substantial share. The increase of China's foreign trade in these lines was an increase of the total value of the British trade with China.

By the end of this period, therefore, the percentage of the total trade of China secured by Britain thus improved, but when the very great fall in the total value of trade between China and Britain during this period is taken into account; the fact emerges that, despite this slight increase in the percentage share of the British trade with China, the actual value of the trade between them greatly declined as detailed statements have already shown.

The chief factors in the decrease in the British trade with China have been said to have been due to the lessened purchasing power in China rather than to the increased competition from countries trading with her. The trade of China has increased but the share of Britain has decreased and is still decreasing. However, it has been said that in China the most serious competitor has been Japan. In 1921 China took about 25 per cent of her imports from Japan and only 12 per cent from Britain. In 1934 when there was a partial blockade of Japanese goods in China, Japan's share in China's imports was more nearly equal to the British share. It is unnecessary to amass further examples. It is obvious that in the list of countries trading with China, Japan ranks easily first, and the United States second. German trade with China made a rapid recovery and trade between China and the whole of the British Empire advanced. Britain's share in China's total trade has declined and her share in world trade has also diminished. It cannot, therefore, escape our notice that to no small degree Great Britain lost her position as the workshop of the world during the twenty years from 1924 to 1934.

The fall in the importance of British trade with China can be viewed in comparison with Japanese trade with China, as in China's market, Japanese competition has been felt more consiciously by Britain than by any other country trading with China. Turning to the early years of this century, the trade statistics from China show a fairly continuous growth of Japan's trade and also that Britain made rapid progress in China's market until 1913, which was afterwards adopted as the base year for statistics published by the Board of Trade in the United Kingdom.

During the Great War, the rise of Japan's trade with China was more rapid for obvious reasons, while there was a sharp drop in the trade between Britain and China. At the close of the War, the vigorous growth of the Japanese trade with China was still fairly rapid while Britain's trade with China has not recovered the level reached during the prewar period.

After the post-war depression and during the general increase in world trade, the Japanese percentage probably dropped in China's foreign trade, but this drop was not so marked as in the case of Britain. From 1927 to 1930 the Japanese share of China's trade declined without interruption, and in 1931-1934 the decline was outstanding. It was accompanied by a sharp rise in the percentage share of Britain in the total of China's foreign trade. Generally speaking, from 1921 to 1927 Britain was losing somewhat in China's market and Japan was gaining, but from 1928 to about 1934 Japan lost and Britain gained. The shifts of outstanding importance in China's trade over the period under review have been associated with China's political changes. To put the matter in a nutshell we can say that the Chinese Nationalist Government has been closely in touch with Britain either for economic

or for diplomatic reasons, since Japanese military ambition has been upon a determination to play an important role on the Continent of Asia. Since 1930 Japanese military aggression in China brought a revival of the Chinese boycott against Japanese goods. During the closing years of this period, this movement was strong and Anglo-Chinese trade was thus stimulated. At the end of this period, Great Britain was therefore more successful in holding her Chinese market than in holding her other markets. For the sake of comparison, the two following tables are presented, one of which shows separately the shares of China's trade taken by Britain and some comparatively important countries trading with China, and the other the index of value of the import and export trade of China with Great Britain, compared with other countries in China's foreign trade.

Table I. Percentage shares of the countries shown below in China's import & export trade

Year	Britain		Hongkong		India		U.S.A.		Japan
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp	Imp.
1921	11.79	5.14	25.03	25.43	2.94	1.62	17.30	14.89	26.69
1922	11.28	5.88	25.11	25.96	3.25	1.50	16.36	14.90	25.90
1923	9.61	5.74	24.91	23.35	3.97	1.64	16.53	16.04	26.55
1924	9.73	6.51	23.03	22.44	2.78	1.48	16.11	13.05	26.41
1925	8.08	6.14	16.71	14.78	3.54	1.65	16.40	18.44	30.48
1926	8.57	6.46	10.87	10.85	4.73	1.84	16.81	17.37	30.24
1927	6.81	6.31	19.58	18.47	3.31	2.42	14.78	13.25	29.61
1928	7.94	6.16	18.54	18.37	3.03	1.94	15.12	12.83	27.83
1929	8.42	7.32	16.89	17.09	3.15	1.75	16.02	13.57	27.64
1930	7.69	7.00	16.93	17.66	6.71	1.89	16.39	14.47	27.08
1931	7.83	7.09	15.71	16.31	4.38	1.99	18.73	13.22	25.49
1932	11.20	7.62	5.71	15.35	6.19	4.26	25.43	12.17	14.32
1933	11.33	7.96	3.55	19.75	5.35	4.71	21.86	18.46	9.82
1934	12.10	9.30	2.86	18.85	4.14	4.14	26.16	17.63	12.44

	Japan	Germany		France		U.S.S.R.		Other countries	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1921	31.14	1.31	1.13	2.19	3.98	2.06	3.80	10.69	12.87
1922	27.63	2.12	1.50	2.78	6.22	3.28	5.99	9.92	10.42
1923	30.39	2.61	1.58	2.77	5.26	2.55	4.53	10.50	11.47
1924	30.07	3.02	2.07	3.07	5.84	3.12	6.01	12.73	12.53
1925	28.48	2.81	2.12	4.51	8.51	3.53	6.18	13.94	13.70
1926	29.87	3.16	2.05	4.24	7.88	4.32	7.42	17.06	16.26
1927	29.24	3.06	2.22	3.39	5.60	5.11	8.40	14.35	14.09

	Japan		Germany		France		U.S.S.R.		Other countries	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1928	27.96	3.57	2.30	4.25	7.27	5.37	9.05	14.35	14.12
1929	29.17	3.90	2.21	3.24	5.54	3.28	5.51	17.46	17.84
1930	29.14	4.16	2.61	2.68	4.77	3.35	6.19	15.01	16.27
1931	32.39	4.52	2.54	2.37	3.75	3.38	6.01	17.59	16.70
1932	25.83	6.75	6.05	1.46	4.63	2.14	4.95	26.80	19.14
1933	18.53	7.95	3.40	1.75	5.26	1.60	0.96	36.79	20.97
1934	18.09	8.99	3.58	2.16	3.95	0.83	1.05	30.32	23.41

Table II. Index numbers of China's imports & exports from and to the countries shown below (1912=100)

	Britain		Hongkong		India		U.S.A.		Japan
Year	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
1912	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1921	200.3	194.4	156.4	147.9	75.9	128.6	485.6	255.5	231.1
1922	194.1	242.2	161.9	164.4	92.5	129.6	466.9	278.4	254.3
1923	160.8	271.7	167.8	170.0	118.4	162.8	426.7	344.7	231.9
1924	168.3	316.1	165.0	167.5	83.2	151.0	525.1	287.5	257.9
1925	124.4	298.5	119.3	111.0	104.6	168.7	393.7	408.4	329.3
1926	155.3	351.2	84.2	90.7	169.8	210.3	518.4	428.3	370.2
1927	100.3	364.8	143.8	164.1	90.9	293.1	460.8	347.4	322.8
1928	152.0	384.1	153.0	176.2	101.7	254.4	567.8	362.9	350.8
1929	159.2	467.5	145.1	167.9	116.8	235.3	637.7	393.3	355.4
1930	144.6	394.2	147.7	152.8	283.3	223.9	642.1	376.3	359.5
1931	160.3	405.8	150.3	143.5	182.6	239.3	887.8	342.9	324.9
1932	159.4	236.5	40.9	70.8	138.7	261.3	743.6	169.5	165.9
1933	137.3	204.4	21.8	75.3	102.9	240.0	547.8	213.0	97.0
1934	111.1	208.8	13.4	63.0	61.5	185.0	500.6	167.5	93.0

	Japan		Germany		France		U.S.S.R.		Total	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1912	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1921	311.4	63.2	47.2	329.0	61.7	41.3	50.6	192.1	162.3
1922	289.1	117.1	68.4	155.4	105.2	67.2	86.8	200.7	176.8
1923	359.2	153.6	83.1	257.4	102.0	48.1	75.4	195.3	203.2
1924	364.0	183.1	111.2	360.1	116.2	47.6	102.6	214.0	208.3
1925	337.2	154.0	114.6	424.2	170.3	63.4	106.1	198.7	209.5
1926	383.2	216.2	124.0	580.3	175.6	107.0	141.9	235.7	233.3
1927	377.9	186.3	141.9	501.3	132.5	106.5	170.7	212.9	247.9
1928	413.7	263.6	159.2	735.9	185.6	134.5	198.5	249.1	267.6
1929	464.0	317.4	156.6	620.1	145.1	91.3	123.9	263.8	274.1
1930	391.9	327.1	162.9	579.3	110.0	89.6	122.6	273.5	241.5
1931	479.5	395.3	161.4	739.5	87.9	117.4	120.9	298.1	245.5
1932	200.9	342.4	198.7	43.1	29.2	42.0	54.0	221.8	132.9
1933	112.1	342.9	92.7	42.4	26.5	68.9	8.6	192.0	110.2
1934	95.1	296.7	85.3	39.0	17.4	25.7	8.4	146.4	96.4

Chapter VIII

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Chapter IX

Modern Period of British Investments in China

1. British Investments in the Obligations of the Chinese Government
2. British Business Investments in China
3. Summary of British Investments in China, 1931
4. Importance of China in British Overseas Investments
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CHAPTER IX

Modern Period of British Investments in China

As trade between China and Britain and British shipping engaged in China's foreign and domestic trade, during the modern period, have been dealt with in the foregoing chapter, our next consideration might very well be certain general aspects of British investments in China in the modern period, from which British interests in China are mainly derived. As we konw, in China, foreign trade and shipping are foreign investments in general and therefore they are of importance. With the exception of these, there are foreign business and obligations of the Chinese Government to foreigners, both of which provide the greatest part of the foreign imports of capital into China. We are concerned here with an estimate of these British investments in China, by the year 1931, under these two headings. Before going into these, we shall deal briefly with British population and British firms in China.

