

Tea, Silver, Opium and War:

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

by

Zhuang Guotu



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茶叶贸易和 18 世纪的中西商务关系

庄国土 著

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PREFACE

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

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

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

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

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

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

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

I bear all the responsibility for any errors arising herein.

Zhuang Guotu

June, 1993 at NIAS

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

MONEYS AND WEIGHTS

Moneys

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

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

1 pound(£) = Tls 3 or \$ 4

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

Weights

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

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

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Chapter I

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

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

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

¹ Canton Miscellany, No.2, 1831.

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

Contents of the Canton System

Since the Portuguese headed by Jorge Alvares sailed to the

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

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

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

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

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

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

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

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

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

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

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

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