During the modern period, British population in China, as reported by the Chinese Maritime Customs, showed a fairly continuous increase in actual numbers but yet a decrease in relative importance in the foreign total population in China. The number of British citizens was reported as 9,298 in 1921, 13,015 in 1930, and 13,344 in 1934. At the end of 1934, there was an increase of about 48.8% over 1913, and of about 43.5% over 1921. This decline in the relative importance of the British continued, for the British percentage of the total foreign population of China dropped from 5.4 in 1913 to 3.9 in 1921, and 3.6 in 1934. In 1934, the Chinese population at Hongkong was about 900,000, the non-Chinese civilization was about 20,500, a third of which may be estimated as persons of British nationality. If we accept this figure for the British population at Hongkong, and

add the figure given above, the estimated British population of China was about 20,000 by 1934.

According to the Chinese Customs statistics, British firms in China numbered 703 in 1921, 1,021 in 1930 and 1,021 in 1934. Of foreign firms in China, 7.4% were British in 1921, 12.4% in 1930, and 9.4% in 1934. It is fairly certain that the relative importance of the British firms in the foreign firms of China did not fall as low as that of the British population in the foreign population of China.

1. British Investments in the Obligations of the Chinese Government, 1931.

Many estimates provide available informations over most of the field of British investments in modern China. The figures arrived at as the result of the investigations of many experts, Chinese and Westerners, differ very greatly. The differences are in part due to the fact that different items are included and that the same terms have different meanings. To avoid confusion it must be borne in mind that the following figures which we present in order to make an estimate of British investments in modern China, are based entirely on Professor C. F. Remer's extensive research. Under the auspices of the Institute of Pacific Relations his recent research into foreign investments in China, reveals their approximate size, especially in the case of Great Britain, and some important estimates served as the basis for his final and reasonable estimate of the British investments.

Contrary to popular assumption, British holdings of the Chinese Government obligations are now relatively unimportant when compared with the total British investments in China or with the total British business investments in China. Thus Professor Remer concluded that British investments in Chinese Government obligations constituted only

31.8 per cent of the total foreign obligations of the Chinese Government, and about 42 per cent of all British investments in China at the end of 1931.

As we know, from the beginning of the century to the eve of the World War, the British percentage of the obligations of the Chinese Government increased and British holdings grew at a more rapid rate than did those of any other country of importance in China's foreign investments. Between 1914 and 1931 there were significant changes in China's foreign obligations. The indebtedness of the Chinese Government increased. But she did not borrow from Britain although the history of China's borrowings would indicate Britain as her logical creditor. During and since the War, most of the increase in her foreign obligations was held by the Japanese. Before the war, in the foreign obligations of the Chinese Government, Britain was far ahead of all others involved. But at the end of 1931, Britain had to share first place with Japan, for Japan was the only country to show a high rate of increase in the foreign holdings of the obligations of the Chinese Government during the sixteen year period ending with 1931.

It is, therefore, not to be forgotten that in the obligations of the Chinese Government during the modern period the British holdings declined in importance but their amount was comparatively larger in 1931 than it had been in 1914. The following table shows the British investments in the obligations of the Chinese Government at the end of 1931.

British investments in the obligations of the Chinese Government, 1931

General purposes of the Chinese Government:	Outstanding Dec. 31, 1930		
5% Gold Loan of 1896	£899,000		
4½% Gold Loan of 1898	£4,038,000		
5% Gold Loan of 1912	4,583,000		
5% Reorganization Loan of 1913	6,830,000		
		£16,350,000	
Chinese Government railways		13,961,000	
Communications other than railways:			
Shanghai-Taku New Cable Loan 1900	£62,000		
Duplicate Taku Chefoo Cable Loan 1900	14,000		
Telegraph Charges Advance, 1911	52,000		
Marconi Wireless Telegraph Advance 1918	275,000		
		£ 403,000	
Unsecured Loans		4,129,000	
Purchases of Chinese bonds issued elsewhere		8,630,000	
Obligations of foreign municipalities in China		2,925,000	
Total			£46,398,000

2. British Business Investments in China.

British business investments in China are and always have been of overwhelming importance in the total foreign investments in China, as they now form about 40 per cent of the total foreign investment in modern China and this percentage has steadily increased. The British direct business investments in modern China have been variously estimated. We can accept, on the basis of Professor Remer's estimate, a total of about 198 million pounds sterling as reasonable.

British business investments in modern China, as contrasted with British holdings in the obligations of the Chinese Government, have increased from 24.8 per cent of the total foreign investments in China in 1914 to 30 per cent in 1931, or from 37 per cent of the total foreign business investments in China in 1914 to 38.9 per cent in 1931. They constituted about 66 per cent of the total of British investments in China in 1914, and this percentage increased to about 80 per cent in 1931.

In 1931 the total of foreign business investments in China has been estimated at about 514 million pounds sterling, of which the British share was about 198 million pounds sterling. In contrast with the steady decrease to a small amount of British holdings in obligations of the Chinese Government between 1914-1931, the direct business of Great Britain continued to grow at a rapid rate.

At the end of 1931, the British were the most important holders in every field of foreign business investments in China except that of railways transportation where the Chinese Eastern Railway put Russia first; that of public utilities, in which the Americans were of importance; and that of mining and the miscellaneous investments, in which the Japanese constituted the greatest part.

In the field of transportation, shipping has been and still is, of outstanding importance in the direct investments of Britain in China. Most of the British total under the transportation heading was in shipping as shipping was one of the oldest forms of Britain's direct investment in China. The British have been, as we have already pointed out, the leading foreign nation in the shipping engaged in China's trade. It is safe to assume that two-fifths of foreign shipping in Chinese water was British during the modern period.

The total foreign investment in the coastal and river shipping of China (including Hongkong shipping but excluding all shipping in the overseas trade of China) and in the facilities and equipment ashore, is certainly in the neighbourhood of 41 million pounds sterling, of which the British percentage was about 63.4. We find that the British investment in shipping came to about 26 million pounds sterling, if we include, in addition to ships, the harbour works and wharves in China, and this amount did not include certain ocean shipping which

ought not to be considered as an investment of Britain in China.

Under transportation, foreign direct investment in Chinese railways is the chief item. The direct investment of the four leading countries, Russia, Japan, France and Britain, amounted to nearly £80.7 million, of which £1.6 million can taken as the British investment, as in this field the one item was for the British section of the Canton-Kowloon Railway.

In addition to shipping and railways there was a small investment of the British in motor cars and equipment in China. The total direct investment of Britain in China's communication then amounted to about £27.7 million at the end of 1931.

The importance of the British investment in her import and export trade with China was outstanding during the period from 1912 to 1931. Observing the value of the goods moving in both directions between Britain and China, we find that from 1914 to 1931 British exports to China were more than her imports from China, and that Chinese exports to Britain increased more rapidly that did her imports from Britain. In considering British investments in the trade of China, an estimate should depend upon the basis of the Chinese figures published by Chinese Customs. The total of British trade with China, including Hongkong, for the year 1930, has been calculated at about HK. Tls. 216.3 million (£19,881,575). There is no doubt that this estimate was too small, and indeed it may have been twice as large. Taking trade statistics from British and Chinese sides together, it is not unreasonable to estimate the value of the goods moving between Britain and China including Hongkong at about £30 million in the years around 1930.

In this field, British investments included those which are

associated with the importing of Chinese goods, and the exporting of British products, and with the wholesale and retail trade in the open ports of China. And they also included the holdings of the great British trading companies, such as Jardine, Matheson & Company and Butterfield & Swire, and the great distributors of commodities under the American and British flags, such as the British American Tobacco Company. As well as these great firms, there are hundreds of small companies and individual traders who are of British nationality and who are engaged in importing and exporting on a small scale.

In estimating the British investments in her trade in China, the holdings of the wholesale and retail dealers in the treaty ports should be included in our calculations and then the total of the British investments in trade in China works out above £49.5 million by 1931. If we accept the amount of about £100 million as the total foreign investments in China's trade by 1930, the British share of this amount will be about 50%.

Total foreign manufacturing in China amounted to £77.3 million in 1931, of which the British total constituted about 46 per cent, which has been estimated at about £36.5 million by 1931. British manufacturing in China was of a general character, including especially cotton mills and tobacco factories. In the cotton textile manufacturing of Britain in China, the largest company is the Ewo Cotton Mills, Ltd., the owner of the three British mills at Shanghai. It is affiliated with Jardine, Matheson and Company. The size of these British-owned cotton mills can be gauged from the following table:

British-owned cotton mills in China, 1931 and 1933

1931	British-owned	Total in China	1933	British-owned	Total in China
No. of mills	3	130		3	133
" " spindles	169,000	4,182,000		183,000	4,610,000
" " looms	2,480	31,952		2,891	39,564

In the field of foreign manufacturing in China, British enterprise has been concentrated to a major extent not only in the output of cotton goods but also in the products of tobacco. The British American Tobacco Company and its subsidiary company own factories at many treaty-ports. Funds invested in this Company have been reinvested in the shares of the British-American (China) Tobacco Company.

Other British manufacturing establishments have been found in a wide variety of fields, as British investment has been spread throughout China, not concentered in a few enterprises or in some ports. The total investment of the British in manufacturing has always been greater than that of other countries investing in manufacturing in China.

The British share of foreign investment in banking and finance came to £23.7 million, 12 per cent of the total of British investments in China, banking and finance took fifth place. The British investment in banking has been difficult to estimate, as is also the case with a number of British insurance companies engaged in business in China. British banks and British insurance companies are not principally interested in China even though they are operating there.

The real estate estimate of British holdings at the various treaty ports of China and at Hongkong was about £41.6 million by 1931. It has been found very difficult to separate these holdings from other investments in the various fields. But it is certainly to be assumed that under this heading there are British real estate companies, such as the Shanghai Land Investment Company and a number of British land companies in Tientsin and Hongkong, and the Hongkong and Shanghai Hotels, Ltd. which controls nine hotels in Hongkong and the chief treaty ports of China. It is obvious that the real estate of British hold-

ings for income and for residence, together with their investments in hotels and land property, came to a total of more than £40 million, which formed 21 per cent of the total of British business investment in China in 1931.

Concerning British direct investments in other fields, such as in mining and in public utilities, Britain played a part of no importance. British investments in these two fields together amounted to £13.9 million, which constituted 7 per cent of the total of her business investments in China. There is a final heading, named "miscellaneous," with a total of £5.9 million. Of course, the estimates of the British investments in the various fields are in Remer's guess, but his guess has been worked from estimates made by many experts who were interested in this study.

It remains to estimate the holdings of British Missionary Societies, which is a difficult task. It has been stated that the total for British Missionary and Philanthropic Societies is £2 million. We can do nothing but take this estimate as a reasonable guess. The distribution of British business investments in China by 1931, according to the nature of the business, is shown in the table which follows along with their geographical distribution.

Business investments of Britain in modern China are here devided geographically into those in Shanghai, in Hongkong and in the rest of China. Shanghai is of such importance among the treaty ports of China as to justify its having a special place. Hongkong on the other hand declined in relative importance in the modern period, but it held a special share in the economic relations between China and Britain. From the information available, it can hardly be doubted that Shanghai's preponderance and Hongkong's specific position are as great as the

figures in the following table show.

Distribution of British business investments in China

	£m.	% of total
Transportation	27.7	14
Import & Export & General Trading	49.5	25
Manufacturing	35.6	18
Banking & Finance	23.7	12
Real Estate	41.6	21
Public Utilities	9.9	5
Mining	4.0	2
Miscellaneous	5.9	3
Total	197.9	100

Geographical distribution of British business investments in China

	£m.	% of total
Shanghai	130.0	65.7
Hongkong	37.9	19.1
Rest of China	30.0	15.2
	197.9	100.0

Consider the position of Britain as an investing country in the foreign business investment of China. We find that the British at all times continued to hold an increasing percentage of their total in the form of business investments in China. The business investments of the other countries interested in China were relatively small before the War and their increase during the post-war period accounted for a relatively small part of the total in China's foreign investment. But the cases of Russia and Japan were exceptional, as they shared with Britain in playing a larger part in the direct business investment of China. In recent years, Russia has fallen from first place to Japan's place during the years before the War. Japan rose from her humble place of 1900 to challenge the first place of Britain by 1930. Her rise was of course outstanding but the British still stood first as holders of business investments in China when the period which we have been considering was brought to a close by the Sino-Japanese War, which originated in events in Manchuria on the 18th., September, 1931.

3. Summary of British Investments in China, 1931.

The investments of the British in China, as they stood in the

modern period, are now presented in the following table, in which are brought together the estimates of British business investments for recent years and those of British investments in the obligations of the Chinese Government for the end of 1931.

British investments in China, 1931

	£	% of total
Direct business investments	197,961,800	81
Obligations of the Chinese Government . .	46,400,000	19
Total	244,361,800	100

4. Importance of China in British Overseas Investments.

British investment in China during the modern period has been examined in the preceding pages from a variety of angles. As various estimates concerning it have been made, we have to rely upon the best one, namely that of the distinguished American economist, Dr. Remer.

If we turn to the estimate made by the British of her overseas investments for recent years, we shall find that China accounted for but a small fraction of Britain's overseas investments. British investments abroad have been usually estimated at about 4,109 million pounds. This is a recent estimate which appeared in the London ECONOMIST, Oct. 25, 1930. If we accept it we find British investments in China to be 5.9% of Britain's total overseas investments.

The estimate which has been made by Sir Robert Kindersley in the Economic Journal, is somewhat small. If British direct investments in all countries were included the total would probably be larger than £4,109 million, or than the £3,748 million in Kindersley's estimate.

According to Kindersley's estimate, the geographical distribution of British capital overseas, outstanding at December 1930 and 1936, is provided in the following table:

	Total of British Capital Overseas £000,000's	British Capital in China £000,000's	% of total
1930	3,186	40	1.25
1935	3,240	41	1.27

On the basis of the above estimate, we find that British investments in China ~~are~~ count for little in the total of her overseas investments. But the method adopted by Kindersley in his estimate is to exclude from the total, investments of his nationals not resident in their mother country, as he pointed out that "total investment in China would have to be substantially increased if proprietary holdings by British nationals permanently resident in China are included."(45) For British investments in China, it would then be useless to compare Sir Robert Kindersley's estimate of £40 million with Professor Remer's approximate figure of £244.4 million. We may accept a total of £250 millions as reasonable. To Britain, then, investments in China are of more importance than is the case in India. In India British investments have not increased as rapidly in India as they have done in China during the present century.

5. Importance of Britain's Exports of Capital in China's Foreign Investments.

We now pass on to look at the whole period of about thirty years in order to give a general survey of the development of British investments in China's imports of foreign capital. Before passing on, a brief description of the Chinese attitude toward foreign investment in general and British investment in particular, which has influenced, and probably will affect, British exports of capital to China, may not be out of place.

We are told that the reason of a small flow of capital from the important investing countries to China lies in the effectiveness of

the Chinese Government in the economic field. Surely, this is far from the truth, in view of the fact that communication in China in recent years developed at an astonishing rate, and the penetration of British capital in every field of foreign enterprise in China reached great dimensions as we have seen in our preceding pages.

It has been said that the Chinese people always presented a negative resistance to the activities of foreign investment in China. This is a paradox. In the past, the use of foreign capital as a means of advancing the railways in China is an example. The part played by the British in the direct investments in China is another example. The capital which is required for the economic development of China does, no doubt, come in a large measure from highly developed countries of the West such as Britain. For these countries and particularly for Britain who has been more interested in China's economic development, there are plenty of possible forms of investments in China. If properly managed, these will doubtless make valuable contributions in developing China's basic industries and increasing her national wealth.

As we have pointed out before, Dr. Sun Yat-Sen's doctrine produced a great influence on China's economic relations with Britain as well as with the other Powers involved. It is not because of his doctrine of revolutionizing China, but because of the fact that his idea of developing China by means of foreign capital has encouraged the economic cooperation of the Chinese Government with Britain.

It was his idea that "the vast resources of China be developed internationally under a socialistic scheme, for the good of the world in general and the Chinese people in particular."(46) He hoped that the development of China's untouched resources would be welcomed provided

that it could be kept out of mandarin corruption and that it would ensure the mutual benefit of China and of the capital-supplying Powers cooperating with China.

China has thus welcomed foreign capital, as has been pointed out by the late leader of the Nationalist Party, and often repeated by the Nationalist Government founded in 1928; and, she believed that, foreigners wished to invest in her country provided that their capital was given adequate protection and ~~is assured~~ that it would be employed in ways that would add to the wealth and protective capacity of the country instead of being diverted into wasteful and unproductive channels.

The advantage of British participation in the economic development of China, as we have expected, is a mutual one. It is interesting to note that, as Sir F. Leith-Ross has mentioned in recent years, circumstances in China have become so much more favourable to the investors of Britain that the growth of British investment in China has been outstanding. There can be little doubt that the economic reconstruction of China would require capital from abroad. Chinese business and political leaders are convinced of this. Great Britain must, it would seem, be an important source of this capital, as the immediate past of China's economic development has depended upon the relations between the Chinese Nationalist and the British inventor. Certain general conclusions of fundamental significance in understanding the British economic position in China's foreign investment during the present century are based upon a study of the following table, which shows the percentage distribution of foreign investments by different countries in China, in the years, 1902, 1914 and 1931.

Foreign investments in China (including Manchuria)
Percentage distribution

1902	Britain	Japan	Russia	U.S.A.	France	Germany	Others
Business investments	29.8	0.2	43.7	3.5	5.9	16.9	-
Government obligations	38.8	-	9.2	0.8	21.6	27.9	1.7
Total per cent	33.0	0.1	31.3	2.5	11.6	20.9	0.6
1914							
Business investments	36.9	19.4	21.8	3.9	5.5	12.5	-
Government obligations	39.5	1.8	6.2	1.4	21.2	24.3	5.6
Total per cent	37.7	13.6	16.7	3.1	10.7	16.4	1.8
1931							
Business investments	38.0	36.1	10.8	6.1	3.7	3.0	2.3
Government obligations	31.8	31.5	-	5.9	13.7	1.7	15.4
Total per cent	36.7	35.1	8.4	6.1	5.9	2.7	5.1

It is extremely difficult to obtain reliable and detailed figures for British or for other foreign investments in China. The above table deserves our attention as it seems to be one which analyzes the totals of foreign investments in China, which gives some idea of the steady increase of foreign capital in China throughout the period studied, and which shows the comparative importance of the countries exporting their capital to China during the past thirty years ending with 1931.

Whatever the detailed figures presented above may be, there is general agreement that Britain's investments in China constituted over 40 per cent of the total, and that they greatly exceeded and have always exceeded, the investments of any other country which has invested capital in China.

The total of all kinds of British investments in China, referred

to above, came to over £50 million in 1902, £100 million in 1914, and £240 million in 1930. We then find that, in the case of British investments, as well as of foreign investments in China, the total amounts, which have been exported to China, doubled between the year of the Boxer uprising and the World War, and doubled once more between the beginning of the War and the beginning of the Japanese occupation of Manchuria in 1931.

Looking at the whole period of thirty years, as shown in the figures of the above table, the continuance of Britain in the first place of China's foreign investments, the remarkable rise of Japan, and the increase or decrease in the other investing countries, are all outstanding facts which deserve our attention. It must be borne in mind that the paramount importance of Britain's interests in China is no new development. Her investments there began early, and for a century she has interested herself in every field of foreign economic activity in China. We find that her interest in China has thus played a most important, and often the leading role, in the foreign economic affairs of that country.

Although the British investments in China have always been greater than the investments of other countries, the steady and astonishing growth of the economic activities of Japan in China threatens the predominant position of Britain. Before 1900 Japanese investments in China accounted for almost nothing; they were negligible during 1900-1914; but they were of real importance during and after the Great War. By 1930 foreign investments in China were valued at over £600 million, of which 36% were Britain, 35% Japanese, and the remainder distributed among nationals of other countries. Japan has thus made progress by leaps and bounds in her interests in China.

The increase of the period 1914-1930 therefore did not go to Britain but to Japan. We are told that "If the period from 1902 to 1914 belonged to Great Britain, the period from 1914 to 1931 belonged to Japan. It was the remarkable development of Shanghai that carried Great Britain on to 1931 as the leading country. It was the remarkable development of Manchuria that brought Japan up." (47)

In China's foreign investments, over half of the total given to Japanese investments in 1931 was made up of investments in Manchuria. If holdings in Manchuria are substracted from the figures given above, the Japanese total is reduced by over 50 per cent.

It is at Shanghai, it is scarely necessary to add, that a good half, if not more, of Great Britain's trade with China has been and is done. At Shanghai British investments may be counted about as great as Japanese investments in Manchuria. British direct interests in China at the end of 1934 were at least worth over £250,000,000, made up of £200,000,000 in business investments and £50,000,000 in obligations of the Chinese Government. Of this total about £180,000,000 was tied up in Shanghai.

Since the armed invasion and occupation of Manchuria in 1931, Japanese aggression has appealled to arms. The war between China and Japan broke out at Shanghai in 1932 and has broken out again to-day. Mainly for this reason, British trade in China suffered seriously from 1932 onwards. So long as Japan relentlessly continues her military operations in China, the once leading exporter of capital to China will come within measurable distance of extinction. It is hardly surprising that the gravest anxiety for British business, investments and general interests in China should be expressed in Downing Street.

Chapter IX

Consult:

Sun, Yat-Sen The International Development of China (1920)

Foreign Investments in China (see The China Critic) 1928 Vol. I No. 19

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CHAPTER X

Conclusion

In conclusion, it will be well to sum up briefly the chief points of the foregoing historical view, which has been taken as the basic factor in affirming the character of Anglo-Chinese economic relations from 1834-1934, and of the previous analysis of the economic relations between China and Britain for the past hundred years ending with 1934. The main results that have emerged from the points we have studied above, may be taken to indicate the actual process of China's economic relations with Great Britain for a hundred years.

China's economic relations with Britain cannot be described as an event but form a process as no end can be given to the successive changes in their economic contact with each other. The beneficial result on these two larger countries in economics has been surveyed and the importance of the economic relations which have existed between them is obvious as we have seen in the preceding chapters.

Before 1834, there were no direct relations between Great Britain in the West and China in the East.(48) When Great Britain represented the West in opening China to trade with her and the rest of the world, a new era of direct relationships between East and West was begun.

This new era was marked by the abolition of the trading monopoly of the East India Company, whose privileges had been abolished twenty years before 1834.(49) When in 1833-4 its monopoly of the Chinese trade was abolished, the Company ceased to be a trading concern in the Orient.

For centuries Great Britain had increasingly demanded Chinese silk, porcelain and above all, tea, but the British had nothing China wanted with which to barter. ~~exchange.~~ Payment between them had therefore to be made in silver. Until the Chinese were induced to

buy opium, the principle of exchange worked to the advantage of the British people who were trading in China. It was in opium that big profits were made by the merchants who were engaged in the export of it from India to China. And it was the question of opium which caused the first war between England and China to break out in 1842 and which ended by the Treaty of Nanking.

This treaty marks the opening of China to the western influences of the nineteenth and twentieth centuries, and the years 1842-1860 saw the first period in which Great Britain was the western country chiefly concerned with China, in diplomatics as well as in economics.

From 1860 after the Imperial Government of China had been exhausted by the great rebellion known as the Taiping Rebellion, the Powers came to play a part in Chinese affairs. The Treaty of Tientsin in 1858 and the Conventions of Peking in 1860 were treaties in which the Powers were increasingly concerned. The period from 1860 to 1900 was one of incessant expansion of foreign interests in China, in which Great Britain took the lead.

In 1894, China was defeated by her small neighbour, Japan. As a result of this event, all foreign activities made the Chinese feel that their country was about to be a colony, not belonging to one Power but to many Powers of the world. But on the one hand, the Powers could not work out an agreement to 'carve China like a melon', and, on the other hand, a strong national feeling in China was hence excited. This feeling made its appearance first in the Reform Movements, secondly in the Boxer Outbreak of 1900, and, lastly but not least, in the successive movements of China's Nationalists Revolution.

The failure of Reforms and the blindness of the Boxers' anti-foreign action directly caused the fall of the Manchu Dynasty which

led to the establishment of the Chinese Republic.

The Republic of China has been built and rebuilt while Chinese territorial integrity was based upon an open-door policy, on which the Powers insisted with the exception of Japan who later submitted to it unwillingly. China fell into chaos as a result of civil war when the Powers in the West were engaged in the Great War. Japan took this opportunity to press her aggressive demands on China. After the War the Washington Conference, rather than the Versailles Conference, did much to make the world realise that there was a new China to be taken into account. The Washington Conference resulted in the Nine-Power Agreement, to which, Japan much against her will, became party.

When China emerged from a period of chaos, the British Government failed to understand that there had been a new spirit already at work in China. Then came a clash over the Shanghai Incident of May 30, 1925, followed by the successive movement of the Chinese National Revolution during 1926-1927.

During 1928-34, although the eventual unification of China was not yet completely realised, the Nationalist Government at Nanking had been firmly established. This stirred Japanese repugance and resentment, and the military party in Japan soon began to devastate China and still does so to-day. Great Britain since 1928 has openly declared that she has had no ulterior motive in China beyond trade which is a fatal attitude to take up. The policy which Great Britain is now pursuing in China is mainly the outcome of this view. Disorder in China or territorial disintegration of China would be contrary to the economic interests of Britain who is seeking to trade with her. In the light of history, the obvious way to the collective peace of the world, or to the prevention of an aggressive state from

expansion, is to adopt a far-sighted policy in order to support the state who is involved in war against the aggressor, rather than to redress any loss resulting from the war between an aggressive state and a state being aggressed. Let us now survey the general course of the economic relations between China and Britain during the hundred years period 1834-1934.

The annual value of British trade with China is to be found in the reports of the British Board of Trade, but not prior to the year 1834, before which there were no figures for the British trade with China separate from those of Anglo-Indian trade. Again, the whole of British trade with China should include Hongkong for reasons which we have given in our detailed statements.

Our detailed treatment of the importance of Britain in China's foreign trade can only begin with the year 1864 as since that year the trade figures have been regularly compiled by the Chinese Maritime Customs. But, in considering the movements of the chief goods between China and Hongkong, we have relied upon informations from the British side rather than upon those from the Chinese side because the British statistics give a reasonably reliable basis for analysis. The importance of Great Britain in the foreign trade of China and the importance of China in the foreign trade of Great Britain are indicated in the actual figures which are given in the appendix.

As we have stated in detail before, the abolishment of the chartered company's monopoly in trading with the Far East stimulated British export trade to China and her import trade from China. But, Anglo-Chinese trade remained undeveloped until 1843 during which year the monopoly of Chinese trade with foreigners was completely abolished, and trade between China and Britain was not confined to the city of

Canton.

From 1865 many ports in China were thrown open to foreign trade and the trade between Britain and China then showed some increase. The period 1865-1884 was a period of British commercial advance in China. But from 1885 until the end of the last century the general course of Anglo-Chinese trade was disfigured by years of retrogression for British trade began to feel some competition from other countries trading with China.

From the year 1834 to the last quarter of the nineteenth century, China's trade with Britain was limited to a small category of products, consisting chiefly of imports of cotton goods and woollen manufactures and exports of tea and silk. During the Nineteenth Century the unimportance of China in the foreign trade of Britain is to be found in the fact that the balance of British trade with China relied upon exports of opium from India to China by the British traders.

When the present century opened its first quarter there was within the total volume of goods moving between Great Britain and China, a series of very considerable and significant changes. On the side of China's exports to Britain, tea met with strong competition, but there was not the same decline in silk. In the imports of China from Britain, cotton goods since 1885 remained the prime staple, holding the first place among goods which have grown in variety. In cotton manufactures exported from Britain to China, Britain early found herself competing with Japanese cottons.

In the years from 1913 to 1914, China's demand for imported goods from Britain expanded and it was somewhat balanced by the discovery on the part of the British of large-scale uses for various Chinese natural products.

There developed a very important export of China to Britain in the shape of oil-bearing beans and seeds; animal products - - hides, skins, wool and eggs, all of which came to command an increasing market in Britain. Also, it is significant that iron and steel manufactures, electrical and chemical goods, and machines increased considerably in their percentage of the total imports of China from Britain. Railway building, and subsequently factory erection, created in their turn a demand for the importation of such goods, and for those which have still more recently extended to plants for industrial and municipal installations.

Looking at the whole period of one hundred years from 1834 to 1934, there is no doubt that the increase in China's trade with Britain was steady in the forty years 1834-1874, and rapid just after the War period, but in the remaining years there are all the evidences of stagnation. As a whole, Great Britain certainly played an important role in the foreign trade of China. In the ten years 1884-1894, there was a turning point in Anglo-Chinese trade as a whole, and since 1894 the excess of China's imports from Britain over her exports to Britain has been steady.

To go back to the early years of the century, Japan greatly increased her share in China's trade and Britain was no longer to retain her predominant position in China's foreign trade. During the postwar period Britain lost ground very considerably, while Japan and probably the United States gained heavily. As Condliffe says: (50) "In part this changed direction of trade is due to the after-effects of the war period, but it is mainly due to more fundamental factors, such as the increased Pacific trade of America since the opening of the Panama Canal in 1913, the changed nature of the trade following upon

local industrialization and the different pace of development in the various regions of China."

"Great Britain still remains the dominant factor in shipping though its position here also is weakening, while Japan is gaining and the United States is becoming a stronger competitor. It is probably indeed that it is only in respect of past investments that Great Britain can claim to be the leading power in China to-day, and recent studies by C. F. Remer seem to indicate that even in this respect Japan's position is rapidly approaching that of its older rival."

I close this treatise with a sentence quoted from Professor Remer's remarks in order to indicate the importance of the present study. "The study of China's international economic relations meant until but Yesterday the study of British trade, British shipping, the British business community, and British investments in China." (51)

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The Chinese Economic Journal, Monthly, (Shanghai)

The Weekly Review of the Far East (Shanghai)

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Great Britain, Board of Trade:

(1) Statistics Abstract for Foreign Countries

(2) Statistics Abstract for the United Kingdom

(3) Annual Statement of Trade of the U. K. with Foreign Countries (See B. P. P.)

(4) Annual Statement of the Navigation and Shipping of the United Kingdom

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The Economic Review (Oxford)

The Journal of Political Economy (Chicago)

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APPENDICES

Notes to Chapters I—X

(1) Gray, A. The Development of Economic Doctrine Ch. V. P. 144
"Foreign trade is, in fact, for Adam Smith, merely an extension of domestic trade. It extends division of labour."

(2) Ibid. P. 126 "Division of labour postulates exchange later."

(3) Scott: The Development of Economics PP. 171-172

(4) Von Haberler, G. The Theory of International Trade (English tran.) Ch. X. P. 122

(5) Hobson, C. K. Export of Capital Ch. I.

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(8) Blue Book, 1840 P. 210 Correspondence relating to China.

(9) Hansard: Parliamentary Debates Vol. 53. P. 818

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(11) (Appendix II P. 43) Whyte's China & Foreign Powers

(12) Soothill, W.E. China and England Ch. II. P. 18

(13) The Mandate of the Chinese Emperor Chien Lung to English George III (Macartney Mission, 1793)

(14) Hart, H. These from the Land of Sinim P. 61

(15) Morse, H. B. The Trade and Administration of China Ch. IX. P. 310

(16) Morse, H. B. British Trade in China (Journal of Royal Society of Arts Vol. LXVIII P. 19)

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(19) Sargent, A. J. Anglo-Chinese Commerce in the 19th Century Ch. V. P. 127

(20) Ibid.

(21) Ibid.

(22) Handbook of Commercial Treaties P. 56

(23) Ibid.

(24) Whyte, F. China and Foreign Powers Ch. I. P. 1

(25) Morse, H. B. International Relations of the Chinese Empire Vol. I. Ch. XI P. 299

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(30) Well, D. A. Recent Economic Changes Ch. II "Disappearance of Sailing Vessels"

(31) Jamieson, G. Effect of the Fall in Value of Silver (Journal of the Royal Statistical Society Vol. LVI (1893)P.647)

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(33) Chinese Maritime Customs Reports on Trade, 1880 P. 4

(34) Whyte, F. China and Foreign Powers Ch. I. P. 7

(35) Willoughby, W. W. Foreign Rights and Interests in China P. III

(36) Lord Salisbury's Remark

(37) Jamieson, G. "Effect of the Fall in Value of Silver on Prices of Commodities"in Journal of the Royal Statistical Society Vol. LVI P. 663

(38) Remer, C. F. Foreign Investment in China Ch. XVI P. 348

(39) Hart, R. These from the Land of Sinim P. 49

(40) Gray, G. D. All About the Soya Bean Ch. V. P. 95

(41) Whyte, F. China and Foreign Powers

(42) Ibid.

(43) B. P. P. 1927 Vol. XXVI P. 95

Ibid. 1928-9 Vol. XXIII P. 57

"Papers relating to the settlement of the Nanking Incident"

Sir A. Chamberlain to Sir E. Drummond (League of Nations) Feb. 1927

(44) China Year Book 1936 (See Leith-Ross's Mission to China)

(45) Economic Journal, Vol. 43, 1933 P. 200

(46) Sun Yat-Sen: The International Development of China (English Edi.)

(47) Remer, C. F. Foreign Investments in China Ch. IV. P. 101

(48) Cambridge Modern History Vol. X. Ch. XXIII P. 760

"Between 1830 and 1840 only twenty-three British ships cleared for China yearly, and only forty-four ships of all Nationalists entered British ports directly from that country."

(49) Ibid.

"British dealings with the Far East grew with the abolition of the E. I. Co's monopoly in 1813 and the transference of all trading powers from the Company to the private merchants in 1833. But the Chinese seas were still little frequently by English shipping; and direct trade with China was of no great importance rntil after 1840."

(50) Condliffe, J. B. China, To-day; Economic P. 173

(51) Remer, C. F. British Investments in China Ch. XVI P. 406

Table I.

The Importance of China in the Foreign Trade of Great Britain

(According to British Statistics)
Figures of value are in millions of pounds sterling

	Imports from China		% of total imp. into Britain		Exports to China		% of total exp. of Britain		Total trade with China		% of total trade of Britain	
Year	exc. Hong kong	inc. Hong kong	exc. Hong kong	inc. Hong kong	exc. Hong kong	inc. Hong kong	exc. Hong kong	inc. Hong kong	exc. Hong kong	inc. Hong kong	exc. Hong kong	inc. Hong kong
1834		3.5		7.1		0.8		1.9		4.3		4.7
1835		4.6		9.4		1.1		2.3		5.7		5.9
1836		5.4		9.5		1.3		2.4		6.7		6.1
1837		4.5		8.2		0.7		1.7		5.2		5.4
1838		4.3		7.0		1.2		2.4		5.5		4.9
1839		4.0		6.5		0.9		1.5		4.9		4.3
1840		2.4		3.6		0.5		1.0		2.9		2.4
1841		3.0		4.7		0.9		1.7		3.9		3.4
1842		4.0		6.1		1.0		2.1		5.0		4.4
1843		4.6		6.6	0.7	1.5	1.3	2.9		6.1		5.0
1844		5.6		6.6	0.5	2.3	0.9	3.9		7.9		5.5
1845		5.8		6.8	0.9	2.4	1.5	4.0		8.2		5.6
1846		6.6		8.7	0.6	1.8	1.0	3.1		8.4		6.3
1847		6.7		7.4	0.7	1.5	1.2	2.6		8.2		5.5
1848		5.8		6.2	0.8	1.4	1.5	2.7		7.2		4.9
1849		6.2		6.0	0.9	1.5	1.4	2.4		7.7		4.5
1850		5.8		5.8	1.0	1.6	1.4	2.3		7.4		4.3
1851		8.0		7.2	1.5	2.2	2.0	3.0		10.2		5.5
1852		7.7		7.0	1.9	2.5	2.4	3.2		10.2		5.4
1853		8.3		6.7	1.4	1.7	1.4	1.7		10.0		4.5
1854		9.1		6.0	0.5	1.0	0.5	1.0		10.1		4.0
1855		8.7		6.1	0.9	1.3	0.9	1.4		10.0		4.2
1856		9.4		5.4	1.4	2.2	1.2	2.0		11.6		4.0
1857		11.4		6.1	1.7	2.4	1.4	2.0		13.8		4.5
1858		7.1		4.3	1.7	2.9	1.5	2.5		10.0		3.6
1859		9.0		5.0	2.5	4.5	1.9	3.5		13.5		4.4
1860		9.3		4.4	2.9	5.3	2.1	3.9		14.6		4.2
1861	8.6	9.1	4.0	4.2	3.1	4.8	2.5	3.8	11.7	13.9	3.4	4.1
1862	11.7	12.1	5.2	5.4	2.0	3.1	1.6	2.5	13.7	15.2	3.9	4.3
1863	12.8	14.2	5.1	5.7	2.4	3.9	1.6	2.7	15.2	18.1	3.8	4.6
1864	12.7	15.7	4.6	5.7	3.1	4.7	1.9	2.9	15.8	20.4	3.6	4.7
1865	10.5	11.5	3.9	4.2	3.6	5.2	2.2	3.1	14.1	16.7	3.2	3.8
1866	10.6	11.1	3.6	3.8	5.1	7.5	2.7	4.0	15.7	18.6	3.2	3.8
1867	9.2	9.5	3.3	3.5	5.0	7.5	2.8	4.1	14.2	17.0	3.1	3.7
1868	11.2	11.7	3.8	4.0	6.3	8.5	3.5	4.7	17.5	20.2	3.7	4.3
1869	9.6	10.1	3.2	3.4	6.8	9.0	3.6	4.7	16.4	19.1	3.4	3.9
1870	9.5	9.9	3.1	3.3	6.1	9.5	3.1	4.8	15.6	19.4	3.1	3.9
1871	11.8	12.3	3.6	3.7	6.6	9.4	3.0	4.2	18.4	21.7	3.3	3.9
1872	13.2	14.4	3.7	4.1	6.6	9.5	2.6	3.7	19.8	23.9	3.2	3.9
1873	12.5	13.3	3.4	3.6	4.9	8.3	1.9	3.3	17.4	21.6	2.8	3.4

Year	Imports from China exc. Hong kong	Imports from China inc. Hong kong	% of total imp. into Britain exc. Hong kong	% of total imp. into Britain inc. Hong kong	Exports to China exc. Hong kong	Exports to China inc. Hong kong	% of total exp. of Britain exc. Hong kong	% of total exp. of Britain inc. Hong kong	Total trade with China exc. Hong kong	Total trade with China inc. Hong kong	% of total trade of Britain exc. Hong kong	% of total trade of Britain inc. Hong kong
1874	11.1	11.9	3.0	3.2	4.8	8.4	2.0	3.5	15.9	20.3	2.6	3.3
1875	13.6	14.8	3.6	4.0	5.0	8.5	2.2	3.8	18.6	23.3	3.1	3.9
1876	14.9	16.3	4.0	4.3	4.6	7.7	2.3	3.8	19.5	24.0	3.4	4.2
1877	13.4	15.3	3.4	3.9	4.4	7.9	2.2	4.0	17.8	23.2	3.0	3.9
1878	13.6	14.8	3.7	4.0	3.7	6.6	1.9	3.4	17.3	21.4	3.1	3.8
1879	11.0	12.4	3.0	3.4	4.6	7.6	2.4	4.0	15.6	20.0	2.8	3.6
1880	11.8	13.1	2.9	3.2	5.1	8.8	2.3	3.9	16.9	21.9	2.7	3.5
1881	10.7	11.7	2.7	2.9	6.0	9.6	2.6	4.1	16.7	21.3	2.6	3.4
1882	9.9	11.4	2.4	2.8	4.6	7.6	1.9	3.1	14.5	19.0	2.2	2.9
1883	10.1	11.3	2.4	2.6	4.2	7.1	1.8	3.4	14.3	18.4	2.1	2.8
1884	10.1	11.2	2.6	2.9	4.2	7.4	1.8	3.2	14.3	18.6	2.3	3.0
1885	8.6	9.6	2.3	2.6	5.2	8.9	2.4	4.2	13.8	18.5	2.4	3.1
1886	8.0	9.6	2.3	2.7	5.2	7.6	2.4	3.6	13.2	17.2	2.3	3.1
1887	6.7	8.1	1.8	2.2	6.2	8.8	2.8	4.0	12.9	16.9	2.2	2.9
1888	6.5	7.8	1.7	2.0	6.2	9.0	2.6	3.8	12.7	16.8	2.0	2.7
1889	6.1	7.3	1.4	1.7	5.0	7.2	2.0	2.9	11.1	14.5	1.6	2.1
1890	4.8	6.1	1.1	1.5	6.6	9.1	2.5	3.4	11.4	15.2	1.7	2.2
1891	4.7	5.8	1.1	1.3	6.5	9.0	2.6	3.6	11.2	14.8	1.6	2.2
1892	3.6	4.4	0.9	1.0	5.8	7.6	2.6	3.3	9.4	12.0	1.4	1.8
1893	3.9	4.8	1.0	1.2	4.6	6.4	2.1	2.9	8.5	11.2	1.4	1.8
1894	3.5	4.2	0.9	1.0	4.5	6.3	2.1	2.9	8.0	10.5	1.3	1.7
1895	3.3	4.1	0.8	1.0	5.3	7.2	2.3	3.2	8.6	11.3	1.3	1.8
1896	3.0	3.8	0.7	0.9	6.7	8.5	2.8	3.5	9.7	12.3	1.4	1.8
1897	2.7	3.3	0.6	0.7	5.1	7.1	2.2	3.0	7.8	10.4	1.1	1.5
1898	2.7	3.4	0.6	0.7	5.0	7.3	2.1	3.1	7.7	10.7	1.1	1.5
1899	3.1	4.0	0.6	0.8	7.0	9.7	2.7	3.7	10.1	13.7	1.3	1.8
1900	2.4	3.4	0.5	0.7	5.6	8.3	1.9	2.9	8.0	11.7	1.0	1.4
1901	2.1	2.7	0.4	0.5	6.8	9.4	2.4	3.4	8.9	12.1	1.1	1.5
1902	2.4	3.0	0.5	0.6	7.1	9.3	2.5	3.3	9.5	12.3	1.2	1.5
1903	2.7	3.3	0.5	0.6	6.7	9.5	2.3	3.3	9.4	12.8	1.1	1.5
1904	2.8	3.2	0.5	0.6	8.8	13.1	2.9	4.3	11.6	16.3	1.4	1.9
1905	2.3	2.7	0.4	0.5	13.1	16.9	4.0	5.1	15.4	19.6	1.7	2.2
1906	3.3	4.0	0.5	0.6	12.2	15.3	3.2	4.1	15.5	19.3	1.6	2.0
1907	3.5	4.1	0.5	0.6	12.0	15.3	2.8	3.6	15.5	19.4	1.4	1.8
1908	3.0	3.6	0.5	0.6	9.2	12.1	2.4	3.2	12.2	15.7	1.3	1.6
1909	4.9	5.3	0.8	0.9	8.4	12.0	2.2	3.2	13.3	17.3	1.3	1.7
1910	5.5	6.1	0.8	0.9	9.2	12.8	2.1	3.0	14.7	18.9	1.3	1.7
1911	4.9	5.6	0.7	0.8	12.1	14.9	2.7	3.3	17.0	20.5	1.5	1.8
1912	4.9	5.8	0.7	0.8	10.8	14.3	2.2	2.9	15.7	20.1	1.3	1.6
1913	4.7	5.3	0.6	0.7	14.8	19.2	2.8	3.7	19.5	24.5	1.5	1.9
1914	4.7	5.3	0.7	0.8	13.0	16.6	3.0	3.9	17.7	21.9	1.6	1.9
1915	7.0	8.0	0.8	0.9	8.5	10.6	2.2	2.8	15.5	18.6	1.3	1.5
1916	8.3	9.4	0.9	1.0	10.7	14.7	2.1	2.9	19.0	24.1	1.2	1.6
1917	8.5	10.0	0.8	0.9	10.6	13.7	2.0	2.6	19.1	23.7	1.2	1.5
1918	9.7	11.1	0.7	0.8	11.9	15.6	2.4	3.1	21.6	26.7	1.2	1.5
1919	23.1	25.6	1.4	1.6	21.0	25.5	2.6	3.2	44.1	51.1	1.8	2.1
1920	26.9	29.4	1.4	1.5	43.6	56.7	3.3	4.2	70.5	86.1	2.2	2.6

Year	Imports from China exc. Hong kong	Imports from China inc. Hong kong	% of total imp. into Britain exc. Hong kong	% of total imp. into Britain inc. Hong kong	Exports to China exc. Hong kong	Exports to China inc. Hong kong	% of total exp. of Britain exc. Hong kong	% of total exp. of Britain inc. Hong kong	Total trade with China exc. Hong kong	Total trade with China inc. Hong kong	% of total trade of Britain exc. Hong kong	% of total trade of Britain inc. Hong kong
1921	11.3	12.2	1.0	1.1	26.2	33.0	3.7	4.7	37.5	45.2	2.1	2.5
1922	9.7	10.4	1.0	1.0	23.0	29.2	3.2	4.1	32.7	39.6	1.9	2.3
1923	12.2	13.1	1.1	1.2	18.6	25.3	2.4	3.3	30.8	38.4	1.7	2.1
1924	13.9	14.7	1.1	1.2	20.3	28.9	2.5	3.6	34.2	43.6	1.6	2.1
1925	13.4	14.2	1.0	1.1	14.6	19.8	1.9	2.6	28.0	34.0	1.3	1.6
1926	11.5	12.2	0.9	1.0	16.4	19.6	2.5	3.0	27.9	31.8	1.5	1.7
1927	12.1	12.6	1.0	1.0	9.7	14.6	1.4	2.1	21.8	27.2	1.1	1.4
1928	12.0	12.5	1.0	1.1	15.7	21.2	2.2	2.9	27.7	33.7	1.4	1.7
1929	12.2	12.7	1.0	1.0	14.0	20.2	1.9	2.8	26.2	32.9	1.3	1.7
1930	9.9	10.3	1.0	1.0	8.6	12.9	1.5	2.3	18.5	33.2	1.1	2.1
1931	7.8	8.2	0.9	1.0	7.9	12.3	2.0	3.1	15.7	20.5	1.3	1.6
1932	6.2	6.4	0.9	0.9	7.8	12.7	2.1	3.5	14.0	19.1	1.3	1.8
1933	5.1	5.4	0.8	0.8	6.3	9.5	1.7	2.6	11.4	14.9	1.1	1.4
1934	6.2	6.6	0.8	0.9	6.6	9.1	1.7	2.3	12.8	15.7	1.1	1.4

Table II.

The Importance of Great Britain in the Foreign Trade of China

(According to Chinese statistics)
Figures of value are in millions of Haikwan Taels

Year	Imports from Great Britain	% of China's total imports	Exports to Great Britain	% of China's total exports	Total trade with Great Britain	% of China's total foreign trade
1864	PRIOR 1864, NO STATEMENT					
1865	NOT AVAILABLE					
1866	15.7	20.4	34.4	61.3	50.1	37.6
1867	18.8	26.3	33.6	58.0	52.4	40.4
1868	21.8	33.4	38.2	61.7	60.0	47.2
1869	24.8	36.2	31.9	52.8	56.7	44.0
1870	24.2	36.8	29.0	52.5	53.2	44.0
1871	26.1	36.3	35.9	53.6	62.0	44.6
1872	26.2	37.4	38.7	51.4	64.9	44.6
1873	21.0	30.3	37.3	53.7	58.3	42.0
1874	20.1	29.8	33.6	50.4	53.7	40.0
1875	21.1	30.2	29.2	43.5	50.3	36.2
1876	20.9	28.8	35.2	43.6	56.1	36.6
1877	20.0	26.3	27.8	41.5	47.8	33.3
1878	15.0	20.4	27.6	41.1	42.6	30.3
1879	20.3	24.0	26.1	36.1	46.4	29.6
1880	21.9	26.8	27.8	35.7	49.7	31.2
1881	23.7	25.3	22.7	31.8	46.4	28.1
1882	18.8	23.7	22.3	33.1	41.1	28.0
1883	16.9	22.6	24.6	35.0	41.5	28.6
1884	16.9	22.8	19.5	29.0	36.4	25.7
1885	24.0	26.8	22.0	33.8	46.0	29.8
1886	22.0	24.7	19.8	25.5	41.8	25.0
1887	25.7	24.5	16.5	19.2	42.2	22.1
1888	30.4	24.0	16.7	18.0	47.1	21.5
1889	21.2	18.7	15.6	16.1	36.8	17.5
1890	24.6	19.1	13.1	15.0	37.7	17.4
1891	29.6	21.8	13.8	13.6	43.4	18.3
1892	28.9	21.0	10.4	10.2	39.3	16.4
1893	28.1	18.3	11.7	10.0	39.8	14.7
1894	29.9	18.0	11.5	9.0	41.4	14.1
1895	34.0	18.8	10.5	7.4	44.5	13.7
1896	44.6	21.0	14.0	10.7	58.6	17.1
1897	40.0	18.9	13.0	7.9	53.0	14.0
1898	35.0	16.0	10.7	6.7	45.7	12.1
1899	40.2	14.7	13.9	7.1	54.1	11.5

Year	Imports from Great Britain	% of China's total imports	Exports to Great Britain	% of China's total exports	Total trade with Great Britain	% of China's total foreign trade
1900	45.5	21.5	9.3	5.9	54.8	14.8
1901	41.2	15.3	8.6	5.0	49.8	11.4
1902	57.6	18.3	10.3	4.8	67.9	12.8
1903	50.6	15.5	10.0	4.7	60.6	11.2
1904	57.2	16.6	15.3	6.4	72.5	12.4
1905	86.5	19.3	18.1	8.0	104.5	15.5
1906	78.7	19.2	13.3	5.6	92.0	14.2
1907	77.6	18.6	12.1	4.6	89.7	13.2
1908	72.6	18.4	12.5	4.5	85.1	12.7
1909	68.2	16.3	19.6	5.8	87.8	11.6
1910	70.9	15.3	18.7	4.9	89.6	10.6
1911	89.9	19.0	17.3	4.6	107.2	12.6
1912	74.8	15.8	15.9	4.3	90.7	10.8
1913	96.9	17.0	16.3	4.1	113.2	11.8
1914	105.2	18.5	22.6	6.3	127.8	13.8
1915	71.6	15.8	31.9	7.6	103.5	11.9
1916	70.4	13.6	35.0	7.3	105.4	10.6
1917	51.9	9.3	26.1	5.6	78.0	7.7
1918	49.9	9.0	25.3	5.2	75.2	7.2
1919	64.3	9.9	57.2	9.1	121.5	9.5
1920	131.7	17.2	45.8	8.5	177.5	13.6
1921	149.9	16.5	30.9	5.1	180.8	12.0
1922	145.3	15.4	38.5	5.9	183.8	11.5
1923	120.4	13.0	43.2	5.7	163.7	9.8
1924	126.0	12.4	50.3	6.5	176.3	9.8
1925	93.1	9.8	47.6	6.1	140.7	8.2
1926	116.3	10.3	55.8	6.4	172.1	8.6
1927	75.1	7.4	58.0	6.3	133.1	6.9
1928	113.7	9.5	61.0	6.2	174.8	8.0
1929	119.2	9.4	74.3	7.3	193.5	8.5
1930	108.3	8.2	62.7	7.0	170.9	7.7
1931	119.9	8.3	64.5	7.1	184.5	7.9
1932	119.2	11.4	37.6	7.6	156.8	10.2
1933	102.7	11.3	32.5	8.0	135.2	10.4
1934	83.1	12.0	33.2	9.3	116.3	11.1

Table III

Index Nos. of Great Britain's Imports and Exports, from and to, China and Hongkong

(According to British Statistics)

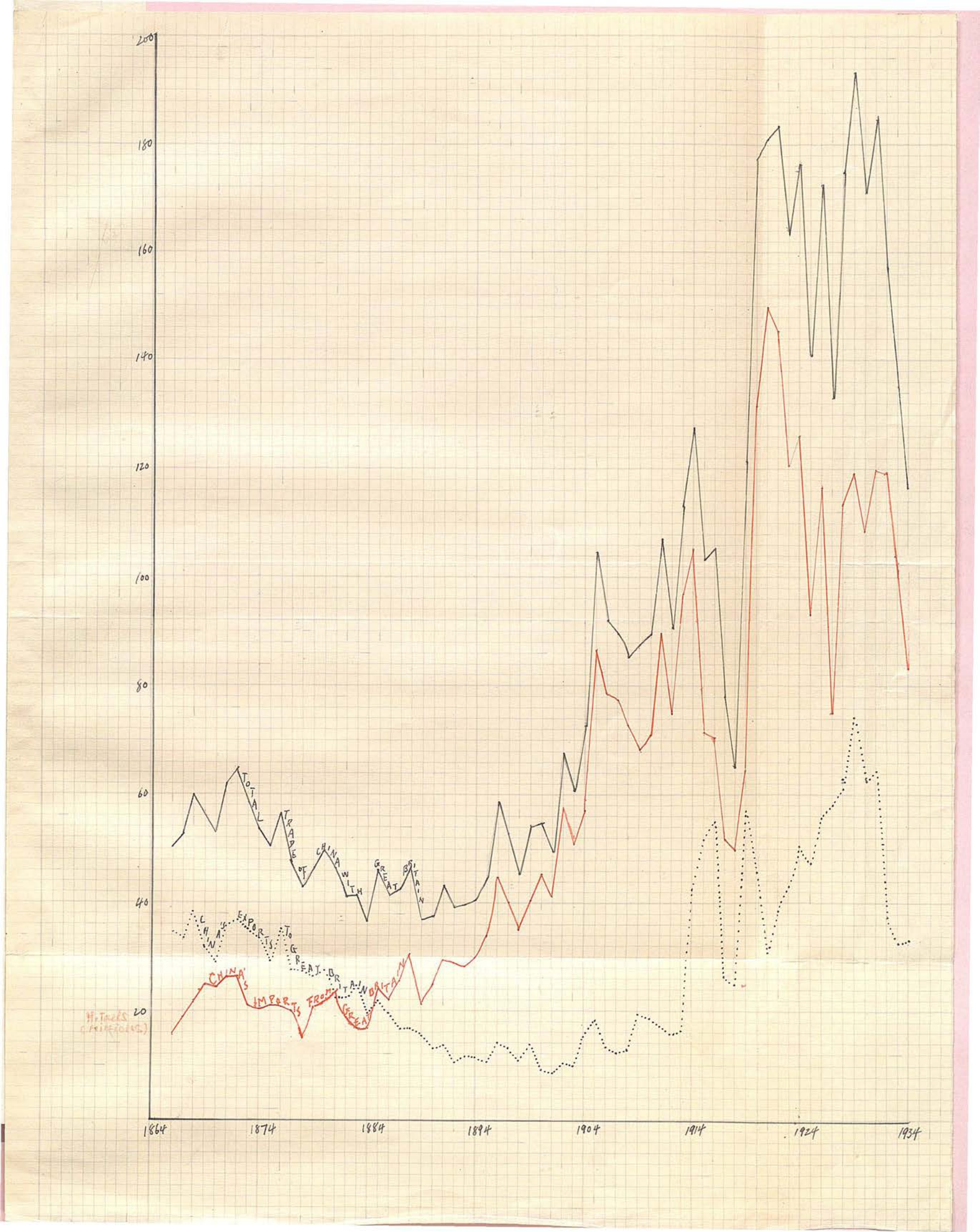
Year	Imports	Exports
	1834=100	
1834	100	100
1835	130	128
1836	155	157
1837	129	80
1838	123	143
1839	113	101
1840	68	62
1841	85	102
1842	113	115
1843	132	173
1844	159	274
1845	166	284
1846	189	212
1847	191	178
1848	160	171
1849	176	182
1850	167	187
1851	227	256
1852	220	297
1853	235	208
1854	260	119
1855	250	152
1856	264	263
1857	326	291
1858	202	341
1859	257	529
1860	266	631
1861	259	575
1862	346	372
1863	404	462
1864	447	559
	1865=100	
1865	100	100
1866	97	145
1867	83	145
1868	102	165
1869	88	174
1870	87	185
1871	107	183
1872	124	184
1873	116	161
1874	104	163
1875	129	166
1876	142	150
1877	134	154
1878	129	128
1879	108	147
1880	114	172
1881	102	186
1882	99	148
1883	99	138
1884	98	143
	1885=100	
1885	100	100
1886	100	85
1887	84	98
1888	81	100
1889	75	81
1890	63	102
1891	61	100
1892	46	85
1893	50	72
1894	43	70
1895	43	80
1896	39	95
1897	34	80
1898	35	81
1899	41	109
	1900=100	
1900	100	100
1901	80	113
1902	88	111
1903	95	113
1904	94	158
1905	80	202
1906	115	183
1907	119	183
1908	106	145
1909	155	144
1910	179	153
1911	164	179
1912	168	172
1913	156	230
	1913=100	
1913	100	100
1914	99	87
1915	149	55
1916	175	76
1917	182	71
1918	208	81
1919	478	133
1920	550	295
	1920=100	
1920	100	100
1921	42	58
1922	35	51
1923	44	45
1924	50	51
1925	48	35
1926	42	35
1927	43	26
1928	42	37
1929	43	36
1930	45	23
1931	35	22
1932	27	22
1933	23	17
1934	29	16

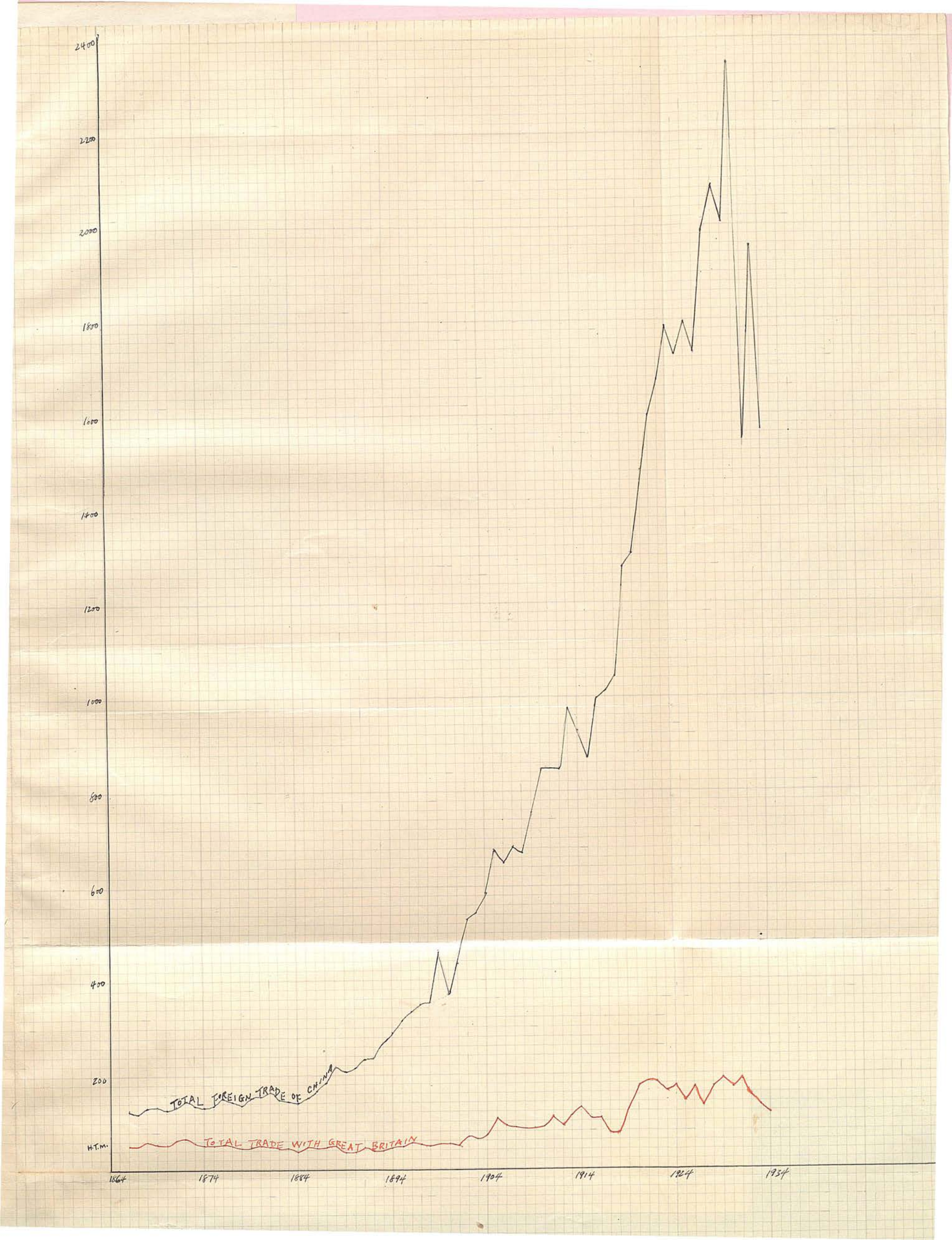
Table IV

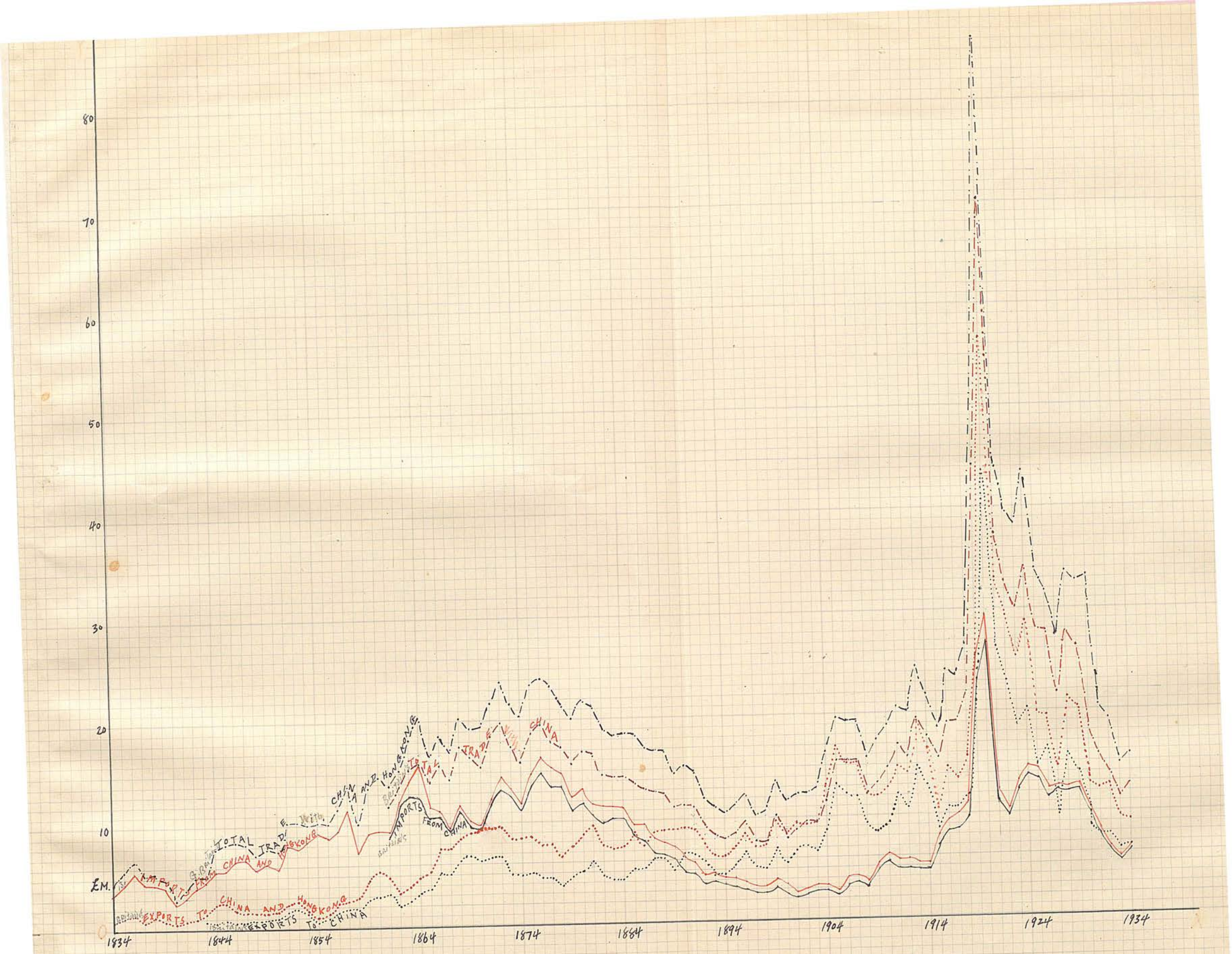
Index Nos. of Great Britain's Imports and Exports, from and to, China and Hongkong

(According to British statistics)

	Imports	Exports
	1900=100	
1900	100	100
1901	80	113
1902	88	111
1903	95	113
1904	94	158
1905	80	202
1906	115	183
1907	119	183
1908	106	145
1909	155	144
1910	179	153
1911	164	179
1912	168	172
1913	156	230
1914	155	200
1915	232	128
1916	273	176
1917	290	165
1918	324	187
1919	746	305
1920	857	680
1921	357	395
1922	303	350
1923	381	303
1924	428	347
1925	413	237
1926	356	235
1927	367	175
1928	363	255
1929	369	242
1930	301	155
1931	239	147
1932	187	152
1933	157	114
1934	196	110


200
180
160
140
120
100
80
60
40
20
TOTAL TRADE OF CHINA WITH GREAT BRITAIN
U.S. EXPORTS TO GREAT BRITAIN
CHINA'S IMPORTS FROM GREAT BRITAIN
1864
1874
1884
1894
1904
1914
1924
1934


2400
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
H.T.M.
TOTAL FOREIGN TRADE OF CHINA
TOTAL TRADE WITH GREAT BRITAIN
1864
1874
1884
1894
1904
1914
1924
1934


80
70
60
50
40
30
20
10
£M.
0
1834
1844
1854
1864
1874
1884
1894
1904
1914
1924
1934
IMPORTS FROM CHINA AND HONGKONG
EXPORTS TO CHINA AND HONGKONG
TOTAL TRADE WITH CHINA AND HONGKONG
TOTAL TRADE WITH CHINA
IMPORTS FROM CHINA
EXPORTS TO CHINA